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An investigation into the relationship between strategic planning and business performance in Small, Micro and Medium Scale Enterprises (SMMEs)

BY

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ABSTRACT

Orientation: The manner in which SMMES use the strategic planning process and practise strategy formalisation might affect their business performance and realisation of set goals and objectives.

Research purpose: The objectives of this investigation were to determine whether the strategic planning process (formulation, implementation and control and evaluation) influence business performance in SMMES. Secondly, to determine whether there is a significant relationship between strategy formalisation and business performance in SMMES. Also, to investigate literature on SMME performance measures. Lastly, to investigate literature on the hindrances on strategic planning.

Motivation for the study: Conflicting views still exist on the concept of strategic planning and its contribution or link to business performance. Hence, an investigation that looks into the relationship between the strategic planning process and business performance of SMMES in South Africa can provide a better understanding and conclusion on the link between the two variables. Thus, evidence from the research could help in better preparing, guiding and advising SMME managers and owner on whether and how to use the strategic planning process.

Research design, approach and method: A cross-sectional survey design was used and a questionnaire was self-administered to a sample of convenience consisting of 275 SMMES in the Buffalo City Municipality drawn from a population 950 SMMES available in the Eastern Cape Development Corporation (ECDC) data base.

Main findings: The results of this study showed a similarity with others obtained in prior studies. The reliability coefficients of all the other sub-scales were above 0.7 except for strategy implementation which was 0.662. The result drawn from the statistical analysis of this study showed that the strategic planning process had a positive effect on the performance of SMMES. Furthermore, each section of the strategic planning process (formulation, implementation and evaluation and control) possessed a positive correlation with business performance of SMMES. Lastly, strategy formalisations was found to have a significant relationship with business performance of SMMES in the Buffalo City Municipality.

Practical implications: The impact of strategic the strategic planning process is positive, it is a good predictor of organisational performance. Hence, organisations ought to put the strategic planning process to use. Furthermore, there is need to practise formal strategic planning since the results of the study showed that strategy formalisation had a significant relationship with business performance.

Contribution: This study provided evidence on whether the strategic planning process influence business performance in SMMEs and further evidence on the significance of the relationship between strategy formalisation and the performance of SMMEs.

Key words: strategy control and evaluation, strategy formulation, strategy formalisation, strategy implementation, organisational non-financial measure, organisational financial measure.

DECLARATION

I, the undersigned, Shingirai Walter Gomera (201013582) hereby declare that this dissertation is my own original work and it has not been submitted, and will not be presented at any other University or institution for a similar or any other degree award.

Signature: _____ Date: _____

PLAGIARISM DECLARATION

I, the undersigned, Shingirai Walter Gomera (201013582) hereby declare that I am fully aware of the University of Fort Hare's policy on Plagiarism and I have taken every precaution to comply with the regulations.

Signature: _____ Date: _____

ETHICAL CLEARANCE DECLARATION

I, the undersigned, Shingirai Walter Gomera (201013582) hereby declare that that I am fully aware of the University of Fort Hare's policy on Research Ethics and I have taken every precaution to comply with the regulations. I have obtained an ethical clearance from the University of Fort Hare's Research Ethics Committee and my certificate reference number is CHI11SGOM01.

Signature: _____ Date: _____

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Finally, I extend my gratitude to my Parents for paying for my tuition and other related expenses and constant advice and input towards the completion of my study.

DEDICATION

I dedicate this project to our Lord for giving me the wisdom and strength to complete this study.

I also dedicate this project to my family, my father Wonder, my mother Faith, my sisters Gloria and my nephew Nyashadzaishe you will always be my rock, strength and motivation. I will always love you.

ACRONYMS

DTC - David Tax Committee

DTI – Department of Trade and Industry

ECDC – Eastern Cape Development Corporation

EU – European Union

GDP – Gross Domestic Product

LTDER - Long Term Debt to Equity Ratio

NCR - National Credit Regulator

RBV - Resource Based View

SBP - Business Environment Specialists

SEDA - Small Enterprise Development Agency

SMMEs - Small, Micro and Medium Scale Enterprises

SCP - Structure Conduct Performance

SAS – Statistical Analysis System

SPSS - Statistical Package for Social Sciences

SSA – Statistics South Africa

SWOT – Strength Weakness Opportunity Threats

UFHREC - University of Fort Hare’s Research Ethics Committee

VRIN – Valuable Rare Imperfect-imitable Non-substitutable

WEF - World Economic Forum

ZMDC – Zimbabwe Mining Development Corporation

LIST OF FIGURES

Figure 1.1: Path diagram of the hypotheses.....	7
Figure 2.1: Strategic planning process.....	31
Figure 2.2: Deliberate and emergent strategies.....	35
Figure 2.3: Porter’s Five Force Model.....	49
Figure 2.4: Conceptual Framework	57
Figure: 5.1: Industry categories	121
Figure 5.2: Age of the firm	122
Figure 5.3: Firm’s capital size	123
Figure 5.4: Use of written strategic plans	125

LIST OF TABLES

Table 1.1: Cronbach Alpha rating.....	21
Table 3.1: Global Definition of SMMEs	61
Table 3.2: National Small Business Act: Classification of SMMEs	62
Table 3.3: Department of Trade and Industry (DTI): Definition of SMMEs	63
Table 3.4: SMME failure rates.....	72
Table 5.1: Response Rate.....	118
Table 5.2: Scale reliability test.....	120
Table 5.3: Firm’s strategic plan developer	124
Table 5.4: Duration of written strategic plans	126
Table 5.5: Number of years a firm has been using written strategic plans	127
Table 5.6: Firm mission	128
Table 5.7: Firm objectives and goals	129
Table 5.8: Strategy formulation	130
Table 5.9: Strategy implementation.....	132
Table 5.10: Strategy control and evaluation	133
Table 5.11: Financial or objective measure	134
Table 5.12: Non- financial or subjective measures.....	135
Table 5.13: Results of regression analysis.....	137
Table 5.14: Predictor and Significance of Relationships.....	138
Table 5.15: Pearson Correlation; formulation and organisational performance.....	139
Table 5.16: Pearson Correlation; Implementation and organisational performance	140
Table 5.17: Pearson Correlation; Control and evaluation and organisational performance	141
Table 5.18: independent sample T- test; strategy formalisation and organisational performance	142
Table 6.1: Summary of hypotheses tested	147

LIST OF APPENDICES

Appendix A: Questionnaire	185
Appendix B: Data analysis results	189
Appendix C: Ethical clearance form.....	201

TABLE OF CONTENTS

ABSTRACT.....	i
DECLARATION	iii
PLAGIARISM DECLARATION.....	iv
ETHICAL CLEARANCE DECLARATION.....	v
ACKNOWLEDGEMENTS.....	vi
DEDICATION.....	vii
ACRONYMS.....	viii
LIST OF FIGURES	i
LIST OF TABLES.....	ii
LIST OF APPENDICES.....	iii
TABLE OF CONTENTS.....	iv
CHAPTER ONE.....	1
INTRODUCTION AND BACKGROUND	1
1.1 INTRODUCTION	1
1.2 BACKGROUND	3
1.3 RESEARCH PROBLEM.....	4
1.4 RESEARCH OBJECTIVES.....	4
1.5 SIGNIFICANCE OF STUDY	5
1.6 HYPOTHESES.....	5
1.7 LITERATURE REVIEW	7
1.7.1 Strategic planning.....	8
1.7.2 Business performance	9
1.7.2.1 Strategic planning process and organisation performance	10
1.7.2.2 Strategy formulation and organisation performance in SMMEs.....	10
1.7.2.3 Strategy implementation and organisation performance in SMMEs.....	11
1.7.2.4 Strategy evaluation and organisation performance in SMMEs	11
1.7.2.5 Strategy formalisation and organisation performance in SMMEs	12
1.8 THEORETICAL FRAMEWORK.....	12

1.8.1 Porter’s Five Forces	13
1.8.2 Resources Based View (RBV)	13
1.9 RESEARCH METHODOLOGY AND APPROACH.....	14
1.9.1 Research Paradigm.....	14
1.9.1.1 Interpretivism Paradigm	15
1.9.1.2 Positivist Paradigm.....	15
1.9.2 Research Approach	15
1.9.2.1 Qualitative Approach.....	16
1.9.2.2 Quantitative Approach.....	16
1.9.3 Research design.....	16
1.9.3.1 Exploratory Research Design	17
1.9.3.2 Descriptive Research Design.....	17
1.9.3.3 Causal Research Design	17
1.9.4 Population and Sample.....	18
1.9.4.1 Sample size	18
1.9.4.2 Random Sampling Techniques	18
1.9.4.3 Non-Random Sampling Techniques.....	19
1.9.4.4 Justification of the chosen sampling procedure.....	19
1.9.5 Research Instrument.....	19
1.9.6 Questionnaire Validity	21
1.9.7 Questionnaire Reliability.....	22
1.9.8 Data Analysis	22
1.10 ETHICAL CONSIDERATIONS	22
1.11 DELIMITATIONS OF THE STUDY	23
1.12 CHAPTER OUTLINE	23
1.13 CONCLUSION.....	24
CHAPTER TWO	25
STRATEGIC PLANNING	25
2.1 INTRODUCTION	25
2.2 STRATEGY AND STRATEGIC PLANNING.....	25
2.2.1 Strategy.....	25

2.2.2 Strategic planning and implementation.....	26
2.3 STRATEGIC PLANNING AND LONG-RANGE PLANNING DIFFERENCES	27
2.4 STRATEGIC THINKING	29
2.5 THE STRATEGIC PLANNING PROCESS	30
2.5.1 Situation Analysis	32
2.5.2 Objective setting.....	32
2.5.3 Strategies	32
2.5.4 Monitoring Results.....	33
2.6 THE STRATEGY DEBATE	33
2.7 WHEN IS STRATEGIC PLANNING CONDUCTED?	36
2.8 MANAGERIALS' ROLE IN THE STRATEGY MAKING PROCESS	37
2.9 PROBLEMS IN STRATEGIC PLANNING AND IMPLEMENTATION	40
2.10 KEYS TO EFFECTIVE STRATEGIC PLANNING	41
2.10.1 Engagement.....	42
2.10.2 Communication	42
2.10.3 Innovation.....	43
2.10.4 Project Management.....	43
2.10.5 Culture.....	44
2.11 WHAT STRATEGIC PLANNING IS NOT?.....	44
2.12 BENEFITS OF STRATEGIC PLANNING	45
2.13 LIMITATIONS OF STRATEGIC PLANNING	46
2.13.1 Dealing with limitations	47
2.14 CRITICISMS OF STRATEGIC PLANNING.....	47
2.15 THEORETICAL FRAMEWORK	48
2.15.1 Porter's Five Forces Model	48
2.15.1.1 Criticism of the Porter's five forces model	51
2.15.2 Resource Based Value Approach.....	52
2.15.2.1 Criticism of the RBV approach	55
2.15.3 Conceptual Basis	56
2.15.3.1 Resources.....	57
2.15.3.2 Competitive environment	58

2.15.3.3 Strategy	58
2.15.3.4 Competitive advantage	58
2.15.3.5 Performance.....	59
2.16 CHAPTER SUMMARY.....	59
CHAPTER THREE	60
STRATEGIC PLANNING AND SMME PERFORMANCE	60
3.1 INTRODUCTION	60
3.2 SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs).....	60
Table 3.1: Global Definition of SMMEs	61
Table 3.2: National Small Business Act: Classification of SMMEs	62
Table 3.3: Department of Trade and Industry (DTI): Definition of SMMEs	63
3.3 CONTRIBUTION OF SMMEs IN SOUTH AFRICA.....	63
3.3.1 Job Creation.....	64
3.3.2 Economic growth	64
3.3.3 Poverty reduction	65
3.3.4 Equity and participation	65
3.3.5 Social stability	66
3.3.6 Income Distribution.....	66
3.4 CHALLENGES ENCOUNTERED BY SMMEs IN SOUTH AFRICA.....	67
3.4.1 Inadequate access to funds	67
3.4.2 Poor support structures.....	67
3.4.3 Location and networking.....	68
3.4.4 Economic variables	68
3.4.5 Market inaccessibility	69
3.4.6 Lack of education and training.....	69
3.4.7 Statutory regulations	70
3.4.8 Infrastructure and labour	70
3.4.9 Inadequate investment in information and technology	71
3.5 SMME PERFORMANCE	71
Table 3.4: SMME failure rates.....	72
3.6 ORGANISATIONAL PERFORMANCE.....	72

3.7 MEASURES OF ORGANISATIONAL PERFORMANCE	73
3.7.1 Objective Financial Measures	74
3.7.1.1 Revenue	74
3.7.1.2 Net income.....	75
3.7.1.3 Cash flow	75
3.7.1.4 Return on equity	76
3.7.1.5 Return on assets.....	76
3.7.1.6 Return on invested capital	77
3.7.1.7 Debt to equity ratio	77
3.7.1.8 Long –Term Debt to equity ratio	78
3.7.2 Subjective Financial Measures.....	78
3.7.3 Non-Financial Measures	79
3.7.3.1 Market share	80
3.7.3.2 Capacity utilisation	80
3.7.3.3 Product quality.....	81
3.7.3.4 On time delivery of products or services.....	82
3.7.3.5 Customer satisfaction	83
3.7.3.6 Customer retention	83
3.7.3.7 Employee satisfaction.....	84
3.7.3.8 Employee turnover	85
3.8 AN OVERVIEW OF LITERATURE ON STRATEGIC PLANNING AND ORGANISATIONAL PERFORMANCE	86
3.8.1 Strategic planning process and organisation performance in SMMEs	86
3.8.2 Strategy formulation and organisation performance in SMMEs	89
3.8.3 Strategy implementation and organisation performance in SMMEs	91
3.8.4 Strategy control and evaluation and performance in SMMEs	92
3.8.5 Strategy formalisation and organisation performance in SMMEs.....	94
3.8.6 Literature Overview Summary.....	96
3.9 CHAPTER SUMMARY.....	97
CHAPTER FOUR.....	98
RESEARCH DESIGN & METHODOLOGY	98

4.1 INTRODUCTION	98
4.2 OVERVIEW OF RESEARCH OBEJECTIVES	98
4.3 RESEARCH PARADIGM	99
4.3.1 Interpretivism paradigm	99
4.3.2 Positivism paradigm.....	99
4.4 RESEARCH APPROACH	100
4.4.1 Qualitative Research	100
4.4.2 Quantitative Research	100
4.5 RESEARCH DESIGN	101
4.5.1 Exploratory research design	102
4.5.2 Descriptive research design.....	102
4.5.3 Causal research design	102
4.6 DATA TYPES	103
4.6.1 Secondary Data	103
4.6.2 Primary Data	104
4.7 RESEARCH INSTRUMENT.....	104
4.8 POPULATION AND SAMPLE	105
4.8.1 Sample size.....	106
4.8.2 Sampling Approaches	106
4.8.2.1 Probability sampling approach	106
4.8.2.2 Non-probability sampling approach	107
4.8.2.3 Justification of the chosen sampling technique	109
4.9 DATA PREPARATION, ANALYSIS AND STATISTICAL TECHNIQUES	109
4.9.1 Preparing Data.....	109
4.9.1.1 Questionnaire checking / Data validation.....	109
4.9.1.2 Editing	110
4.9.1.3 Coding	110
4.9.1.4 Data entry /Transcribing.....	110
4.9.1.5 Data Cleaning	111
4.9.1.6 Data analysis strategy	111
4.10 DATA ANALYSIS AND STATISTICAL TECHNIQUES.....	111

4.10.1 Descriptive Statistics	111
4.10.2 Inferential Statistics.....	112
4.10.2.1 Regression analysis.....	112
4.10.2.2 Spearman correlation analysis	113
4.10.2.3 Sample T-test.....	114
4.11 VALIDITY, RELIABILITY AND DEALING WITH ERRORS	115
4.11.1 Validity.....	115
4.11.2 Reliability	116
4.11.3 Dealing with Response and Non-Response Errors	116
4.12 CHAPTER SUMMARY.....	117
CHAPTER FIVE	118
RESULTS	118
5.1 INTRODUCTION	118
5.2 RESPONSE RATE.....	118
5.3 NORMALITY OF THE DATA.....	119
5.4 RELIABILITY TEST FOR INDIVIDUAL SCALES.....	119
5.5 ORGANISATIONAL BACKGROUND INFORMATION.....	120
5.5.1 The industry category that best describes the firm.....	121
5.5.2 Age of the firm	122
5.5.3 Firm’s capital size	122
5.5.4 The person or unit that develops strategic plans in the firm	123
5.5.5 Use of written strategic plans	125
5.5.6 The time period covered by written strategic plans	125
5.5.7 Number of years a firm has been using written strategic plans	126
5.6 STRATEGIC PLANNING MEASURES.....	127
5.6.1 Firm mission.....	127
5.6.2 Firm objectives and goals.....	128
5.6.3 Strategy formulation.....	129
5.6.4 Strategy implementation	131
5.6.5 Strategy control and evaluation.....	132
5.7 ORGANISATIONAL PERFORMANCE MEASURES	134

5.7.1 Financial or objective measure.....	134
5.7.2 Non- financial or subjective measures	135
5.8 HYPOTHESES TESTING	136
5.8.1 Strategic planning process and organisation performance	136
5.8.2 Strategy formulation and organisational performance	139
5.8.3 Strategy implementation and organisational performance.....	140
5.8.4 Strategy control and evaluation and organisational performance	141
5.8.5 Strategy formalisation and evaluation and organisational performance	142
5.9 CHAPTER SUMMARY.....	143
CHAPTER SIX.....	144
DISCUSSION, IMPLICATIONS AND LIMITATIONS	144
6.1 INTRODUCTION	144
6.2 RE-CAP OF OBJECTIVES.....	144
6.3 SUMMARY OF CHAPTERS IN THE RESEARCH	145
6.3.1 Introduction and Background (Chapter One).....	145
6.3.2 Strategic planning (Chapter Two).....	145
6.3.3 Strategic planning and organisational performance (Chapter Three)	146
6.3.4 Research design and methodology (Chapter Four).....	146
6.2.5 Research results (Chapter Five)	146
6.4 DISCUSSION.....	147
6.4.1 Strategic planning process and organisational performance in SMMEs.....	147
6.4.2 Strategy formulation and organisational performance in SMMEs.....	149
6.4.3 Strategy implementation and organisational performance in SMMEs	150
6.4.4 Strategy control and evaluation and organisational performance in SMMEs.....	152
6.4.5 Strategy formalisation and organisational performance in SMMEs	153
6.5 IMPLICATIONS OF STUDY	154
6.5.1 Theoretical Implications.....	155
6.5.2 Methodological Implications.....	156
6.5.3 Practitioner Implications	157
6.6 LIMITATIONS.....	158
6.7 FUTURE RESEARCH.....	159

6.8 CHAPTER SUMMARY.....	160
REFERENCES	161
APPENDICES	185
APPENDIX A: QUESTIONNAIRE.....	185
APPENDIX B: DATA ANALYSIS RESULTS.....	189
APPENDIX C: ETHICAL CLEARANCE FORM	201

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 INTRODUCTION

Entrepreneurship is the practice of starting, producing and growing creativity, also of constructing an entrepreneurial team, responsible for collecting other resources to exploit a prospect in the environment for a profit (McIlquham-Schmidt, 2010; Lloyd, 2010; Ekiz, Ozgurer & Sian, 2015). It is entrepreneurship that can bring other production factors into motion. Entrepreneurship is acknowledged as an important contributor to growth and development both socially and economically through reducing the unemployment rate, provision of basic services and commodities, and increases countrywide competitiveness and productivity (Harris, Sapienza, & Bowie, 2009). According to Lloyd (2010) there is a great challenge that lies in global scholars on defining Small, Micro and Medium Enterprises (SMMEs), therefore there is no generally agreed definition. In South Africa the definition of SMMEs varies from industry to industry (Odame, 2007). The National Small Business Act (102 of 1996) defined small business as a separate, legal, distinct business entity that is either independently owned or operated and this includes sole proprietors, partnerships, non-governmental organisations, co-operatives enterprises, among others. The Act also defines them by categorising them into medium small, very small and micro enterprises based on distinct characteristics (Harris et al., 2009).

SMMEs perform a critical part in developing communities, as they use huge manpower, and are the pioneers in implementing fresh concepts (Lloyd, 2010; Kuratko, 2016). SMMEs are also a source of skilful manpower to the society which puts effort in altering society for the better (Sandada, Pooe & Manilall, 2014). The contributions of SMMEs to the economy have greatly been acknowledged (e.g., Lloyd, 2010; Bisbea, & Malagueno, 2012; Akhlagh, Moradi, Mehdizade, & Ahmed, 2013). Though SMMEs have been widely acknowledged for their economic and social contribution, the majority of them fail in their early stages (Arafat El-Mobayed, 2006; McCauley, 2012; Murimbika, 2011). Researchers of SMME organisations have proposed a number of factors as causes of poor performance and failure in small business (Harris et al., 2009; Murimbika, 2011; Bisbea, & Malagueno, 2012; McCauley, 2012). The following are stated as general causes for SMME organisations to perform poorly and collapse (McCauley, 2012; Murimbika, 2011).

- Absence adequate capital
- Unexpected growth
- Undetermined investment
- Over – interesting in immovable resources
- Absence of stock control
- Administrative ineffectiveness
- Poor customer service

However, the key to effectively addressing all the mentioned problems is through strategic planning (Arafat El-Mobayed, 2006; Odame, 2007; Pangarkar, 2015). Strategic planning can be defined as the process of increasing and upholding stability between the establishment's aims and resources and its fluctuating prospects (Herrmann & Nadkarni, 2013). Strategic planning was put forth by its pioneers almost four decades ago (Herrmann & Nadkarni, 2013). This was a measured and balanced procedure responsible for giving an organisation unmistakably a distinct drive or aim through a purposefully selected route (Mintzberg, 1990). Guerras-Martína, Madhokb, and Montoro-Sánchezc (2014) distinguished strategy as either planned or unplanned. Further, Jackson (2015) mentioned that the most deliberate strategies tend to underscore fundamental tracks and chain of command, the more emergent ones open the way for joint exploits and convergent conduct.

Forerunners of emergent strategic planning suggest that SMMEs do not benefit from formal strategic planning (McIlquham-Schmidt, 2010; McCauley, 2012; Herrmann & Nadkarni, 2013; Grant, 2014). Their argument is grounded in that rigidity will come as result of strategic planning. Hence, this will reduce the organisations ability to cope with market dynamics and changes, therefore reducing its competitiveness (Santos & Brito, 2012; Bisbea & Malagueno, 2012). On the other hand, forerunners of deliberate planning suggest that strategic planning has a number of performance benefits to organisations. The thinking here is that strategic planning is a management tool that guards against market changes and dynamics is strategic planning (Aracioglu, Zalluhoglu, & Candemir, 2013). Moreover, Douglas (2011) highlights that strategic planning offer a functioning structure permitting an organisation to have competitive advantages and improved performance.

1.2 BACKGROUND

In South Africa SMME definition vary across industries. According to Smit and Walkins (2012) the maximum number of employees should not exceed 200. Across all industries except the Agricultural Industry, SMMEs employ between 50 and 100 employees. In the agriculture sector a maximum of 100 employees and a turnover between R3 million and R5 million is required. In industries like mining, finance and retail, SMMEs should have turnovers between R10 million and R39 million.

SMMEs continue to be the mainstay of almost all economies of the world (Arafat El-Mobayed, 2006; Hassan & Minden 2010; Murimbika, 2011; Bisbea & Malagueno, 2012; Smit & Walkins, 2012). SMMEs play a major role in the reduction of the unemployment levels and the provision of basic goods and services (McIlquham-Schmidt, 2010). SMMEs also contribute to economic growth and give a country an edge to compete internationally through increased productivity levels. In South Africa, SMMEs in both the formal sector and informal sector employ more than 25 percent of the South African work-force (Odame, 2007; Murimbika, 2011). Prior studies reveal that there is a strong link between strategic planning and implementation to organisational performance (Douglas, 2011; McCauley, 2012; Grant, 2014; Grant & Jordan, 2015). Grant (2014) highlights that, the resolution of strategic planning is to complete a satisfactory procedure of originality and transformation in the organisation and if a planned scheme for strategic planning fails to backup improvement and transformation, it is a failure. As a result, strategy application is an essential component to the strategic planning procedure that converts framed strategy into a sequence of activities to attain organisational strategic goals, vision and mission (Herrmann & Nadkarni, 2013).

Most organisations have the ability to formulate and at times implement strategies; the issue then is on improving the strategies (Grant, 2014). Supporting this, McCauley (2012) reports that either profit-making or non-profit making organisations fail to improve more than 70 percent of their long-standing strategy initiatives. The literature that was reviewed as the basis of primary data for this study showed very little evidence of the type of strategic innovations that SMMEs perform. There is very little evidence that SMMEs conduct some form planning (McIlquham-Schmidt, 2010; Akhlagh et al., 2013; Guerras-Martína et al., 2014). This research sought to contribute in identifying link between strategic planning and performance in SMMEs.

1.3 RESEARCH PROBLEM

Innovative strategic planning and implementation in commercial entrepreneurship is affected by many variables which are similar to those that affecting various sectors of the economy (Dibrell, Craig & Neubaum, 2014; Ekiz et al., 2015). It is significant to note that this sector has gradually grown and its economic contribution has increased nationally and internationally (Bradfield, & Munro, 2015). However, most SMMEs face tough competition due to continuous changes in the markets (Pangarkar, 2015). Hence, SMMEs have placed much focus to try to comprehend how to advance their performance. Scholars in strategic management as a discipline have suggested that for organisations to be more competitive they need to increase or have more strategic planning practices (McIlquham-Schmidt, 2010; Abdalkrim, 2013; Govender & Pretorius, 2015). However, the effect of strategic planning in organisational performance is still debateable (Herrmann & Nadkarni, 2013). Moreover, results from studies on this phenomenon have shown mixed outcomes (e.g., Tang, & Zhang, 2005; McIlquham-Schmidt, 2010; Akhlagh et al., 2013; Bisbea & Malagueno, 2012; Murika, 2013).

Conflicting views still exist on the concept of strategic planning and its contribution or link to organisational performance (Ralph, 2010; Aldehayyat & Khattab, 2013). Investigations on SMME performance have mostly been linked to other aspects of the business such as accessibility to funds; management competences and entrepreneurship education but very little is found on strategic planning (Garwe & Fatoki, 2010; Mitchelmore & Rowley, 2013; Sondari, 2014). Hence the need to investigate strategic planning of SMMEs as the concept is under studied. Based on this the following research question was set: **What is the relationship between strategic planning and business performance in SMMEs operating in the Buffalo City Municipality?**

1.4 RESEARCH OBJECTIVES

The study investigated the relationship between the strategic planning processes and organisational performance of in SMMEs in the Buffalo City Municipality. The investigation aims to:

- To determine the relationship between the strategic planning process (formulation, implementation and control and evaluation) on organisational performance in SMMEs.
- To determine the relationship between strategy formalisation and organisational performance in SMMEs.

- To investigate literature on SMME performance measures.
- To investigate literature on the barriers on strategic planning.
- To make recommendations, theoretically and practically.

1.5 SIGNIFICANCE OF STUDY

SMMEs have proven to be very important in the South African economy (Odame, 2007; Lloyd, 2010). Each sector of the economy appears to have linkages with SMMEs that support the growth of these sectors (Murimbika, 2011). Hence, there is need to shed light on the aspect of strategic planning in these organisations operating in different sectors of the economy. This research will also show the relevance of each section of the strategic planning process (formulation, implementation and evaluation and control) and their relationship to organisational performance. The research may assist owners and managers of SMMEs to detect their firms' ability to achieve their social driven objective, and this might help improve the social well-being of people. Also, it is anticipated that the research will magnify the frame of information in the area of strategic planning in relation to performance of SMMEs. Moreover, it might help academics to have more insight leading to a conclusive idea on the relationship between strategic planning and performance. Lastly, the research might help owners and managers in SMMEs' nature constructive tendencies concerning strategic planning.

1.6 HYPOTHESES

- Primary hypotheses

H₀: The strategic planning process has no positive effect on organisation performance in SMMEs.

H₁: The strategic planning process has positive effect on organisation performance in SMMEs

- Secondary hypotheses

H₀: There is no significant positive correlation between the strategy formulation and organisation performance in SMMEs.

H₂: There is a significant positive correlation between the strategy formulation and organisation performance in SMMEs.

H₀: There is no significant positive correlation between the strategy implementation and organisation performance in SMMEs.

H₃: There is a significant positive correlation between the strategy implementation and organisation performance in SMMEs.

H₀: There is no significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

H₄: There is a significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

H₀: There is no significant relationship between strategy formalisation and organisation performance in SMMEs.

H₅: There is a significant relationship between strategy formalisation and organisation performance in SMMEs.

The hypothesis outlined above is presented in figure 1.1 in the form of a diagram that represents the research model. The diagram shows the path with which the hypotheses in this study will follow. The strategic planning process, strategy formalisation, strategy implementation, strategy control and evaluation and strategy formalisation are the independent variables. Organisational performance is the dependent variable in the study. Hence, this is depicted by the arrows pointing in the direction of the organisational performance section.

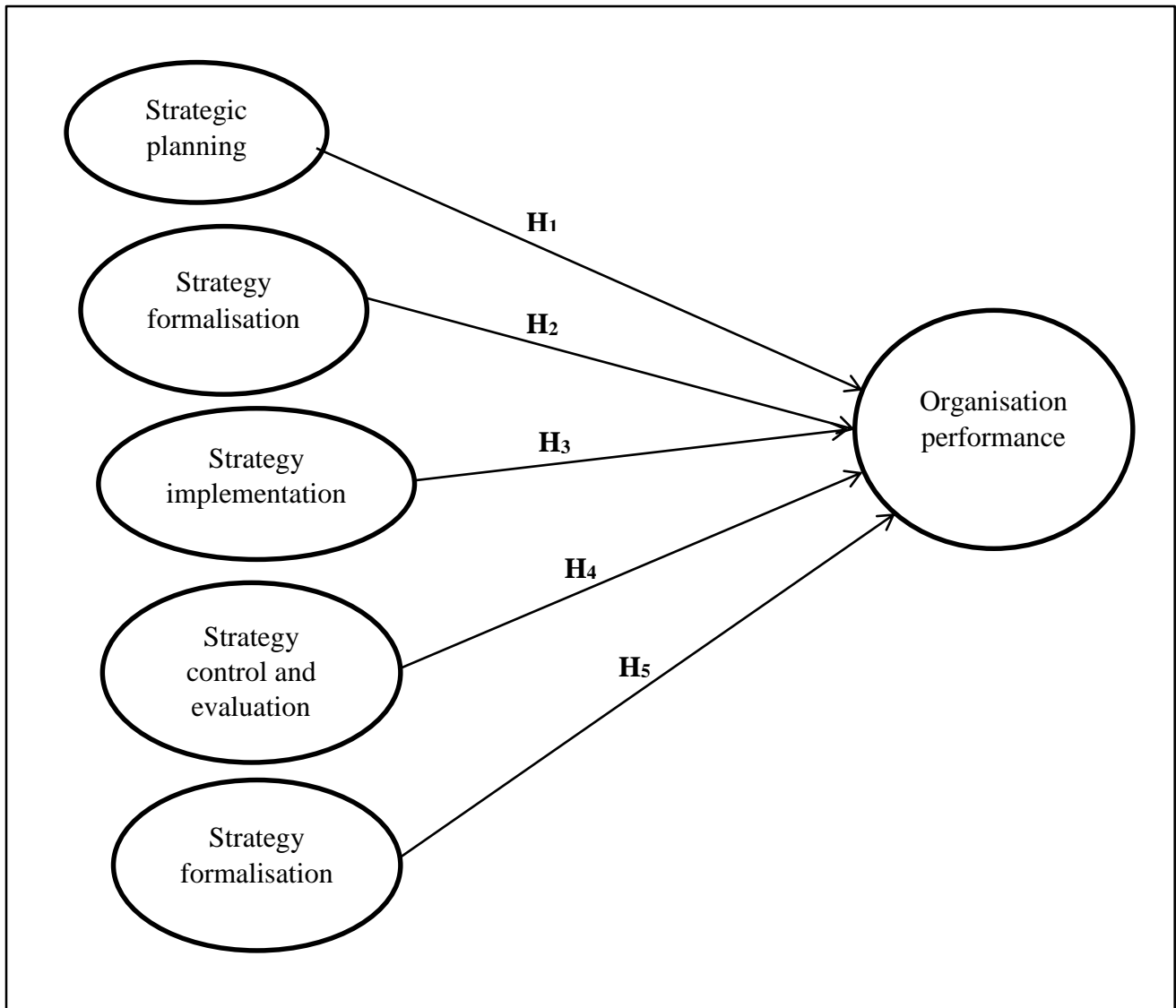


Figure 1.1: Path diagram of the hypotheses

1.7 LITERATURE REVIEW

Having outlined the objectives and the hypotheses of the research in the previous sections, this section will review and define the major relevant concepts to this study. These relate to defining what SMMEs are and an introductory presentation on strategic planning. This section is also dedicated to reviewing the theoretical and empirical work on strategic planning and organisational performance.

1.7.1 Strategic planning

Literature on strategy has over the years become wide, vast and most of all multifaceted. Strategy in general comprises business objectives, a vision, and commonly a clear design to accomplish the idea and achieve the objectives (Mintzberg, 1990). The concept of beginning at point “a” and moving to point “b” proposes a representation of strategy as either a way to set direction or the connection between now and tomorrow for an establishment (Guerras-Martína, et al., 2014). Roadmap strategists emphasise on what organisations must do to comprehend how they want to compete, where they will make money, and what administrative pedals will improve their performance (Herrmann & Nadkarni, 2013).

Strategic planning can be defined as the procedure of creating and upholding consistency between the establishment's goals and possessions and its shifting prospects (Grant, 2014). The key constituents of strategic planning practices involve probing questions on where the establishment intends to go, the current situation of the organisation, how will the organisation get there, and what alterations or fluctuations will occur in the organisation's environment (Guerras-Martina et al., 2014; Grant & Jordan, 2015). McCauley (2012) states that strategic planning intends to focus wholly on the allocation of entrepreneurs' resources on mutually planned quantifiable objectives.

Fainstein and Defilippis, (2015) states that, organisations ought to embark in strategic planning since their environment is becoming uncertain. Lloyd (2010) states that strategic planning practices might consequently assist SMMEs managers/owners to have knowledge of their present position, the direction of where they are heading to and the means to cope with uncertainties that come with market instability. Grant (2014) stresses that an organisations' mission, vision, goals, objectives, strategic choices, and resources are all interconnected through an organisation's strategic plan. Herrmann and Nadkarni (2013) acknowledge that strategic planning will inspire the interpretation of organisational objectives, methodological collection of data, prioritising of tasks, market dynamics awareness, and an enhanced performance. Grant and Jordan (2015) suggest, that the manner in which an organisation functions can be matched to the desires of the market through strategic planning.

1.7.2 Business performance

One of the most important managerial purposes is to measure organisational performance (Sandada et al., 2014). Assessing performance, revising variations in the surrounding environment and making alterations are customary and essential parts of the strategic management practice (Harris et al., 2009; Guerras-Martina et al., 2014). The means of measuring organisational performance still remains an argumentative theme to business consultants and the research fraternity alike (Harris et al., 2009; Bisbea & Malagueno, 2012; Aracioglu, et al., 2013; Sandada et al., 2014). However some researchers suggest that organisations may use objective measure in contrast to subjective measure to evaluate organisational performance (Tang & Zhang, 2005; Mcllquham-Schmidt, 2010; Sandada et al., 2014). Financial records comprising of actual return, gross revenue, return on asset, return on capital invested, and inventory gross revenue, constitute the objective measures (Mcllquham-Schmidt, 2010). While on the other hand subjective measures tend to depend on managers' and the owners view or opinion of organisational performance (Bisbea & Malagueno, 2012).

Those who oppose the objective measure of organisational performance propose that objective measures are difficult to get (Aracioglu, et al., 2013; Sandada et al., 2014). A measure like profit can be altered by making assessments amongst diverse divisions problematic (Mcllquham-Schmidt, 2010; Akhlagh, et al., 2013). Furthermore, researchers such as Bisbea, and Malagueno, (2012) and Sandada et al., (2014) stress that objective measures are undependable since they are excessively combined and short lived rather than presumptuous looking, emphasising the short-range prospect of the business as an alternative of the long-range benefits. A study by Tang and Zhang (2005) highlights, that objective performance information is subjective to industry particular dynamics and is seen unfitting for an inter-industry assessment.

As a result of such impreciseness, Tang and Zhang (2005) highlights that academics depend on subjective measures for the reason that it is easy to find objective performance information. Subjective measure of performance information is delivered in non-monetary form (Bisbea, & Malagueno, 2012). For instance, market stake, client satisfaction, staff member turnover, and fresh product development, which are pertinent for organisations to make it in a competitive and dynamic market (Bisbea, & Malagueno, 2012). The power of non-financial measures is grounded in their capability to offer understanding into organisational methods and results which, in the long

term, are enhanced forecasters of forthcoming organisational performance (Aracioglu, et al., 2013; McIlquham-Schmidt, 2010).

1.7.2.1 Strategic planning process and organisation performance

SMME performance is a topic of interest in many countries especially in Africa where most economies rely on SMMEs (e.g. McIlquham-Schmidt, 2010; Akhlagh, et al., 2013; Sandada et al., 2014). There has been linkages between strategic planning and performance, studies show that there is a positive relationship between the two (McIlquham-Schmidt, 2010; Akhlagh, et al., 2013; Sandada et al., 2014). High strategising SMMEs perform much better than those which do not practise strategic planning (Efendioglu & Karabulut, 2010). Thus, the following hypothesis is presented for this study:

H₀: The strategic planning process has no effect on positive organisation performance in SMMEs.

H₁: The strategic planning process has positive effect on organisation performance in SMMEs

1.7.2.2 Strategy formulation and organisation performance in SMMEs

Strategy formulation is the key to a sound strategic planning process (Awino, Muturia, & Oeba, 2012). Hence, in order to be ahead of competition SMMEs have to pay great attention on not only how they formulate their strategies (Kee-Luen, Thiam-Yong & Seng-Fook, 2013). Skokan, Pawliczek, & Piszczur (2013) found that strategy formulation has a positive correlation with organisation performance in SMMEs. When there is evidence of sound strategy formulation set organisational goals and objectives are reached (Parnell, 2013). Also, most of the strategies would be formulated paying close attention to obtaining good organisational performance (McIlquham-Schmidt, 2010). However evidence that it available is drawn from investigations that look at the strategic planning process in entirety. Authors such as Akhlagh, et al., (2013), Sandada et al., (2014) and Parnell (2013) made investigations on the relationship between strategic planning and organisational performance without separating the specific stages in the process. Thus, through identifying this gap the following hypothesis is presented for this study:

H₀: There is no significant positive correlation between the strategy formulation and organisation performance in SMMEs.

H₂: There is a significant positive correlation between the strategy formulation and organisation performance in SMMEs.

1.7.2.3 Strategy implementation and organisation performance in SMMEs

SMMEs are highly characterised with failure (Pangarkar, 2015). The failure is not attribute to poor planning but on poor strategy implementation (Hassan & Minden 2010). Hence, this means that there is need to improve on how SMMEs implement their strategies (Kee-Luen et al., 2013). Ogunmokun and Hsin Tang, (2012) state that the more attention paid on strategy implementation the more organisations perform well. The question proposed by the researcher asks if there is a significant positive correlation between strategic implementation and organisation performance. The literature shows that few studies have been conducted that look into the relationship of the strategic planning process and organisational performance breaking down the process into sections (French, Kelly & Harrison, 2004; Arasa & K'Obonyo, 2012; Muogbo, 2013). The results of French et al., (2004) study showed that there was no evidence of a relationship between the variables in question. French et al., (2004) investigation suggests that have a sound or poor strategic implementation criterion would not have any effect on the performance of an organisation. Thus the following hypothesis is presented for this study:

H₀: There is no significant positive correlation between the strategy implementation and organisation performance in SMMEs.

H₃: There is a significant positive correlation between the strategy implementation and organisation performance in SMMEs.

1.7.2.4 Strategy evaluation and organisation performance in SMMEs

The strategic planning process is a cycle that never stops as long as an organisation is in operation (Harris et al., 2009; Guerras-Martina et al., 2014). Hence, organisations big or small pay most attention on the strategic planning and evaluation phase of the strategic planning process so as to ensure future sound strategic planning (Lee, Lee, & Wu, 2010). Langat and Auka (2015) state that how an organisation conducts its strategic control and evaluation stage in the planning process influences an organisations' future strategic planning. Muogbo (2013) deduced that drifts in

strategies that may lead to poor performance start to occur when there is no evidence of a sound strategy control and evaluation process in an organisation. O'Gorman and Doran (1999) suggests that making use of the control and evaluation section of the strategic planning process does not only help in shaping new strategies but also ensuring that the current strategies are in order. Therefore strategy control and evaluation has a somewhat direct relationship with how small organisations perform (Muogbo, 2013). Thus, due to this the following hypothesis is presented for this study:

H₀: There is no significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

H₄: There is a significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

1.7.2.5 Strategy formalisation and organisation performance in SMMEs

Competitiveness varies from one industrial sector to the other, some industries are highly competitive and some are low on competition (Awino et al., 2012). Industries with high prevalence of competition have firms that make use of formal strategic planning (Kee-Luen et al., 2013). On the other hand, those industries that are not competitive have firms that practise informal planning or no planning at all (Kee-Luen et al., 2013). Xia, and Tang, (2011) state the degree of strategic planning varies from one industry to another. When the environment is highly turbulent it raises the need for organisations to have plans that are flexible (informal) so as to manage the environmental fluctuations (Xia & Tang, 2011). Studies show inconclusive results on the relationship between strategy formalisation and organisation performance (Ogunmokun & Hsin Tang, 2012; Kee-Luen et al., 2013). Thus, the following hypothesis is presented for this study:

H₀: There is no significant relationship between strategy formalisation and organisation performance in SMMEs.

H₅: There is a significant relationship between strategy formalisation and organisation performance in SMMEs.

1.8 THEORETICAL FRAMEWORK

There are various broad theories that focus on strategic management. For the purpose of this investigation the researcher considered two main theories that speak to the objective of this study.

Porter's Five Forces (Grant & Jordan, 2015) and the Resource Based View (RBV) (Andersen & Nielsen, 2009) are the two theories that were used in this study.

1.8.1 Porter's Five Forces

Porter's five forces examines what distinguishes the competitive environment of an organisation (Grant, 2014). It is a tactical premonition to elude placing the competitive advantage in jeopardy and safeguard the success of merchandises over a long period (Azhar, 2009; Grant & Jordan, 2015). For the organisation this idea is rather important since the organisation is capable to direct its improvements in terms of selection of tactics and investments (Andersen & Nielsen, 2009). The five forces described by Porter comprise of threat of new entrants, threat of substitute products, bargaining power of suppliers, bargaining power of customers and competitive rivalry within the industry (Grant, 2014). Literature describes that all these five forces are interconnected and the first four forces all build up to competitive rivalry within the industry (Andalya, 2013).

For the purpose of this investigation competitive rivalry within the industry is the factor that addresses the majority of the research objectives. The rivalry between organisations controls the desirability of a segment (Grant, 2003). Establishments are struggling to uphold their supremacy hence they make strategies to keep them on top (Azhar, 2009). Rivalry is a game in which ordinarily, one participant fails at the cost of the other by formulating and implementing better strategies (Andersen & Nielsen, 2009). A move on the part of a participant could result in the other participant to create counter changes or start efforts to safeguard themselves from the danger posed by the initial move thus strategic control and analysis (Grant & Jordan, 2015). In this way, organisations within the same trade are equally dependant and the manner in which they strategies are shaped by the uncertainty in the environment (Grant, 2014). The situation in an industry keeps changing with the actions and reactions and reactions of the constituent firms (Gruber, Heinemann, Brettel, & Hungeling, 2010). Moreover, competitive rivalry pays attention on the number of participants, merchandises, makes, strengths and weaknesses, tactics and market share that natures how businesses strategies.

1.8.2 Resources Based View (RBV)

The study embraced the resource-based theory of the organisation. This model chains notions from firm economics and strategic management (Grant & Jordan, 2015). In the model, the competitive

advantage and greater performance of a firm is described by the uniqueness of its abilities (Andersen & Nielsen, 2009). The fundamental suggestion of the resource-based model is that organisations are diverse in regards to the strategic possessions they have and regulate (Azhar, 2009). Resources make up the major element of investigation for the RBV and can be described as those possessions that are secured partially-permanently to the organisation. Traditional foundations of competitive advantage such as monetary and natural resources, equipment and economies of scale can be used to craft value (Gruber et al., 2010).

Capabilities, in contrast, state an organisation's ability to organise and manage diverse resources, commonly in groups, making use firms procedures, to influence an anticipated goal (Grant & Jordan, 2015). They are information-grounded, intrinsically imperceptible procedures that are organisation prescribed and are established over time through multifaceted connections amid the organisation's resources (Grant, 2014). Hence, through the definition given on resources and capabilities it is clear that the theory is applicable to this study. The resource contribution is on the capacity of the human resources ability to formulate sound strategies (Gruber et al., 2010). More so, the part of dynamic capability factors in the ability of the firm to allocate resources to each section of the strategic planning process.

1.9 RESEARCH METHODOLOGY AND APPROACH

Elliott (2013) defines research methodology as the selections the investigator has to choose about circumstances to investigate, approaches of data collection, and forms of data analysis when performing an investigation. In the following sections, the research methodology will be discussed with specific reference to the approach, the design, the population and sample, the measuring instruments, validity and reliability, data analysis and ethical aspects.

1.9.1 Research Paradigm

A research paradigm is a conviction around the manner in which information around a phenomenon must be collected, examined and used (Carson, Gilmore, Perry, & Gronhaug, 2001). The term epistemology (what is acknowledged to be factual) in contrast to doxology (what is assumed to be factual) incorporates the numerous viewpoints of study method (Creswell, 2014). The drive of science is then, to transform ideas assumed to be true into ideas that are acknowledged

to be true (Salkind, 2010). There are two broad paradigms that exist which are positivism approach and the interpretivism approach (Denzin and Lincoln, 2011).

1.9.1.1 Interpretivism Paradigm

Where the results obtained cannot be generalised to a wider population as a result of its subjectivity involved which leads to higher chances of the data being exposed to bias (Denzin & Lincoln, 2011). Understanding is grounded on socially built and personal considerations (Carson et al., 2001). The objective of interpretivism is to capture and understand an individual's social conduct (Salkind, 2010). The overview and forecast of reasons and effects are not followed within this method. The important elements of interpretivism include motives, meanings and reasons concern (Creswell, 2014).

1.9.1.2 Positivist Paradigm

Positivism is a paradigm whereby the investigation is grounded on information obtained from an affirmative substantiation of noticeable practice and not self-examination or perception (Denzin and Lincoln, 2011). The positivist paradigm mostly depends on investigational and controlling procedures concern (Creswell, 2014). Presentation of such procedures will reduce the difference between the personal preconception of the investigator and what the investigator is really investigating. The procedures consist of producing a proposition and analysis of the proposition (Salkind, 2010). Positivists pursue to uphold a strong difference between proof and significance conclusions, pursuit for impartiality and endeavour to use a constantly rational, unwritten and reasonable method to their purpose of investigation (Carson, et al., 2001).

The researcher employed a positivist paradigm. This is due to that a positivist paradigm uses logic and formal measures in respect of the objects under study hence it employs quantitative research techniques (Carson, et al., 2001). The reason behind this choice of paradigm is because it focuses on justification and clarification, where assumptions are directed by openly specified notions and proposition concern.

1.9.2 Research Approach

Denzin and Lincoln (2011) defined a research approach as a blueprint for directing a study with full control over elements that can impede with the strength of the findings. A research approach

is a plan that describes how, when and where data are to be collected and analysed (Carson, et al., 2001). There are two broad approaches that exist which are the quantitative and qualitative designs.

1.9.2.1 Qualitative Approach

Denzin and Lincoln (2011) referred to a qualitative approach as an orderly subjective method used to define life experiences and circumstances to give them significance. Carson et al., (2001) states that qualitative research emphasizes on the understandings and familiarities of individuals as well as highlighting exceptionalities of the individual. Researchers practice the qualitative method to discover the behaviour, perspectives, experiences and feelings of individuals and highlight the understanding of these fundamentals (Salkind, 2010).

1.9.2.2 Quantitative Approach

In this study the researcher will employed the quantitative research approach. According to Salkind (2010) a quantitative research approach initiates empirical simplifications which can be used to regulate forthcoming sequences of action. Cooper and Schindler (2006) add that in quantitative research variables are explained in a way that they become measurable and it also requires statistical summarization. Quantitative research data can be collected from an enormous set of respondents and is used in descriptive studies to quantify information and project the outcomes from the sample to the populace of concern (Creswell, 2014).

The objective was to generalise about a specific population based on the results of a representative sample of that population. Quantitative research provides this platform since its data that can be converted into numbers and seeks to quantify data by applying some form of statistical analysis. The approach was chosen since it is most suitable for a wider population such as that of the SMMEs in the Buffalo City Municipality.

1.9.3 Research design

A research design specifies the methods and procedures for conducting a particular study and these can be classified into three categories namely exploratory, descriptive and causal research (Carson et al., 2001). These various research designs receive brief attention next.

1.9.3.1 Exploratory Research Design

Exploratory research is a technique which is normally used when little or nothing is known about a particular concept or field of study or when the research problem is vague and it is used to determine whether the known information is actually correct (Denzin & Lincoln, 2011). In other words, exploratory research can be explained as a design used in the discovery of ideas in a particular field of study which makes use of informal and flexible research techniques for example qualitative research methods (Salkind, 2010).

1.9.3.2 Descriptive Research Design

The main aim of a descriptive research design is to clarify the main accepts of a sample or field of study and to answer who, what, when and where questions (Creswell, 2014). Unlike exploratory research in which the problem is vague, in descriptive research the main aim is to explain or give a detailed analysis of the state of the situation or problem without any manipulations of its original state (Salkind, 2010). Denzin & Lincoln (2011) highlights that, when employing a descriptive approach, formal and rigid measures are used in contrast to the flexible and informal ones used in exploratory research.

1.9.3.3 Causal Research Design

The main focus of causal research design is to investigate the causal relationship between two or more variables in question or under study (Denzin & Lincoln, 2011). This design is normally used when the researcher seeks to remove or reduce many sources of bias and threats to internal validity to the variables under study and tests are usually employed (Carson et al., 2001). According to Creswell (2014) causal design shows how one variable changes cause a respective change in the variable in question and exploratory and descriptive are normally done before causal research design.

For the purposes of this study, a descriptive-casual research design was employed. The reason being that it provides clarity to the aim of this study, which was to give answers to the formulated objectives; these entailed finding the respective relationships between the given variables. This design was used because it makes use of formal and rigid measures in analysing the data which are easier and straight forward to interpret. Furthermore it provides a valuable examination of the

study variables grounded on the information to be gathered along with answering questions on what, where and how.

1.9.4 Population and Sample

The total group of people is what is referred to as population (Gerber-Nel, Nel, & Kotze 2008; Zikmund & Babin, 2010). Population includes all members that we are studying or trying to gain information on. Elliott (2013) states that it is the group to which you wish to generalise your samples. In this study the target population is available at Eastern Cape Development Corporation (ECDC) which has more than 950 registered SMMEs. Hence, this target population are all the SMMEs that operate in the Buffalo City Municipality. A sample is a subset of the population of interest (Salkind, 2010). Creswell (2014) states that it is a part of the population and the group you study directly. The sample will be a representative frame drawn from SMMEs operating in the Buffalo City Municipality.

1.9.4.1 Sample size

To determine the sample size the researcher used the Raosoft sample size calculator. The Raosoft sample size calculator is statistical software that allows researchers to define the sample size assumed the margin of error, confidence level, response, distribution and population size. In calculating the researcher used 95% confidence level, a response distribution of 50% and a margin of error of 5%. The population size as obtained from Eastern Cape Development Corporation (ECDC) is 950 SMMEs. The Raosoft sample size calculator gave a recommended sample size of 275 respondents.

1.9.4.2 Random Sampling Techniques

Random sampling or probability sampling techniques involve the ability to calculate the chances of an individual to be chosen to be part of the respondents (Salkind, 2010). Random sampling techniques include: simple, stratified, systematic and cluster sampling (Salkind, 2010). The above mentioned techniques are beneficial to use as they lead to the elimination of bias and enables easier calculation of means and variances as opposed to non-random sampling techniques (Creswell, 2014). However, constructing a sample using random sampling techniques requires rigor and

vigour hence being costly thus the researcher employed a non-random sampling technique in constructing a sample (Cant, Gerber-Nel, Nel, & Kotze, 2005).

1.9.4.3 Non-Random Sampling Techniques

As a result of time and financial constraints, it was challenging and undesirable for the researcher to make use of random sampling techniques (Cant et al., 2005). Hence, the researcher made use of non-probability techniques in formulating the sample. It gave the researcher greater independence since it has no restrictions or boundaries in selecting the sample and uses more of the researcher's judgements (Creswell, 2014). A non-probability method is a subjective procedure in which the probability of selecting participants from the population cannot be determined (Zikmund & Babin, 2010). Furthermore, it is easier and cheaper to administer since it requires no thoroughness in selecting the sample participants (Creswell, 2014). Non-random sampling techniques include; judgement, quota and convenience sampling (Salkind, 2010). For the purpose of this research, the researcher will use convenience sampling.

1.9.4.4 Justification of the chosen sampling procedure

A convenience sampling technique is a technique which can be employed when the population in question is more or less the same in terms of its characteristics for example university students (Cant et al., 2005). Convenience sampling involves selecting samples on availability (Creswell, 2014). Put differently, Convenience sampling is a technique from which a sample is selected with no difficulties in its accessibility and it is readily available (Salkind, 2010). The researcher chose convenience sampling since the participants need in this study are always on busy schedules with running their business hence the best was to select them based on their availability. Also this procedure does not limit the researcher's choice to specific participants such as in random sampling; the researcher's choices remain wide spread over the population.

1.9.5 Research Instrument

The research instrument to be used for this study is a questionnaire. A questionnaire is a set of cautiously deliberate questions given in precisely an unchanged method to a set of individuals in order to gather information around some subject(s) in which the investigator is concerned (Cant et al., 2005). The researcher chose to use self-administered questionnaires because they ensure

anonymity and privacy of respondents thereby encouraging honest responses. They also proved to have a higher response rate than other data gathering techniques like mail surveys, and they are less expensive than other methods where the researcher must be with respondents at all times like personal interviews.

The questionnaire to be used for this study was adopted from previous empirical work which investigated small business organisations. The questionnaire was divided into two parts. Part one consists of seven Items related to sector classification to which organisations operate in and strategic planning. The seven items in part one was adopted from a study by Arafat El-Mobayed (2006).

Part two: It includes seven fields that were adopted from three different studies. Scale one to scale six is a five point Likert scales ranging from strongly disagree to strongly agree also adopted from the study by Arafat El-Mobayed (2006). Scale one is the organisations mission constituting four items. Organisation's objectives and goal are in Scale two and include four items. Scale three is the strategic formulation which includes twelve items. Strategy implementation is in scale four and includes two items. Scale five is the strategy control and evaluation which includes seven items.

Scale six measures organisational subjective financial performance and it includes eight items. The organisational performance scale was adopted from a study by Green and Mediln, (2003). Each of the performance related items asked the owner/manager or CEO to highlight their organisations performance in comparison to the industry average on a five point Likert scale anchored with "weaker (1)" and "stronger (5)" (Green & Mediln, 2003).

Lastly, scale seven organisational non-financial performances and it includes eight items. The organisational performance scale was adopted from a study by Cadogan, Diamantopoulos & Siguaw, (2002) and Spangenberg & Theron, (2004). Each of the performance related items asked the owner/manager or CEO to highlight their organisations performance in comparison to the industry average on a five point Likert scale anchored with "weaker (1)" and "stronger (5)". The researcher from which the questionnaire was adopted used the Alpha-Cronbach coefficient test to measure the questionnaire reliability of each field and the total average of the questionnaire. The Cronbach alpha ratings of the scales are shown in the table 1.1.

Table 1.1: Cronbach Alpha rating

Scale	Number of Items	Cronbach alpha	Source
Organisations mission	4	0.93	(Arafat El-Mobayed, 2006)
Organisations objectives and goals	4	0.88	(Arafat El-Mobayed, 2006)
Strategy Formulation	12	0.86	(Arafat El-Mobayed, 2006)
Strategy Implementation	2	0.84	(Arafat El-Mobayed, 2006)
Strategy Controlling and evaluating	7	0.76	(Arafat El-Mobayed, 2006)
Subjective financial Performance	8	0.83	(Green & Mediln, 2003)
Non-financial performance	8	0.78	(Cadogan Diamantopoulos & Siguaw, 2002) (Spangenberg & Theron, 2004)

1.9.6 Questionnaire Validity

Malhotra (2010) states that validity is apprehensive with the magnitude to which the investigation results precisely signifies what is in trendy. The researcher will measure the content validity and reliability of the questionnaire by two ways which are as follows:

1. Arbitrating the survey instrument:

Handing out the research instrument to a panel of arbitrators containing 12 academic participants from the University of Fort Hare. The participants were drawn from Faculties of Management and Commerce, Education, and Statistics members and others who have wide experience in business and strategic planning. The investigator modified, deleted and add the required sections of the reseach instrument putting to consideration the arbitrators' suggestions.

2. Pilot study:

The investigator conducted a pilot study to evaluate the research instrument. The investigator examined the internal congruence of the instrument by computing the correlation coefficients of every section separately and the total number of the items for each section.

1.9.7 Questionnaire Reliability

Reliability is apprehensive with the results of the study (Cooper & Schindler, 2006). The researcher will conduct two reliability tests on the pilot study sample; the two tests are Split-Half Coefficient and Cronbach Alpha Method. The researcher assessed the fields' structure reliability by computing the correlation coefficients of each section of the instrument and the total number of the items.

1.9.8 Data Analysis

Data was validated, edited, coded, entered and cleaned before analysis is done. According to Cant et al. (2005), the mentioned steps are very crucial before data is analysed. This study used Statistical Package for Social Sciences (SPSS) as the statistical software for data analysis. SPSS is software for performing statistical procedures in the social sciences field (Thomas, 2004). This was done to obtain the quantitative nature of the results in the study. Burns and Bush (2013) define descriptive statistics as the name given to a large body of statistical and graphical techniques. Descriptive statistics provide simple reviews about the sample and the measures. Frequencies and percentile will be generated to answer the descriptive part of data analysis. Kolmogorov-Smirnov test to identify type of data either follows normal distribution or not, which revealed non-parametric goodness-of-fit (Sample K-S-1), Pearson-Brown coefficient, one sample T-test, and Normality Distribution Test constitute the infernal statistics part which were used for hypothesis testing.

1.10 ETHICAL CONSIDERATIONS

Ethical procedures were adopted to make sure that the research complies with the ethical procedures for research and teaching in the University of Fort Hare. Ethical considerations involved the improvement of ethical values that can be useful to circumstances in which there can be real or probable harm to an individual or a group. The researcher also applied for ethical

clearance from the University of Fort Hare. According to Roberts-Lombard (2002) ethics are of particular concern to research practitioners because their profession is based on consumer or public cooperation. Researchers should be aware of some general obligations to people who provide data in research studies. According to Thomas (2004) their obligations include the not to harm, force or deceive participants. Participants should be willing and need to be informed. Participants were requested to sign an informed consent form before they take part in this investigation.

Data to for this study was gathered using an ethically approved instrument and the researcher was cautious to follow all the rules that govern academic research conduct institutionally, nationally and internationally. In the collection of data, the researcher was aware to observe the rights of respondents and not to cause any respondents mental or physical discomfort through harm, risks and danger. Respondents answered questions freely without any pressure. Considering the fact that there is a need to ensure and protect the welfare and dignity of the respondents in the study, information provided was treated as confidential.

1.11 DELIMITATIONS OF THE STUDY

The researcher did not focus on SMMEs from the whole province rather the focus was on SMMEs operating in the Buffalo city Municipality. The researcher did not consider other variables such as gender and level of education of the SMME owner/ manager. The researcher did not consider nationality as a variable because the dominant population is made up of South Africans. Hence the results may be biased and the sample will not reflect other nationalities indicating its weakness.

1.12 CHAPTER OUTLINE

This thesis is structured as follows:

CHAPTER ONE: BACKGROUND AND INTRODUCTION

Chapter one provided the background and the introduction of this research. The chapter also provided the research question and the objectives of this research. Further, the chapter outlined the significance of this study. Lastly, the chapter introduced the hypotheses of the study and the research methodology that was used in this study.

CHAPTER TWO: STRATEGIC PLANNING

Chapter two reviewed the strategic planning, factors that hinder sound strategic planning and ways to deal with the hindrances. The chapter also paid attention on two theories that are most applicable to this study.

CHAPTER THREE: STRATEGIC PLANNING AND SMME PERFORMANCE

This chapter pays focus to the extant literature on strategic planning and SMME performance. The chapter provided both local and international definitions on the phenomenon. The chapter also looked into the aspect of organisational performance and the measures used to assess this important aspect of any firm.

CHAPTER FOUR: RESEARCH METHODOLOGY

This chapter focused on the study at hand in terms of the study area, the study unit, the population, the organisation and design of the questionnaire, the methods of data collection and data analysis. The validity and reliability of the research instrument were also discussed.

CHAPTER FIVE: ANALYSIS AND INTERPRETATION OF RESEARCH RESULTS

The analysis and interpretation of data was presented in this chapter. The results obtained were compared with the findings of previous empirical studies.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

Chapter five details the contribution of this research and its limitations. An agenda for future research is proposed. The chapter also draws attention to the theoretical, methodological and practical contributions of the research.

1.13 CONCLUSION

This chapter necessitates the evaluation of the feasibility of the study. Furthermore, all the other chapters build up on this chapter reflecting the essence of the current chapter. Chapter two follows with the literature review.

CHAPTER TWO

STRATEGIC PLANNING

2.1 INTRODUCTION

This chapter will focus on the literature on strategic planning, the chapter pays focus on the definitions of strategy, aspect that foster SMMEs to strategically plan and hindrances to strategic planning. The chapter will further review literature on what other scholars have proposed on the subject of strategic planning. The chapter will also review the strengths and weakness of strategic planning and the criticism against strategic planning.

2.2 STRATEGY AND STRATEGIC PLANNING

Over the past decades different definitions have been brought forward that try to reveal what strategy and strategic planning is all about (Miller, 1987; Mintzberg, 1990; Herrmann & Nadkarni, 2013; Grant & Jordan, 2015). Most academics have tended to focus on the subject in the context of the process of strategic planning and implementation (Douglas, 2011; McCauley, 2012; Herrmann & Nadkarni, 2013). Hence most definitions are grounded on the aspects of the process gone through planning and implementation (Folan & Browne, 2005; Andersen & Nielsen, 2009; Ralph, 2010; Bodwell & Chermack, 2010).

2.2.1 Strategy

Literature on strategy has over the years become wide, vast and most of all multifaceted. Strategy in general comprises business objectives, a vision, and commonly a clear design to accomplish the idea and achieve the objectives (Mintzberg, 1990). The concept of beginning at point “a” and moving to point “b” proposes a representation of strategy as either a way to set direction or the connection between now and tomorrow for an establishment (Guerras-Martína, et al., 2014). Roadmap strategists emphasize on what organisations must do to comprehend how they want to compete, where they will make money, and what administrative pedals will improve their performance (Herrmann & Nadkarni, 2013). Grant and Jordan (2015) explains that strategy is basically a rough draft describing in what way an organisation has planned to realise its proposed goals. The objectives that the organisation has formulated to achieve are the goals.

Hence, strategy is the proposal presented in the manner which the objectives will be obtained. Ancient Greeks were the first to propose the concept of strategy. The term strategy was derived from a Greek expression *stratego* meaning “to plan the obliteration of one’s rivals by the effective use of available resources” (Mintzberg, 1978; Miller, 1987). Strategy is a proposal which reveals how an organisation will attain its long-term objects. In addition, Hassan and Minden (2010) indicated that it is vital that every individual in the organisation have a mutual interpretation of the strategy’s drive and course which enlightens and controls decision-making and activities. Therefore, strategy can be defined as those deliberate actions employed to realise the goals of the business (Grant, 2014). It is a means to an objective, a vehicle that leads and takes the organisation from its current situation to a sought after situation.

2.2.2 Strategic planning and implementation

Strategic planning has substantially been criticised in the past decades, but it still remains an influential and significant phenomenon in the world (Grant, 2014). This concept can be defined as the process of increasing and upholding stability between the establishment's aims and resources and its fluctuating prospects (Herrmann & Nadkarni, 2013). Strategic planning was put forth by its pioneers almost four decades ago (Herrmann & Nadkarni, 2013). This was a measured and balanced procedure responsible for giving an organisation unmistakably distinct drive or aims and purposefully selected route (Mintzberg, 1990).

Regardless of numerous ups and downs in the prevailing age, these concepts remain the foundation of a lot of textbooks and inspire strategic procedures in most big organisations in existence (Ansoff, 1990; Hamel, 2000; Coulter, 2005; Azhar, 2009; Burns, 2009; Grant, 2014; Guerras-Martína et al., 2014; Grant & Jordan, 2015). Regardless of a significant form of work starting the strategic effect of management, the acceptance in a modest connection concerning top management team features and performance has continued (McCauley, 2012). Recently the role of the managers in bringing performance has become considerably fully-fledged (Grant, 2014). This has raised a lot of queries on whether the procedure of strategic planning has adjusted to these structural modifications and what is the role of management in the effectiveness of strategic planning (Ralph, 2010).

Strategy implementation and strategy-making processes are the two key concepts in which studies have looked at in regards to the importance and role of managers (Douglas, 2011; McCauley, 2012; Herrmann & Nadkarni, 2013). The fact that management is outstandingly placed in a position to gain understanding into important stakeholders is the cause why they have become important players in strategy making (Guerras-Martína et al., 2014). It is highly beneficial to firms for all managers to be involved in the process of strategic planning. Consequently, the success of the modern system of firms is determined by management positioned as key strategic players (Herrmann & Nadkarni, 2013).

Regardless of the extensive difference in opinions, the overall phenomenon of strategy includes concepts of how and why establishments contemplate planning, applying, running and reviewing their strategies (Pangarkar, 2015). Strategic management deals with the main planned and unplanned initiatives engaged by a wide-range of managers on behalf of owners, including use of funds, to improve the operations of the organisations in their external surroundings (Herrmann & Nadkarni, 2013). This description is significant since it summarises that strategy comprises of both intended and emergent ingenuities.

It is of significance also to state the aspects that are part of intended strategic planning (Bodwell & Chermack, 2010). When engaging in a deliberate strategy there is need for an organisation to propose the resource to be used for that strategy (Pearce & Robinson, 2010). In most SMMEs this stage is not at times considered (Baker & Leidecker, 2001). The organisations then need to scan their environment both externally and internally to identify potential prospects, threats, strong suit and weakness. The organisation then need to develop options to counter its environment, short term and long term aims, this is done through scenario planning (Folan & Browne, 2005). Formulation of the strategy grounded on the base of missions and visions will be the next step to be taken by the organisation (Grant, 2003). The organisation formulates a plan on how to exploit its options. This stage of implementation is very important; require contribution from every member of the organisation and continuous checking and evaluation (Mintzberg, 1994).

2.3 STRATEGIC PLANNING AND LONG-RANGE PLANNING DIFFERENCES

The first attempts at coming up with a way to have an answer to future problems was proposed in the early 20th century by Fayol in 1916 to be exact. Organisations such as General Motors and

DuPont Pioneer in the United States of America made use of this approach (Quinn, 1980). Acknowledgement that growth of both the firms size and business opportunities needed a systematic method of forecasting what is yet only gathered momentum in the early 50s and 60s (Miller, 1978; Mintzberg, 1990). Hence this gave birth to long-range with the intension of defining a firm's aims and the manner it will allocate its resources to achieve the aims (McIlquham-Schmidt, 2010).

Strategic planning came into existence in the 1970s as a replacement of long-range planning (Ansoff, 1990). Strategic planning is most focused on competition in the market; it fosters growth of firms by expanding on the markets and organisational productivity (Azhar, 2009). The terms are at times used interchangeably but the two are different. Long-range planning is mainly focused on the formulation of a plan that enables achieving a firm's aims over a forecasted long period of time (Wagner, 2006). Long-range planning assumes that the present information about the future is reliable to secure that the plan will work properly over its forecasted time period (Mair & Thurner, 2008). While strategic planning places emphasis on the establishments' ability to be responsive to the ever changing environment (Lorange, 2010). Strategic planning alludes to the strength and significance of making decisions that will provide the establishments with a successful answer to fluctuations in the environment (Floyd & Wooldridge, 2000).

Moreover, strategic planning seeks to explore and gain from opportunities of the future as compared to long-range planning which wishes to improve future prospects using the present situation (Wagner, 2006). Observing tendencies important to the organisation, predicting probable future tendencies, setting aims and implementing polices that are in line with the observed tendencies is what long-range planning inwardly focus on (Andersen, 2004). Compared to, strategic planning that starts with a process environmental scanning to have knowledge of the external environment. Each possible threat is then examined to have an understanding of its probable consequence (Douglas, 2011). Strategic planning then encompasses long-range planning and environmental scanning and evaluation to create the strategic intended planning process (Lorange, 2010). Hence, the strategic planning process answers both internal and external issues (Porter, 1980). Regardless of the difference of the two concepts they are both grounded on the proposition that the future can be predicted through environmental forecasting, the process of

strategic formulation is rational and they both ignore behavioural measurements (Andersen & Nielsen, 2009).

2.4 STRATEGIC THINKING

Mintzberg (1994) defines strategic thinking as a psychological practice responsible for shaping a unified system of business in mind through originality and motivation. Graetz (2002) went further to define the phenomenon as a practice that management responsible for crises evaluation and managing the day to day operations from top would procure diverse assertiveness on organisations and their ever fluctuating industry and market aspects. Thompson and Strickland (1989) emphasises that strategic thinking is a process of using qualitative/quantitative assessments to improve innovative notions and formulating enterprises/activities grounded on fresh knowledge. A study by Douglas, (2011) looked at the phenomenon from two different perspectives namely organisational and individual.

McCauley (2012) states, that individual strategic thinking is a diagnostic conclusion to define the forthcoming path of the institute. On the other hand in the organisational perspective, it means to synchronise innovative opinions in a mutual assertiveness which allows the organisation to move toward formulating and communicating a technique which pleases the organisations stakeholders in future (Thompson & Strickland, 1989). Strategic thinking pools institutional standards, present beliefs, perceptions and plans (McCauley, 2012). The phenomenon also places emphasis on motivation built on a person's mental state instead of information analysis (Pearce & Robinson, 2010).

Quinn (1980) highlighted, that there were five different types of strategic thinking which were important in both individual and organisational perspective of strategic thinking. The five types of thinking are briefly defined below.

- **Critical thinking** or the mental process of objectively evaluating the state of affairs by collecting evidence from every likely source, and then assessing both the perceptible and imperceptible characteristics, along with the consequences of every possible procedure that can be taken.

- **Implementation thinking** or the capacity to establish concepts and recognise actions in a manner which is effective and efficient enough to secure the objectives set.
- **Conceptual thinking** or the capacity to find links or configurations between intellectual thoughts and then put the fragments collectively to create a comprehensive image.
- **Innovative thinking** encompasses producing fresh concepts and designs or innovative methods of approaching situations to generate prospects and organisational breaks.
- **Intuitive thinking** or the capacity to take an individual's own opinions and, deprived of any information or confirmation, make use of it in to the ultimate choices.

Quinn (1980) states, that most leaders in the past only made use of critical and implementation thinking when executing their duties as strategic managers. Continuous change in market settings and wide range of uncertainties in the environment have however called for managers and those responsible for strategy making to use all the five types of thinking (Miller, 1987). Quinn (1980) went further to highlight that an individual's technique of thinking creates the nature for strategic planning; the procedure one selects, the results one proposes, and the definite proposal one develop. There is not just a single manner or a correct manner of strategic planning; there are numerous approaches (Graetz, 2002). Factors such as establishment's management, beliefs, standards, industry and scope; the situation and individuals' knowledge in planning all contribute in the selection of the strategic planning method that one uses (Pearce & Robinson, 2010).

2.5 THE STRATEGIC PLANNING PROCESS

Many books and articles suggest various way of defining and highlighting what they think is meant by the term strategy (Porter, 1980; Miller, 1987; Mintzberg, 1990; Quinn, 1980). For this section the researcher adopted the remarkable word of the great Abraham Lincoln. The statesman said "If we could first know where we are, then where we are intending to go, we could then decide what to do and how to do it" (Bower, 1970). Considering Lincoln's words they can be simply modernized and put in simple English. Thus, arriving at the definition; strategic planning is a managerial process that examines the organisation as a whole, addressing the following three questions (Quinn, 1980). The first one is where we are in the present day (Ansoff, 1990). The second one is where do we wish to go and when (McIlquham-Schmidt, 2010). Lastly it answers

the question, how do we get there (Ansoff, 1990). Figure 2.1 is a depiction of the strategic planning process.

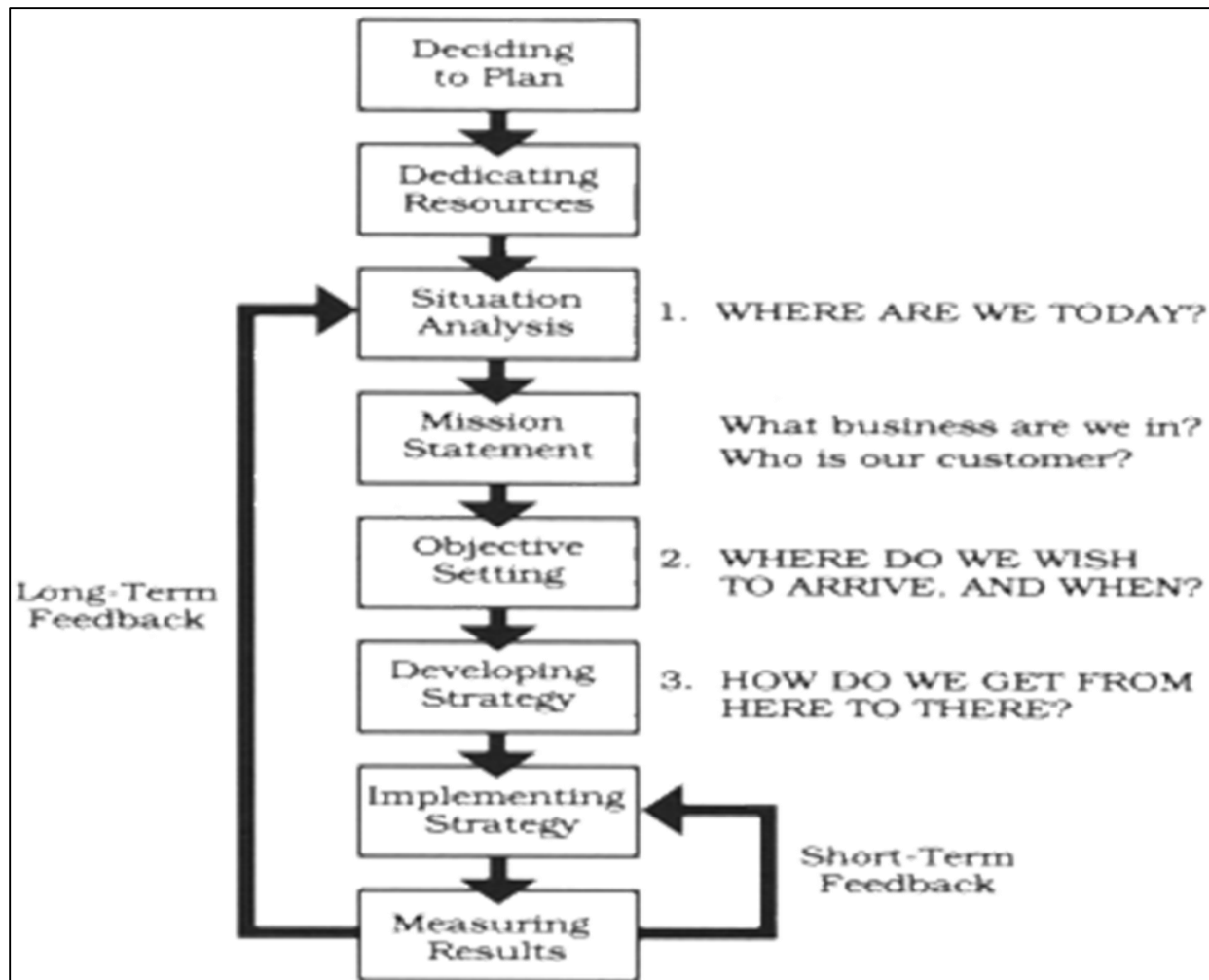


Figure 2.1: Strategic planning process

Source: Burns (2009).

The diagram highlights that the three questions match up to the process steps thus, situation analysis, objective setting and strategising. However, it is best to review each block on the diagram. The process starts with “deciding to plan” (Ansoff, 1990). The first step is the decision to plan and this decision can only be taken when there has been identification of the benefits of planning. The decision is in most cases taken by top management and they set a platform to include other members of the organisation (Grant, 2014).

The second step is the dedication of resources to the process. For an activity to go into motion there need to be adequate material and manpower (resources). This is also the same in strategic planning, for the process to be put to motion there is need of resources (Grant, 2003). Thus, there is always a sort of payment when strategically planning. The price of strategic planning is mostly in form of manpower, location, time consumed and also monetary form (Ansoff, 1990). Having identified the benefits of strategic planning, and also acknowledging that the benefits outweigh the cost incurred, and then the process itself starts (Andersen, 2004). Thus, the organisation begins the first process step.

2.5.1 Situation Analysis

Situation analysis answers the first question “Where are we today?” At this stage it requires those responsible for the strategic planning to look at the organisation both internally and externally (Andersen, 2004). Mostly the use of a model referred to as SWOT analysis is collaborated in this stage. SWOT analysis examines the organisation internally in terms of identifying its strengths and weaknesses. Externally SWOT analysis identifies the possible opportunities and threats in the environment (Andersen & Nielsen, 2009).

The development of a mission statement follows the situational analysis (Wagner, 2006). A mission Statement is a brief statement stating the business the organisation is in and who comprises its cliental (Lloyd, 2010). The mission Statement will also give the floor to formulation of objectives and strategies (Bower, 1970).

2.5.2 Objective setting

From situational analysis the next step is objective setting. This is the next step in the process that answers the second question on the three key questions (Quinn, 1980). McIlquham-Schmidt (2010) states that the step comprises of establishing various measurable objectives to answer the question “Where do we wish to go and when?”

2.5.3 Strategies

“How do we get from here to there?” is the last question that the planning team will address (Burns, 2009). This question is addressed during the strategising step of the strategic planning process. Mostly two kinds of strategies are developed these are self-protective and offensive strategies

(Baker & Leidecker, 2001). Self-protective strategies are meant to be a solution to internal weaknesses that leave the firm exposed to external threats (Lorange, 2010). The offensive strategies are grounded on the strengths of the firm they are put in place benefit the organisation from the external opportunities (Pearce & Robinson, 2010).

Something an organisation can refer to a strategic plan only comes to being after the strategic planning team has gone through all the stages that answer the raised key questions (Guerras-Martína et al., 2014). When the strategic plan is now available management can finally communicate the plan at hand to all the subordinates in every level of the organisation (Grant & Jordan, 2015). This will mark the beginning to the real work, thus the implementation of the plan.

2.5.4 Monitoring Results

Simple implementation of a strategy is not enough on its own. Miller (1987) alludes that there is a need to continuously check and re-check the implementation that would have been done. The organisation also has to measure the results of the strategy. The organisation has to ask the question “How is it going?” This is mostly daily to monthly updates on the implemented strategy (Mintzberg, 1990). This can also be referred to as short term feedback which shows a reflection on whether or not the implemented plan is following its original aim. There is also long term feedback in which the loop goes all the way back to situational analysis coming from the measurement of results (Smit & Morgan, 2003). The long term feedback is generally done on an annual basis were a start over of the process is done to begin the cycle all over again. This can be thought of as a reset of the plan (Coulter, 2005).

2.6 THE STRATEGY DEBATE

Strategic planning has conventionally been understood as an area of big firms that devote vast amounts of time and funds creating a vision and mission statement and developing a strategic proposal for the firm (Burns, 2009). Then greater energy is spent trying to communicate the strategies to all divisions of the organisation and setting departmental goals that are in line with the organisation’s strategy (Coulter, 2005). The process is understood to be more important to in large firms where top management have to communicate with all personal in the firm and have assurance that people are working to achieve the same goals (Smit & Morgan. 2007). While it is still inconclusive if there is a relationship between firms’ growth and performance to strategic

planning There are suggestions that deliberate planning may improve effectiveness in the organisation's management and indirectly result in improved performance (Harris et al., 2009; Murimbika, 2011; Bisbea, & Malagueno, 2012; McCauley, 2012). There is evidence of small businesses that acknowledge that strategic planning aids creativity resulting in their success (Lloyd, 2010).

Bisbea and Malagueno, (2012) contend that strategic planning might well be a substitution for different other managerial actions and characteristics, such as management capability and participation, management style and subordinates contribution. Strategic planning ought to then have a positive relationship to performance and growth as studies confirm that it offers direction to an organisation and offers methods and controls to follow up on performance and growth (McIlquham-Schmidt, 2010; Akhlagh et al., 2013; Sandada et al., 2014). Strategic planning in SMMEs, nevertheless, is much more relaxed, spontaneous and obscure (Ogunmokun & Hsin Tang, 2012; Kee-Luen et al., 2013). Hence, the debate on strategy struggles to show that there are mainly two forms of strategy that occurs these being deliberate and emergent strategies.

Guerras-Martína et al., (2014) distinguished strategy as either planned or unplanned, and Mintzberg and Waters (1985) mentioned that the most deliberate strategies tend to underscore fundamental tracks and chain of command, the more emergent ones open the way for joint exploits and convergent conduct. Deliberate strategy is the description of planned activities the organisation plans to do to realize its objectives (Mintzberg, 1987). It could be fruitful or fruitless, causing objectives being obtained or not and frequently fresh objectives are established. It is this feature of strategy that might be supposed as sluggish (Pangarkar, 2015). Deliberate strategy in establishments was prevalent in the fifties up to the eighties, and it is an element of numerous schools of strategy, including strategy as scheme, strategy as positioning, strategy as philosophy, and strategy as administrative knowledge (Grant, 2003). Moreover, deliberate strategy does not only focus on what is yet to come, and some administration experts have indicated the death-knell of planning as from the early eighties (Mintzberg, 1990).

Herrmann & Nadkarni (2013) disputed that (deliberate) strategic planning provides administrators virtually no help in achieving a vision around what is yet to come. It is a flaccid method that does not enthusiastically involve coming prospects. Deliberate strategic planning can even be harmful to handling the future when the strategies are excessively inflexible. Herrmann and Nadkarni

(2013) agreed with this and proposed that comprehensive and specific strategies and ideas do not work for present day establishments, in sight of the point that resolutions are frequently “chaotic and political” and organisations must be adequately flexible to achieve benefits from fresh opportunities. Figure 2.2 shows the difference between deliberate and emergent strategies.

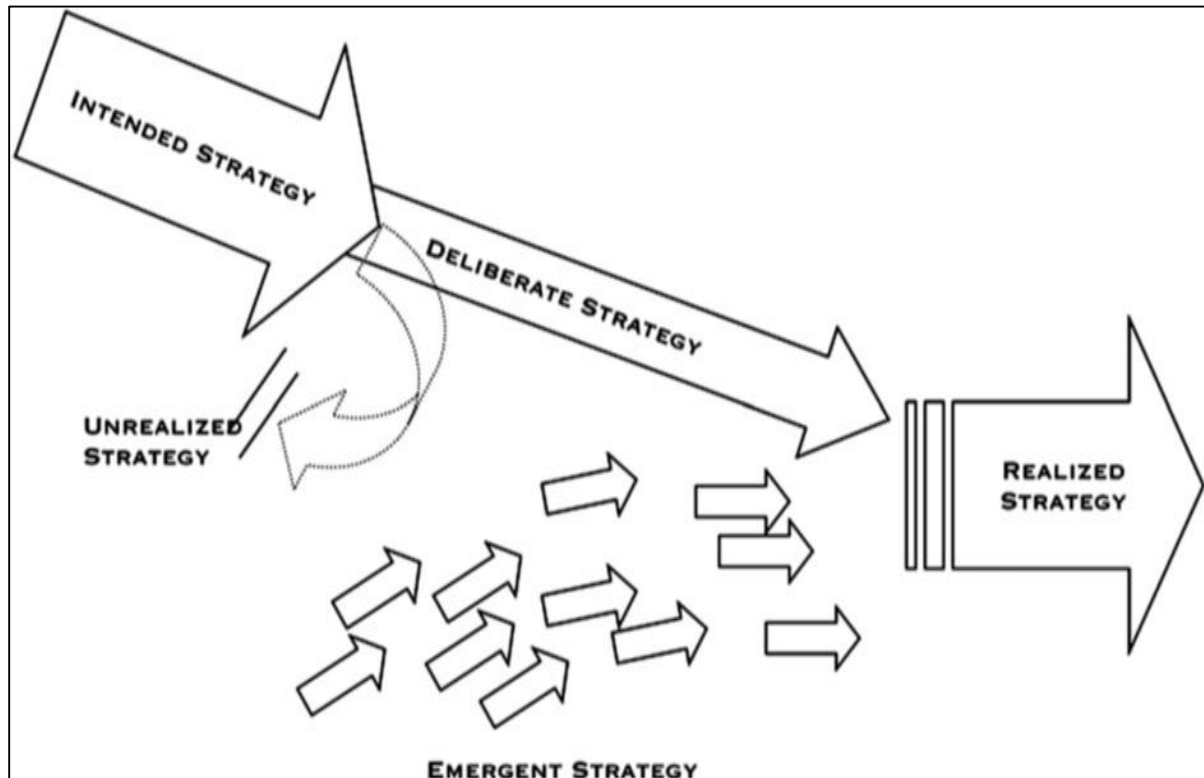


Figure 2.2: Deliberate and emergent strategies

Source: Mintzberg (1987).

Emergent strategy is as a result an unquestionably serious component in the present ever-changing business setting-it cannot be ignored, and associations need to generate room for emergence to transpire (Guerras-Martína et al., 2014). Organisations cannot endure any form of reasonable advantage deprived of consideration to and room for evolving plans (Herrmann & Nadkarni, 2013). Evolving strategy takes place when businesses participate in activities that change unintended from previous arrangements or freshly acknowledged arrangements in the business setting. Mintzberg and Waters (1985) point out the increasing tendencies towards bureaucratisation of the planning procedure causing structures, which are rigid, formal and unreasonably quantified. Pangarkar (2015) states that the lack of a strategy may make an

organisation more flexible and more capable to counter external fluctuations. It is this mixing sensation that produces the treatise of this study.

2.7 WHEN IS STRATEGIC PLANNING CONDUCTED?

The immediate external environment of the organisation, its nature and its needs are the key determinates of the scheduling of a strategic planning process (Porter, 1985). When an organisation is in an industry that is ever changing it demands that the organisation produces new products and services more often this means the process is done regularly also (Wagner, 2006). In such instances the strategic planning process is done comprehensively and in detail at least once or twice a year (Mintzberg, 1990). Thus, most of the attention will be put on mission and vision statements, standards, environmental scan, key topics, aims, approaches, intentions, duties, time frames, and finances (Mair & Thurner, 2008). However, when an organisation is operating in a fairly unfluctuating environment and has grown of age in the same market strategic planning is not done regularly (Lloyd, 2010). In such cases the process is carried out once a year only concentrating on particular part of the process. Factors such as time frames, objectives duties and financial issues are revisited annually (Hassan & Minden, 2010).

It is crucial for an organisation that is in its starting stages to undergo the strategic planning process (Folan & Browne, 2005). Organisations need to have set objective, goal and aims when they are setting their operation in motion (Bodwell & Chermack, 2010). The strategic plan is regularly a portion of a complete business proposal, alongside the product promotion plan, budgetary plan and functional/management plan (Baker & Leidecker, 2001). They need to have a clear definition of what they are about, what they intend to achieve and how they will achieve it (Azhar, 2009). When an organisation starts to embarks on new projects and or restructuring of old ventures there is need to engage the strategic planning process (Bower, 1970). Strategic planning should be done during the period when it is in a process of introducing new products, new production methods and introducing fresh divisions (Andersen, 2004).

Bodwell and Chermack (2010) suggest that strategic planning should also be conducted at least annually to get prepared for the fourth coming financial period (the financial management of an association is usually centred on a year-to-year, or financial year, basis). In such instances, strategic planning ought to be done in the correct period to categorise the firm's objectives to be

accomplished during the fourth coming, resources required to attain the objectives, and the financing required to acquire the necessary resources (Andersen, 2004). The financial plan for the coming year will include all the finance required in that year (Baker & Leidecker, 2001). However, not all stages of strategic planning must be wholly accomplished each year (Mair & Thurner, 2008). The complete strategic planning procedure ought to be done at minimum on one occasion every three years. However, when the organisation is operating in a highly turbulent market it needs to conduct the process annually as noted above (Thompson & Strickland, 1989).

Despite the conditions the organisation is operating under, it is advisable that it updates its action plan annually (Mair & Thurner, 2008). An action plan is a strategy highlighting short and precise goals each division in the organisation is expected to achieve (Henry, 2008). Due the fact that an action plan is a strategy set to a single division it needs to be continuously monitored and changed every year (Baker & Leidecker, 2001). When the plan is implemented it is also advisable that the organisation reviews the implemented plan four times a year (Mair & Thurner, 2008). However, the rate at which the implemented plan is reviewed is still determined by the level of stability in the environment the organisation operates in (Andersen & Nielsen, 2009).

2.8 MANAGERMENTS' ROLE IN THE STRATEGY MAKING PROCESS

Both top management and middle managers play a critical role in the strategic planning process. There is acknowledgment of middle management's significance to strategy and strategic planning originated in the 1970s (Herrmann & Nadkarni, 2013). Nonetheless, there is no commonly recognised description of either a top or middle manager (Mair & Thurner, 2008). For example, Thompson and Strickland (1989) characterises the middle manager as an individual who is accountable for a specific corporate division at the middle level of company ladder. Moreover, middle managers may as well be described in terms of positional logic as individuals lower than the common manager's executive team and on top of level of supervisor (Pearce & Robinson, 2010). These descriptions are similar to some that are proposed that try and define what top management is (McCauley, 2012).

Traditionally the strategic planning process was mainly left in the hands of top management, the contribution done by middle managers was not acknowledged. As a way of highlighting the significance of middle managers, Bower (1970) proposed that they are individuals in the institute

in a situation or place to review whether (strategic) subjects are being considered in the appropriate perspective. Mair and Thurner, (2008) also acknowledge that middle management participation in strategic planning is fundamentally important to the success of organisations. Previously middle managers were only considered important for providing information and overseeing the putting into practice of the strategy not in regards to planning process itself (Floyd & Wooldridge, 2000). This did not set them back (Azhar, 2009). Writings propose that both top and middle managers frequently endeavoured to involve themselves in the planning of strategies (Andersen, 2004). As a result, this brought forth the call by academics for institutional climate supportive to improved involvement to strategy creation by middle managers since they are the overseers of organisations day to day activities (Hassan & Minden, 2010).

It is evident in most research papers that strategy making and application may reveal a varied display of uppermost and middle management contributions (Arafat El-Mobayed, 2006; Odame, 2007; Pangarkar, 2015). Quinn (1980) is of the opinions that strategy creation is a procedure in which cooperation between intermediates and uppermost management play a vital part. Conferring to this line of thinking, to make certain of an improved involvement by middle managers in both creation and application phase's uppermost management should generate a constructive climate with supple arrangements and supportive philosophies for strategies that accept the contribution of middle managers and additional levels of the company (Miller, 1987).

The participation of both top and middle managers in strategy creation procedures, mainly in strategy design and preparation points several researchers to investigate the outcome on a company's performance (Mair & Thurner, 2008; Herrmann & Nadkarni, 2013). For example, Floyd and Wooldridge (2000), conducted a broad experimental examination on intermediate managers' participation have contended that improved participation of middle managers in strategy creation and application would improve decision quality as well as organisational performance. Hence, these researchers support the proposal that the process is not supposed to be left in the hands of top management only (Floyd & Lane, 2000). Suggestions have been made that roles of middle managers' should be acknowledged and middle managers should be given room to work with top managers in the strategic process (Floyd & Wooldridge 1992; Mair & Thurner, 2008; Herrmann & Nadkarni, 2013). Mair and Thurner (2008) suggested the following as the roles that managers have in employing strategic decisions in organisations:

- Study roughly their organisation’s strategy through inquiring from the top team for responses to unambiguous problems.
- Analyse their professions strategically, exploiting their input on strategic goals and by means of the principles proposed by the strategy to direct their performance.
- Collect data concerned with employment of the strategy (check on progress) and if the strategy is “accurate.”
- Deliver remarks in relations to both evidence and references that empower uppermost management to manage the effort put in application and, if needed, fine-tune the strategy. These roles for intermediate managers propose a matching set of duties for the uppermost organisation players:
 - To make the strategy known (together with its foundation) to intermediate management.
 - To assist intermediate management connect their division’s undertakings and occupation duties to the strategy. In what way? Through provision of training to teach them about their strategic roles and aid shape the expertise needed to succeed strategically; by means of evaluating their output in contrast to planned and tactical in addition to functioning principles; and by recompensing planned and tactical plus functioning endeavours.
 - To define and explain to intermediate management the types of “strategic information” uppermost management desires to formulate and polish up the strategy.
 - To use the evidence and references delivered by intermediate management to follow up, assess and fine-tune the effort put in employment of the strategy and the strategy itself. A strategy will not be successful in driving an establishment’s processes and functions when it is a numinous, hilltop model well-known solitarily by the uppermost organisation players. For the idea to be developed to reality, intermediate management need to take part in major strategic roles.

A growing body of writings has revealed that middle managers are nowadays contributing a much bigger part in both strategy application and design compared to top managers (Floyd & Woolridge, 2000; Smit & Morgan, 2003; Pearce & Robinson, 2010). Considering the same perspective, Mintzberg (1990) contends that middle managers can enthusiastically take part in the ‘formulation’ plus in the ‘application’ of strategy. On one hand, middle managers transform company aims and strategy into solid activities and then again they translate independent managerial action into strategic intent (Floyd & Lane, 2000). In comparison, top management do not play a role in the

operations of the organisation hence all the day to day monitoring and evaluation is done by middle managers (Herrmann & Nadkarni, 2013). This has led to the argument by many academics who propose that the participation of intermediate managers is an important and necessary motivation supporting strategic philosophy as the strategies created with the contribution of middle management are expected to be better compared to the ones designed exclusively by uppermost management (Floyd & Lane, 2000; Mair & Thurner, 2008; Herrmann & Nadkarni, 2013;).

Moreover, better participation of middle managers in strategy creation results in better commitment and improved comprehension of the firms' strategy over and above to enhanced organisation performance (Mair & Thurner, 2008). In addition, intermediate managers can play a significant part in communicating strategy particularly by selling topics to uppermost management, outlining topics or problems and organising additional organisational players to apply uppermost managers' objectives and goals (Herrmann & Nadkarni, 2013). Middle management is considered as an important player in employing strategy since it is critical for them applies strategy designed by top management (Floyd & Lane, 2000).

2.9 PROBLEMS IN STRATEGIC PLANNING AND IMPLEMENTATION

Individual personal practises and studies, in addition to writings in general claim that strategy planning and application is a problematic undertaking to run through (Henry, 2008). The difficulties in strategic planning process comprise of impracticality of strategic approach, management duties which are feeble, poor passage of information, organisation not obligated to the strategy, unfamiliarity or misinterpretation of the strategy (Wagner, 2006). Factors such as institutional structures and resources not compatible to strategic plan, poor organisation and division of duties, insufficient competences, unforeseen hindrances, rival undertakings, uncontrollable intense ecological influences, and carelessness and inattention to day-to-day organisational operation are also said to contribute to this problem (Mintzberg, 1978; Thompson & Strickland, 1989; Smit & Morgan, 2003; Bodwell & Chermack, 2010).

Floyd and Wooldridge (2000) proposed that both the uppermost managers and the intermediate managers suggest that possibly the prime difficult of strategic planning process is having a strategies develop into your daily routine. The daily life with its procedures and busyness inhibits strategic intellectuality and performing in associations (Andersen & Nielsen, 2009). The

intermediate management encounter the genuineness of day to day existence in numerous matters (Ansoff, 1990). More frequently in contrast to the uppermost managers, the middle managers identified additional challenging issues to strategic application in terms of deficiency of resources, as well as unclear role meanings and descriptions of the strategy (Floyd & Wooldridge, 2000). Moreover, from the opinion of intermediate managers the irregularity of strategies which are not the same is more frequently perceived as challenging (Floyd & Lane, 2000).

The issue to do with poor passage of information is also recognised as most problematic especially in groups (Grant, 2003; 2014; Guerras-Martina et al., 2014). Intermediate managers hold to the opinion that greatest problem is due to that it presumed (by uppermost managers or intermediate managers) that everyone already acquainted with the strategy (Floyd & Wooldridge, 2000). In most cases the strategy information made available is not properly comprehended, or, the flow of information is not continues at all organisational levels (Graetz, 2002).

The amount of obligation towards a strategy was not perceived as problematic as compared to the passage of information (Henry, 2008). Nonetheless, mutually the uppermost management and the intermediate management agreed that the responsiveness of an individual to the organisational hierarchy was related to that individual's commitment to strategy (Herrmann & Nadkarni, 2013). The intermediate management acknowledge that it was not easy to determine the amount of commitment one vests in a strategy (Floyd & Wooldridge, 2000). Even though the top managers recognised the problem of intermediate managers' absence of obligation greater than the intermediate managers themselves, half of the middle managers articulated the presence of the problem also (Hassan & Minden, 2010).

Floyd and Wooldridge (2000) identified that the problem of recognition and taking on of the strategy hinder strategic planning process compared to the absence of obligation. In general, the intermediate managers weighed it as a greater problem compared to the top managers (Hassan & Minden, 2010; Herrmann & Nadkarni, 2013).

2.10 KEYS TO EFFECTIVE STRATEGIC PLANNING

Organisations all over the world create and implement strategic plans. Organisations formulate goals and strategies they will put in play to obtain the set goals (Andersen, 2004). However not every set goal is obtained nor does every formulated strategy work (Ansoff, 1990). Regrettably,

strategy making teams are unable to identify the causes for this predicament so they undergo the strategic planning cycle countless times, with the hope that the subsequent strategic planning session will produce improved outcomes (Azhar, 2009; Bodwell & Chermack, 2010). However, in most instances the results do not improve. Hence, there are critical factors that need to be given attention to ensure the successful implementation of strategic planning.

2.10.1 Engagement

Coulter (2005) alludes that strategic planning not an event rather it is a process. Engagement is a fundamental element in the process, hence it stresses the participation of every member in the organisation. The engagement of all staff members creates supplementary contributions and assists in shaping their undivided commitment to the plan (Douglas, 2011). It is crucial to include personnel in the development of strategy and course for the establishment (Baker & Leidecker, 2001). The input of employees will ensure their full participation in executing the strategies (Bodwell & Chermack, 2010). Also offer awareness into issues, challenges, distresses, and prospects that could not have been acknowledged or completely understood. Lastly, the employees are the ones responsible for executing the strategy not the senior management (Burns, 2009). Hence, making the employees part of the strategy planning will improve its success rate (Baker & Leidecker, 2001).

2.10.2 Communication

In most instances some divisions of an organisation will develop plans that do not link with the overall strategy of the organisation (Baker & Leidecker, 2001). The bottom up and top down approaches to communications aid in the success of the strategic planning process (Bodwell & Chermack, 2010). It all begins with communicating with all members of the organisation on every level that there is a strategic plan to be undertaken (Mair & Thurner, 2008). The communication should highlight the employees' role in the strategic plan. That is what is referred to as bottom up communication (Mintzberg, 1994a). The staff will provide contribution through meeting, focus groups and feedback surveys, concerning their thoughts about the establishment's direction (Mair & Thurner, 2008). This is then trailed by top down communication. There is a sharing of the strategic plan by senior management to the employees. Management will communicate to all

personnel in what manner their commitment will aid safeguard success in the implementation of these strategies (Mintzberg, 1994a).

2.10.3 Innovation

Organisations ought to have the zeal to take risk, thus doing things that they are not sure will work (Lorange, 2010). The reason being doing something that you know will work will not bring anything new to the table but just mere improvements of what is already there (Hassan & Minden, 2010). New product development, new service development and or departmental restructuring are some of the forms of strategic plans an organisation can introduce (Lloyd, 2010). Organisations create work teams to work towards achieving the set objectives and allocate various resources to secure the success of the projects (Grant & Jordan, 2015). Yet in some instances the team will not be able to reach the set goals and this will result in defining the strategy as a failure (Grant, 2003).

This failure is not as a result of failure to execute the strategy. Lack of an innovation process would have caused the failure of the strategy (Folan & Browne, 2005). Most strategies created by top management demand an ability to be innovative in order to achieve those (Mair & Thurner, 2008). A lot of organisations that create strategies in line with new product and or service development demand its employees to be more innovative (Lloyd, 2010). However, the organisations fail to introduce strategies for innovation itself. Restructuring the institutional culture to be innovative and effecting a procedure for dealing with innovations are some of the way of introducing innovative strategies (Lorange, 2010).

2.10.4 Project Management

Understanding the strategic plan of an organisation by employees is one of the key factors to making it (Smit & Morgan, 2003). However, it is evident that majority of the employees in organisation they do not even know the strategic plans of their organisations more over employing it (Wagner, 2006). There are two crucial factors of a strategic plan linked to project management (Thompson & Strickland, 1989). Identification of projects that will support the implementation of each strategic plan is one of the factors (Burns, 2009). The second once is to categorise the project by priority and allocate the proper adequate resource to those categorised as of high priority to ensure the project's success (Pearce & Robinson, 2010). Full participation and commitment from the employees is demand mostly in terms of the time spent on the projects (Miller, 1987). The full

participation and commitment by the personal will ensure they acquire an understanding of the strategic plan (Herrmann & Nadkarni, 2013).

2.10.5 Culture

In most organisations there are high tendencies of failing to understand organisational culture moreover lagging behind in crafting values and values that are supportive to plans (Quinn, 1980). Attitudes, values, beliefs and behaviours of employees in an organisation are what are referred to as organisational culture (Grant, 2003). Each organisation's culture is exceptional and different as one's character. When employees in an organisation are afraid of change and they think change is not a good thing the implementation of change will be disorganised and reactive (Burns, 2009). When the employees believe that it is the responsibility of top management to aggressively push for change, in this instance change is occasionally supported (Herrmann & Nadkarni, 2013). Change will occur with relevant ease when employees acknowledge and believe it is needed and is the responsibility of everyone in the organisation. Such organisations are very few and they continue to be successful in the industry (Lloyd, 2010).

2.11 WHAT STRATEGIC PLANNING IS NOT?

It is not an objective of strategic planning to make decisions for the future (Ansoff, 1990). Strategic planning tries to forecast what is yet to come. However, decisions are made when the situation arrives (Baker & Leidecker, 2001). Over time, organisations are expected to adopt open view mind concerning market and environmental fluctuations with the drive of crafting the finest choices it can at any particular time (Burns, 2009). The organisation has to have the capability to both manage and plan strategically (Andersen, 2004). Hence, strategic planning does not act as an alternative for the implementation of decision by management (Baker & Leidecker, 2001).

Floyd & Wooldridge (1992: 6) highlighted that in the long run, the managers of any organisation have to ask themselves; '*what are the most significant topics the organisation needs to respond to?*' and '*in what way shall the organisation respond?*' Baker & Leidecker (2001) went further to acknowledge that it is the management duty to have substantial answers to these questions. At the end of the day, strategic planning, nonetheless well-organised in numerous ways, does not typically flow smoothly one step after another (Douglas, 2011). It is an innovative process, and the new understanding attained at present might result in changing decisions that have been made

in the past (Baker & Leidecker, 2001). Inevitably, the process is continuous hence, there are back and forth movements fairly a few stretches in advance to settling at the last verdict (Burns, 2009).

2.12 BENEFITS OF STRATEGIC PLANNING

Strategic planning aids an assortment of resolutions in a firm, comprising to evidently outline the purpose of the firm (Higgins, 2005). It also helps to create representative aims and goals in line with that mission in a prescribed period within the firm's capability for application of the strategy (Douglas, 2011). The process also plays a major role in facilitating communication among different levels of management (Mintzberg, 1978). One of the main objectives of strategic planning is to have a relationship between divisional, functional and top management so as to have collaboration between various sections of the firm (Homburg, Krohmer, & Workman, 2004). Each company's section or division is important to how the company operates however; instead of working together managers of different sections often fight (Lehner, 2004). The synergy that is needed of managers in an organisation can be found through strategic planning (Douglas, 2011).

The process helps with the identification of strategic goals and strategic intent (Baker & Leidecker, 2001). Creation of goals and company visions of the future is the responsibility of top management (Floyd & Wooldridge, 1992). However, top management usually engage in a number of activities and will not have enough time to look for the greatest strategic fit (Heracleous, 2000). Hence, when strategic goals and intent are clearly defined it becomes easier to continue work towards the aims of the organisation even if top management is not hands on with operations (Heide, Gronhaug, & Johannessen, (2002).

Most firms are stuck on organisational cultures that do not support innovation because the personal are afraid of change (Okumus, 2001). The strategic planning process helps to minimise resistance to change (Homburg et al., 2004). The strategic planner is responsible of communicating to the entire firm the possible strategic changes; organisational plan's the present state of activities and the changes which have to be done (Heide et al., 2002). Detailed clarification of this material to managers in every section decreases resistance to change as management and staff become surer of what the future holds for the organisation (Olson, Slater & Hult, 2005).

Most companies fail not because they do not have enough funds or resources but it is due to miss management of funds (Heracleous, 2000). The strategic planning process helps to better

understand the allocation of funds and resources (Hrebiniak, 2006). Having clearly defined strategies helps in the identification of the most important projects, when the projects are categorised in regard to their priority resource allocation can be done transparently (Olson et al., 2005). Resources will be first allocated to the project with the highest priority followed with those with the lowest priority (Lehner, 2004). Projects such as new product or service development require allocation of resources to the projects therefore strategic planning will aid the allocation done by management (Heide et al., 2002).

Survival of an organisation in a market is grounded on the competitive edge of that firm (McIlquham-Schmidt, 2010). In order to become a market leader an organisation should have a sustainable competitive advantage over its competitors (Hassan & Minden, 2010). Competitive advantage is regularly obtained without a strategic planning but for a firm to gain sustainable competitive advantage it has to strategically plan (Porter, 1980; 1985). Strategic planning will lead an organisation to have a sustainable competitive advantage (Baker & Leidecker, 2001).

2.13 LIMITATIONS OF STRATEGIC PLANNING

There are mainly five limitations that accompany strategic planning and these are;

- Strategic planning tends to dwell too much on means, it make the organisation rigid in terms of its strategies. The inflexibility of the organisation will at times make it shun away or exclude fresh and better ideas (Okumus, 2001; Andersen, 2004).
- Strategic planning in most instances projects the past into the future this will reduce the level of innovation (Graetz, 2002; Higgins, 2005).
- The strategic management process allows the management to play games with company resources. Thus, when resource are not allocated on the grounds of past performance but based on the strategy. This will lead to miss allocation and miss management of resources (Henry, 2008).
- Strategic planning promotes inaction, and where there is in action there is no learning. Hence, strategic planning limits the rate of learning in organisations since there will be no experimenting but just doing things from the books (Burns, 2009; Pearce & Robinson, 2010; Guerras-Martina, 2014).

- Strategic planning promotes structural situations compared to behavioural ones. Thus by doing things following only the prescribed steps in the strategy limits making decisions that are based on either the behaviour of the individual nor the present environment (Baker & Leidecker, 2001; Higgins, 2005).

2.13.1 Dealing with limitations

Opportunistic planning is one way of dealing with the limitations of strategic planning (Graetz, 2002). It allows the organisation to be open to changes in the strategic planning process and reduces rigidity. There is a need of organisation to have both formal and opportunistic planning (Henry, 2008). There are high chances of getting stuck in unbearable rigidity if an organisation only uses formal planning (Andersen & Nielsen, 2009). However, firms that operate on the grounds of an opportunistic plan alone will react constantly to the external environment but they will not have any direction (Ansoff, 1990).

A strategic planner needs to act as a facilitator not merely a planning role (Floyd & Wooldridge, 2000). The planning team should act as catalysts and educators of a strategic plan that they will be proposing (Guerras-Martína et al., 2014). This will help the other subordinates understand what is required by the strategy (Henry, 2008). Also it will help ensure that the strategic planning process is done effectively.

Each and every member of an organisation should be allowed to have a contribution in the strategic process. Thus, engaging subordinates in dialogue about a strategy will definitely help in communicating the strategy (Lehner, 2004). Also it will provide an insight of the people who are on the ground and have an understanding of what needs to be done and what to leave out (Olson et al., 2005). Allowing participation by employees will generate a feeling that the strategy also belongs to them (Heide et al., 2002).

2.14 CRITICISMS OF STRATEGIC PLANNING

A roadmap is important in an organisation but in some instances it kills creativity, particularly if it is firmly imposed (Henry, 2008). In an undefined and uncertain environment, flexibility is at times more significant compared to the rigidity of strategic scope. Hamel (2000) states, that when a strategy becomes a part of a company's beliefs and values, it may influence individuals to think

like a group (thus the whole staff thinking as one person). It may also result in an organisation describing itself too narrowly (Heide et al., 2002).

Numerous models of strategic management have a habit of experiencing only short-lived phases of acceptance (Heide et al., 2002; Henry, 2008). A summary of these models thus unavoidably displays a survivorship predisposition. Countless models have a tendency to either be moreover narrow focusing to construct a comprehensive corporate scheme on or too common making sure inadequate information and too summarised to be appropriate to particular circumstances (Heide et al., 2002). Populism or faddishness can have an influence on a certain philosophy's natural life sequence and might be put to use in unsuitable situations (Henry, 2008).

Hamel (2000) in the early stages of the new millennium was the first to use the term strategic conjunction to describe the inadequate scope of the strategies put to use by competing firms in really awkward situations. Hamel (2000) overstated in pointing out that strategies converge, as a result that the more fruitful ones are applied thoughtlessly by organisations like a prototype so they do not comprehend that the strategic process comprises formulating a routine strategy for the essentials of every respective condition.

2.15 THEORETICAL FRAMEWORK

There are various broad theories that focus on strategic management. For the purpose of this investigation the researcher considered two main theories that speak to the objective of this study. Porter's five forces and the Resource Based View (RBV) are the two theories to be used in this study

2.15.1 Porter's Five Forces Model

The Porter's five forces theory is one of the most popular frameworks in the strategic management field (Pearce & Robinson, 2010). The theory reflects an investigative basis for comprehending the effects of industry organisation on the performance prospective of organisations operating in that industry (Ucbasaran, Westhead & Wright, 2009). The framework of Porter's theory is built on the paradigm referred to as Structure-Conduct-Performance (S-C-P) which is derived from industrial organisation economics (Porter, 1980). The paradigm is grounded on the perspective that the

performance of an organisation in a particular market is centred on the aspects of the environment (industry) it operates in (Porter, 1991).

There is need for a firm to come up with strategies that will offer it competitive advantage, obtain a greater margin of performance and a competitive strategy that will shift the environmental rules to the benefit of the firm (Porter, 1985). Porter acknowledged this need as a means of trying to move a bit away from the traditional S-C-P paradigm (Smit & Morgan, 2003). The organisation of the environment, particularly the form and stability of its competitive forces determine the performance of an organisation rather than the firm itself (Schoemaker, 1990).

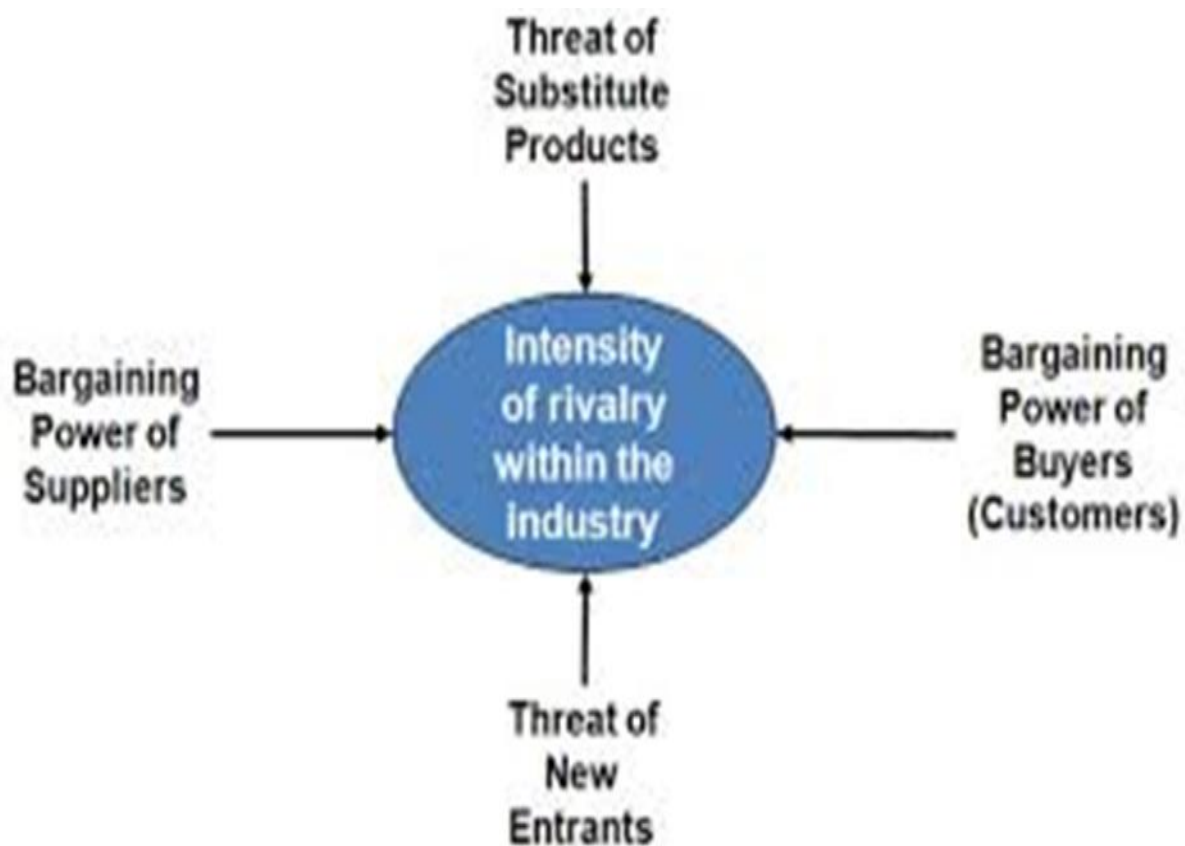


Figure 2.3: Porter's Five Force Model

Source: Porter (1991)

Porter recognises five simple competitive forces seen as threats to the performance of an organisation: threat of entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors (Porter, 1980). The collective impact of these

five forces, the underlying structure of the environment, determines the intensity of industry competition and the capability of organisation in the industry to make profits (Schoemaker, 1990). Porter describes competitive strategy as taking defensive and offensive actions to cope successfully with the five competitive forces (Porter, 1985).

The competitive rivalry within the industry: The competition between firms determines the attractiveness of a sector. Companies are struggling to maintain their power (Porter, 1985). Competition is a game in which normally, one player loses at the expense of the other. A move on the part of a player may cause other player to make counter moves or initiate efforts to protect themselves from the danger posed by the initial move (Pearce & Robinson, 2010). In this manner, firms within an industry are mutually dependant. The situation in an industry keeps changing with the actions and reactions and reactions of the constituent firms. In addition, it is an analysis of the number of competitors, products, brands, strengths and weaknesses, strategies, market share (Henry, 2008).

- ❖ **The threat of new entrants:** It is in a company's interest to create barriers to prevent its competitors to enter to market. They are either new companies, or companies which intend to diversify (Azhar, 2009). These barriers can be legal (patent regulations) or industrial (products or single brands). The arrival of new entrants also depends on the size of the market (economy of scale), the reputation of a company already installed, the cost of entry, access to raw materials, technical standards and cultural barriers (Henry, 2009)
- ❖ **The threat of substitute products:** The substitute products can be considered as an alternative compared to supply on the market. These products are due to changes in the state of technology or to the innovation. The companies see their products be replaced by different products (Hamel, 2000). These products often have a better price/quality report and come from sectors with higher profits. These substitute products can be dangerous and the company should anticipate coping with this threat (Grant, 2014).
- ❖ **The bargaining power of suppliers:** The bargaining power of suppliers is very important in a market. Powerful suppliers can impose their conditions in terms of price, quality and quantity (Burns, 2009). On the other hand if there are a lot of suppliers their influence is

weaker. One has to analyse the number of realized orders, the cost of changing the supplier, the presence of raw materials (Floyd & Wooldridge, 2000).

- ❖ **The bargaining power of customers:** If the bargaining power of customers is high, they influence the profitability of the market by imposing their requirements in terms of price, service, and quality (Porter, 1985). Choosing clients is crucial because a firm should avoid being in a situation of dependence. The level of concentration of customers gives them more or less power. Generally their bargaining power tends to be inversely proportional to that of the suppliers (Burns, 2009).

It is of vital importance that organisations have an understanding of their firm's capabilities and the nature of the environment before the organisation embarks on a journey of entering into a market. The success of most firms lies in the understanding of the environment in which they operate or intend to operate in (Ansoff, 1990; Coulter, 2005). Most set goals and objectives are only attainable when the strategies that are put in place take into account factors of the external environment and how they influence the organisation (Floyd & Wooldridge, 2000; Burns, 2009). Hence, it is important for organisations to conduct an analysis of their external environment in order to have a good comprehension of what to look forward to opportunities and make counter measures of anticipated threats (Grant, 2014).

2.15.1.1 Criticism of the Porter's five forces model

The way in which Porter implemented the S-C-P paradigm as the foundation of his five forces foundation has come with some criticism in the academic world (Acquaah, 2003; Coff & Kryscynski, 2011). The same problem that most theories are coupled with also affect the S-C-P paradigm thus, the unit of analysis (Rumelt, 1991). S-C-P basis its unit of analysis as the industry or the environment the organisation is operating in instead of the organisation itself. The criticism rises from the fact that both the S-C-P paradigm and Porter's model do not highlight intra-industry performance amongst organisations (Hawawini, Subramanian & Verdin, 2003). On the other hand the majority of empirical evidence available shows that organisational-effects pose more influence to performance compared to industry or environmental-effects (Schmalensee, 1985; Rumelt, 1991; McGahan & Porter, 1997; Hawawini et al., 2003).

Academics also raise questions on the managerial consequences of the S-C-P logic. Porter (1980) mention in his model that attractiveness should shape an organisations decision when picking an industry or environment in which to operate in (Sampler, 1998). Significantly Porter placed more focus on cross-sectional problems (the conditions that would make an industry be classified as attractive) and ignoring longitudinal problems (the reasons why other organisations get themselves into beneficial situations (Prahalad & Hamel, 1994). Coff and Kryscynski (2011) acknowledge that organisational performance is greatly influenced by prospects and threats in the environment. However the benefits of moving into an industry and doing business in a certain environment cannot be valuated separately of the resources and capabilities the organisation has (Sampler, 1998).

More criticism is brought to Porter's framework due to the exaggeration that Porter puts into the idea that competition is detrimental to the performance of an organisation (Peteraf & Barney, 2003). Porter (1985) mentions that the nature and balance of an industries competition is the primary source of an organisations performance. This idea of Porter is centred on the positioning of the organisation but however the industrial environment is never stable and occasionally goes through robust change (Prahalad & Hamel, 1994). Hence a brief analysis of the environment in which an organisation operates in is not a good enough tool to ground the formulation of a strategy (Sampler, 1998).

2.15.2 Resource Based Value Approach

Over the past few decades the issue of organisational performance has been in the spotlight of strategic research (Acquaah, 2003; Barney, 2003; Rugman & Verbeke, 2002). This issue has raised questions such as; how are organisations managed, how and why they are different and in what manner do they select their strategies (Boeker, Goodstein, Stephan & Murmann, 1997). Researchers have suggested that the answer to all these questions is competitive advantage. The resource based theory is one of the fundamental early 20th century approaches that put forth the importance of competitive advantage (Winter, 2003; Wan, Hoskisson, Short & Yiu, 2011). The resource based approach is firmly grounded on the predisposition that organisations compete mainly basing on their resources and capabilities (Harris & Ruefli, 2000). The resource base approach stresses that resources and capabilities are the major contributing factors of an organisational competitive advantage and performance (Boeker et al., 1997).

This approach specifically looks at the organisation itself and tries to evaluate the reasons that make an organisation fail or prosper in the environment (McWilliams & Siegel, 2011). Resources will provide a competitive only when they are of high value, not easy to come across, not easy to replicate and cannot be substituted by another (Wan et al., 2011). Also not only should these resources be present the organisation should be capable of putting them to use to maintain competitive advantage and have superior performance (Sirmon, Hitt, Ireland, & Gilbert, .2011). Resources should have the Valuable, Rare, Imperfect-imitable and Non-substitutable (VRIN) criteria thus meaning that they should be valuable, rare, imperfect imitability and non-substitutability (Coff & Kryscynski, 2010; Clark, Gioia, Ketchen & Thomas, 2010). The VRIN criterion is explained below.

- ❖ **Valuable (V):** offering are strategic value to an organisation is what makes resources valuable. When there is an enhancement in the ability to exploit market opportunities and reduce the threats available in the environment resources are said to be valuable. It is useless to be in position of a resource that does not complement or improve the value of an organisation (Coff & Kryscynski, 2010; McWilliams & Siegel, 2011).
- ❖ **Rare (R):** potential threats in the market should find it difficult to possess a resource that the organisation has. In order to offer a competitive advantage resources should be uncommon and or unique. Resource that are common to every organisation in the market and those that can be easily accessible do not offer any competitive advantage. This is because these resources cannot help the organisation in coming up with a unique business strategy that is completely different to those of other firms (Boeker et al., 1997; Wan et al., 2011).
- ❖ **Imperfect Imitability (I):** a resource should not be easily replicated that defines imperfect imitability. Logjams for imperfect imitability can be many such as, complications in obtaining resource, vague association between capability and competitive advantage or complexity of resources. There is sustainable competitive advantage when a resource cannot be easily acquired by those who do not have it and it also cannot be replicated (McWilliams & Siegel, 2011).

- ❖ **Non-Substitutable (N):** resources offer a competitive advantage when they cannot be replaced by another alternative resource. When a resource is substitutable it means that a firm can achieve just about the same performance by replacing the resource with a similar one (Barney, 2003; Rugman & Verbeke, 2002).

Bowman (2001) states, those valuable resources should support the organisation to operate and formulate strategies that will enhance their performance. Mathews (2003) stresses, those resources are valuable when they aid an organisation in the formulation and implementation of strategies that try to improve on an organisations effectiveness and efficiency. This approach helps manager to have an understanding on the importance competences as an asset to the organisation and also acknowledge the contribution made by these assets to enhance organisational performance (Knott, 2003).

The RBV approaches goes further and categories resources into three main categories. The first being physical capital resources, this comprises of the tangible resources that a firm possess (Coff & Kryscynski, 2010). Technological advancements and the available plant or equipment are good examples of such a resource (Rugman & Verbeke, 2002). The type of plant and equipment, its uniqueness will help the organisation shape strategies that are in line with what they have (McWilliams & Siegel, 2011). The second category is human capital resource this is founded on the training, experience and insights of the firms' employees (Coff & Kryscynski, 2010). Both management and non-management employees in an organisation are important because of the various roles they play in a firm (Barney, 2003). The training they go through and the experience that they have make them unique from any other person and is also a key aspect of gaining competitive advantage (Knott, 2003). The last category is organisational capital this has more to do with the capital structure of the organisation and the amount of capital available (Coff & Kryscynski, 2010).

All the three categories briefly described above play a critical role in the type of strategy that an organisation applies. Hence the reason of adopting the RBV approaches as a key theory to this study. The training and experience of employees in a firm shapes how a strategy is formulated by management and also how non- management employees will be responsible for carrying out the strategy (Barney, 2003). Thus human capital resources the second category of resources in the RBV theory are the key players in the strategic planning process. Physical and organisational

capital resources also play a factor in the strategic planning process (Coff & Kryscynski, 2010). Strategies are usually done in regard to the type of technology and equipment that an organisation have. Organisations that do not consider the physical capital resources tend to formulate strategies that fail (Barney, 2003). Moreover, money drives economies so does it play a critical role in business organisation. The amount of capital that an organisation has will also have to be considered when that particular organisation is strategising. The capital available will influence both the strategic planning process and how formal these strategies are. Some academics do not support the concept that the RBV approach follows hence there is some criticism on this theory (e.g. Priem & Butler, 2001b; Winter, 2003; Peteraf & Bergen, 2003)

2.15.2.1 Criticism of the RBV approach

Inquiry and valuation has highlighted to a sum of unanswered questions in the resource-based approach (Wade & Hulland, 2004). These disparagements look on the aspects of the unit of analysis, the complexity or repetitive nature of the resource-based theory, the exogenous form taken by the aspect of value, the neglect of the environment, the situation of heterogeneity, and the behavioural notion underlying the state of non-imitability (Winter, 2003).

Like many other theories out there the RBV approach fails to address the problem most of other theories face that of coming up with the proper unit of analysis (Peteraf & Bergen, 2003). The RBV approach individualises resources as the unit of analysis to comprehend what competitive advantage is (Priem & Butler, 2001b). These resources are not well defined and moreover they are not self-supporting making this individualising inappropriate (Rugman & Verbeke, 2002). The way these resources are interconnected and work together that is fundamental to comprehending what competitive advantage is (Priem & Butler, 2001b). However the concept of capabilities and competences tries to take this problem into account by grouping and interplay (Harris & Ruefli, 2000).

Porter (1991) and Wernerfelt (2011) emphasise on the complexity of the RBV approach. Foss and Knudsen (2003) contends that the aspect that when resources rare and valuable then they would be a source of competitive advantage can only be true when the definitions of valuable and competitive advantage are in the same term. The fact that the two concepts are supposed to have a

relationship when they are defined in completely different terms complicates the RBV approach (Acquaah, 2003).

Wernerfelt (2011) highlights the second problem of the RBV approach to be its proposed exogenous form. Determining the value of organisation resources is exogenous to the RBV approach hence this brings further complication to the theory (Barney, 2003). In line with the redundancy and the exogenous form of determining value in the theory made Priem and Butler (2001a) propose that the theory does not help much in explaining competitive advantage. Suggestions that academics should turn their focus on the relationship between the resources and the environment the organisation is in (Priem & Butler, 2001a). Thus, due to the fact that resources represent what can be possibly done and the environment reflects the correct move that enables organisation to compete successfully in an organisation (Acquaah, 2003). Knowledge on how resources play a part in improving performance and how they foster competitive aspects can only be gained if organisational resources and the competitive environment are brought together into one structure (Markman, Gianiodis & Buchholtz, 2009).

Lastly the resource based value approach makes emphasis on the imperfect imitability and non-substitutable of resources for them to provide competitive advantage to an organisation (Rugman & Verbeke, 2002; McWilliams & Siegel, 2011). Maritan and Peteraf (2011) agree that grounding the sustainability of competitiveness on the two aspects of imperfect imitability and non-substitutable is not feasible. The two try to put that there is possibility to erode competition which in reality is not possible (Markman et al., 2009).

2.15.3 Conceptual Basis

This researches conceptual framework is a combination of the organisations resources and the environment in which the organisation operates in, as a basis of strategy drivers and how it would influence organisational performance. The strategy of an organisation is highly influenced by the resources that it possesses and the environment in which the organisation operates in (Sampler, 1998). The cycle continues since the performance of the organisation and their strategy will have an impact on the resources and the environment they are operating in (Coff & Kryscynski, 2011). These fluctuations will be a source of new information that can provide a brand-new learning curve which can possibly lead to development of new resources (Priem & Butler, 2001b). Thus as

highlighted in chapter one the researcher views strategy as a never ending process that is in a way influenced by the environment and the resources possessed by the organisation. Figure 2.4 is a depiction of the conceptual framework adopted in this research.

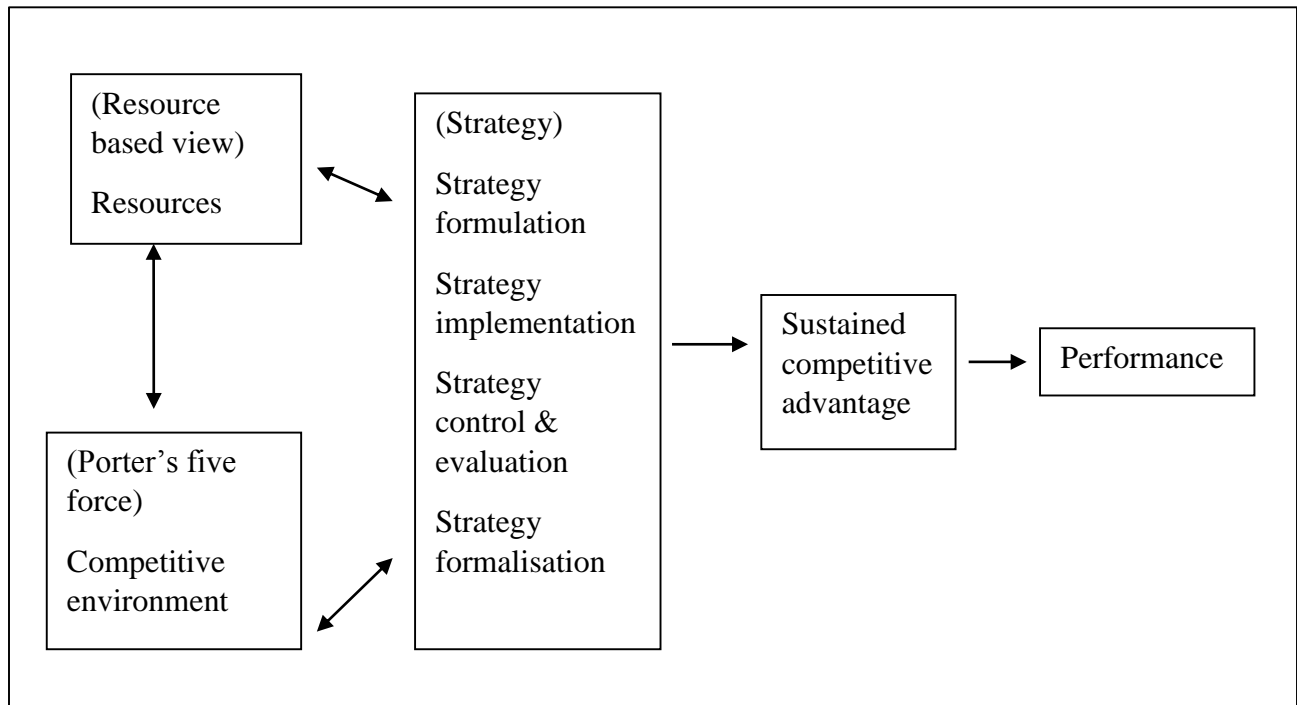


Figure 2.4: Conceptual Framework

2.15.3.1 Resources

Organisational resources include all assets, competences, firm procedures, organisational characteristics and qualities, material, understanding, etc. that an organisation possesses and helps in strategic planning and implementation (Barney 1991). Barney (2003) also put emphasis that strategies are formulated and implemented in order to have sustainable and upgraded efficiency and effectiveness taking into account the environment as well as probable performance. For the purpose of this research all the various concepts that were introduced in the RBV approach are categorised as resources. Resources in an organisation shape the way in which an organisation puts fourth its strategies. The RBV approach is selected as one of the suitable theoretical framework that best describe the manner in which organisations operate.

2.15.3.2 Competitive environment

Porter's framework proposes that there are mainly five forces that work within an environment to influence the way in which organisations make their decisions (Barney, 2003). The five forces that Porter introduces depict the power that the market environment has in influencing organisational strategies (Rugman & Verbeke, 2002). The most important of these forces is the intensity of competitive rivalry in the market (Acquaah, 2003). McGahan and Porter, (1997) suggest that all these forces are interconnected but the other four are built up to the one of competitive rivalry. Literature highlights that one of the most important factors that contributes to the way in which strategies are formulated and implemented (Schmalensee, 1985; Rumelt, 1991; Pearce & Robinson, 2010). Due to this factor, the researcher chose Porter's five forces framework as one of the conceptual frameworks that best suits this research. The market power perspective that Porter's framework adopts successfully evaluates the competitive environment (Coff & Kryscynski, 2011).

2.15.3.3 Strategy

Resources and competitive environment need to be connected for an organisation to be successful and strategy is one of the key channels of linking the two (Harris & Ruefli, 2000). Moreover, the allocation of organisational resources in the environment that it operates in is grounded on organisational strategy (Smith & Wilson, 1995). Organisations go through the strategic planning process as a mean to gain sustainable competitive advantage (Harris & Ruefli, 2000) which insures successful organisation performance. The competitive environment also contributes to the decisions that organisation have to make on the grounds of being defensive or offensive in their strategies (Collis, 1991). Also the organisations decision to follow either a deliberate or emergent strategy is fuelled by the type of resources and the state of the competitive environment (Herrmann & Nadkarni, 2013). Studies have proposed that most organisations that operate in highly competitive markets tend to integrate the two forms of strategy (Gnyawali & Madhavan, 2001; Andersen, 2004; Mair & Thurner, 2008; Herrmann & Nadkarni, 2013).

2.15.3.4 Competitive advantage

Peteraf and Barney (2003) defined this phenomenon as a distinctive differentiation that is provided by organisations in their products and services in comparison to others in the market. An organisations competitive advantage is recognised by its ability to generate more economic value

compared to its competitors in the market. Competitive advantage on its own is not enough to secure that a firm performs well (Wiggins & Ruefli, 2002). Sustainable competitive advantage ensures that an organisation stays on top of its game for a longer period hence increasing likelihood good performance (Acquaah, 2003).

2.15.3.5 Performance

Sustainable competitive advantage is not a guarantee that an organisation will always perform well (Wiggins & Ruefli, 2002). Organisations are said to be performing well when there is growth and their profits are higher in comparison to that of its competitors (Barney, 1991). Assessing performance, revising variations in the surrounding environment and making alterations are customary and essential parts of the strategic management practice (Harris et al., 2009). However the way in which organisational performance can be measured is still a debatable issue (Aracioglu, et al., 2013; Sandada et al., 2014). The manner in which organisational performance can be assessed is discussed in the next chapter in detail.

2.16 CHAPTER SUMMARY

This chapter reviewed the major themes and theories relevant to this study. This chapter also reviewed some theories of strategic planning and also on the importance of the strategic planning process. This leads to the next chapter which is premised on analysing business performance and the impact of strategic planning in SMME performance.

CHAPTER THREE

STRATEGIC PLANNING AND SMME PERFORMANCE

3.1 INTRODUCTION

This chapter pays focus to the existing literature on strategic planning and SMME performance. The chapter will provide both local and international definitions on the phenomenon. Further, the chapter will highlight the contributions that SMMEs within the South African socio-economic system. The chapter will also look into the aspects of organisational performance and the measures used to assess this important aspect of any firm. Finally, the chapter explores the possible relationships between strategic planning and firm performance specifically aspects of organisational performance and growth.

3.2 SMALL, MEDIUM AND MICRO ENTERPRISES (SMMEs)

The categorisation of SMMEs both locally and internationally is still a difficult process for most scholars and researchers (Herrington, Kew & Kew, 2009; Jackson, 2015). Hence, the manner in which these entities are defined is based on the distinct factors particularly referring to the economic development of each individual country (Sondari, 2014). This concept is highly misunderstood or misinterpreted in South Africa; the term is used in a way that it highly associated with micro-enterprises and survivalists (Garwe & Fatoki, 2012). Moreover, it is evident that the literature tends to shed light on a single aspect of SMMEs by making the basis of classification on whether an enterprise is registered or not (Lloyd, 2010; Watson, 2011; Dibrell et al., 2014; Ekiz et al., 2015). Thus, typically small businesses are either classified as formal or informal.

The economic structure of countries are characterised by many continuous alterations therefore it is important to define SMMEs in relation to the country under study (Govender & Pretorius, 2015). However the different available definitions are similar in certain characteristics with reference to aspects such as total annual turnover, balance sheet total and number of employees (Chang, Wu & Cho, 2011). These characteristics make up what is referred to as the quantitative definition of the phenomena (Malan, 2010). According to the World Economic Forum (WEF) (2013) in the European Union (EU) an organisation is an SMME if it has less than 250 employees, an annual turnover of 50 million euros and a balance sheet totalling to 43 million euros. In Australia

according to Business environments specialists (SBP), (2013) a low maximum of 200 and a high maximum of 500 employees define the SMME. A summary of SME definition in some economies is summarised in table 3.1.

Table 3.1: Global Definition of SMMEs

Country	Type of business	Number of employees
Portugal	Small	<100
	Medium	<500
United States	SMME	<500
Egypt	SMME	<100
Switzerland	Small	<50
	Medium	<500

Source: World Economic Forum (2013)

The National Small Business Act 102 (1996) is the official government document that describes small business in South Africa. The definition provided in this Act moves away from all the issues of formality and or informality. In this Act small businesses are classified into four main categories has highlighted in table 3.2.

Table 3.2: National Small Business Act: Classification of SMMEs

SMME CATEGORY	DESCRIPTION
Micro-enterprises	Employees range from one to five, in most cases it is a family run business. The business is not licensed, operates in a formal business premises (informal). A turnover of R150 000 annually (below VAT registration level). Owner and employees have basic business skills and training
Very small enterprise	Employees range from ten to twenty. The annual turnover of the business ranges between R200 000 and R500 000. Category made up of independent handicrafts workers (plumbers, electricians, mechanics) and professionals
Small enterprise	Employee less than fifty workers. More established compared to very small enterprises. The business is registered and formal. Operate in a fixed location. Controlled by the owner-manager but a more multifaceted management operations
Medium enterprise	Employees 100 to 200 workers. Still controlled by the owner-manager with a decentralised management structure. Organisation is formal and registered. Operates from a location that is fixed

Source: National Small Business Amendment Act (29 of 2004)

The definitions that are provided by the act provide a wider range of information on SMMEs. However, Jackson (2015) argues that this categorisation by the act leads to inappropriate classification of many different organisations into groups. This makes it impossible to understand the distinctiveness of each organisation. The simplified definition given by the National Small Business Act lacks heftiness hence there should be a better way of categorising small business organisations (Bbenkele, 2007). Bbenkele (2007) and Jackson (2015) suggest that there is need to add another category to those provided by the Small Business Act. The additional categorisation recognises the presence of survivalist business organisation, which is not present in the classification provided by National Small Business Act. The National Credit Regulator (NCR) (2011) recognises this category in their depiction of sectors that contribute to the economy. The informal sector is made up of proletarian survivalists and micro-enterprises while the formal sector

constitutes of very small, small and medium enterprises (NCR, 2011). This method of classification is also adopted by the Department of Trade and Industry (DTI, 2008) and is indicated in table 3.3.

Table 3.3: Department of Trade and Industry (DTI): Definition of SMMEs

SMME CATEGORY	DESCRIPTION
Survivalists	Organisations that produce revenue that is few than the smallest figure that quantifies organisations' incomes as below the standard level of poverty. The organisations are not registered (informal) may include vendors, marketers and sellers
Micro	Small businesses with a revenue of R150 000 thus below the threshold for VAT registration. Business employees less than five employees
Very small	They operate in the formal sector (registered) Employ less than ten workers
Small	They have sophisticated business practices than very small entities Employees not more than fifty workers
Medium	Show more elegant styles and methods in their organisational management practices. Cooperate organisations employing a maximum of hundred workers

Source: Department of Trade and Industry (DTI) (2008)

For the purpose of this research the definition of SMMEs that are presented by the DTI (2008) and Bbenkele (2007) will be used. The definition provides a wider base of the entities at the same time giving a clear classification of these organisations based of the way they operate.

3.3 CONTRIBUTION OF SMMEs IN SOUTH AFRICA

A number of authors suggest that innovation and most of entrepreneurship occurs in the SMMEs sector of the economy (e.g. Nyangara, Patrick & Oima, 2015; Darroll 2015; Edwards & Rankin, 2015). Brewer (2010) highlights that nearly 97% of business operations in South Africa come from SMMEs and they also produce 35% of Gross Domestic Product (GDP). As means of moving away

from post-apartheid economic system where, the economy was dominated by a few parastatals and Multinational corporations (Finn, Leibbrandt & Oosthuizen, 2014). The South African government has put high priority to supporting SMMEs (Garwe & Fatoki, 2012). The support of the government is evident from the creation of the Small business Development Ministry. The main objective of this ministry is to govern and provide support to SMMEs (Rustomjee, 2015). A 2015 quarterly release by Statistics South Africa (SSA) showed that by June 2015 the unemployment rate was at 25 percent .The government has tasked SMMEs with the duty of reducing the gap between the poor and rich and also reduction of high unemployment levels (Finn et al, 2014). Thus, the following can be given as the contribution that SMME have provided.

3.3.1 Job Creation

SMMEs have very high potential to eradicate the high employment levels (Finn et al, 2015; Edwards & Rankin, 2015). With the already high and growing number of people looking for jobs it cannot be left to the government and large organisation to provide means of employment. Increased attention has been given to SMMEs since they provide a fresh ground of employment based on the new business operations the organisations will bring to the economy. Due to the global economic meltdown of 2010 there has been high shed off and retrenchment in large corporations (Kongolo, 2010). However, SMMEs are doing the direct opposite by providing the much needed jobs to the growing population of employment seekers (Garwe & Fatoki, 2012). In South Africa SMMEs are responsible for employing a large number of workers and are also responsible of nearly 43% of the total salaries and wages paid (Lingthelm, 2013). Nieman and Neuwenzuizen (2009) suggest that 55% of workers employed in the formal sector in South Africa are employed by SMMEs. The national statistic estimate provided in 2015 reveal that nearly three quarters of economically active South Africans are employed in the SMME sector (SSA, 2014). These statistics provide evidence of the contribution that SMMEs do in answering the problem of staggering unemployment rates in South Africa.

3.3.2 Economic growth

Economic growth should be inclusive and be felt by the population's majority for it to be a solution to poverty reduction (Finn et al, 2015). One of the main competences of the private sector wealth creation which is plays a major role in poverty reduction (Kuratko, 2016). Hence, the private sector

is an important support wing for local entrepreneurs and SMMEs to improve on their performance and sustainability. SMMEs are anticipated to be a significant answer to the problems of employment creation, sustainable economic growth, unbiased spread of income and the general stimulation of economic development (Van Scheers, 2011). Small business organisations are also a critical source of novelty in the creation of new products, amenities and technologies (Fatoki & Smit, 2011). Estimates in the year 2014 indicate that small business organisations contribute more than 35% of South Africa's Gross Domestic Product and employ close to three quarters of the nation's employed population (Sondari, 2014).

3.3.3 Poverty reduction

The World Economic Forum (2013) reports, that Sub-Saharan Africa and most of Asia are bonded by high levels of poverty. Most of research has reviled that most of the developing countries suffer of from poverty it is only the levels that vary (Olutunla & Obamuyi, 2008; Wijetunge & Pushpakumari, 2012; Parnell, 2013; Nyangara et.al, 2015; Smith, 2015). The Small Business Development Ministry and the South African government suggest that the key to solving this problem can be found in SMMEs (Finn et al, 2015). SMMEs are also responsible for providing basic goods and services demanded by the society in which they operate in (Maas & Herrington 2011). Mitchelmore and Rowley, (2013) argues that being able to provide jobs to those who demand them is not enough; results should also be seen in the levels of poverty reduction. Matarirano (2008) suggests that through the provision of basic commodities at reasonably affordable prices SMME are a bridge the gap between the rich and the poor. Thus, allowing families to have access to basic necessities that they could not afford when they live below the poverty datum line (Lloyd, 2010). As highlighted above SMMEs offer sources of employment hence by doing so they provide a stable income to families. This income is then put to use in a way that helps reduce poverty amongst families and societies (Munyaradzi, 2011).

3.3.4 Equity and participation

Since South Africa gained freedom in 1994 one of the government's primary focuses is to bring equality between the marginalised communities with those that are well up. The government view SMMEs as means of providing equity and participation in the communities that were previously disadvantaged due to apartheid (Aguero, Carter & May, 2007). Economic and employment

opportunities come from SMMEs hence focusing on their development and sustainability will provide both economic and employment opportunities to communities (Mahembe, 2011). Gender inequality and also income inequality between communities is still wide in South Africa and SMMEs are the supposed answer to this problem. The South African government has been providing its full pledged support to female SMMEs as means to alleviate gender inequality (Shava & Rungani, 2014). Most of the female owned SMMEs have been great means of providing jobs to other women and also providing women with managerial post which was not normally common (Garwe & Fatoki, 2012; Mitchelmore & Rowley, 2013).

3.3.5 Social stability

Social instability is greatly high in developing countries South Africa included. It is mainly as a resultant of poverty and unemployment (Mohutsiwa, 2012). Social instability is characterised by high crime rate and abuse of dangerous substances. The South African government greatly acknowledge how SMMEs can be able to provide an answer to high levels of poverty and unemployment. SMMEs provide sustainable economic growth as well as reduction of poverty through job and wealth creation (Aguero et al., 2007). SMMEs contribute to social stability by providing people with an access to basic needs and jobs. Availability of jobs reduces crime rate and abuse of dangerous substances by the economically active hence bring social stability (Munyaradzi, 2011).

3.3.6 Income Distribution

Statistics South Africa (2014) released a report which shows a 3.8 percent of the adult population of South Africa to be earning about 39.4 percent of total personal income. This leaves 61.6 percent of the total income to be scrambled for by the remaining 96.2 percent of adult population. The report also shows that 20.8 percent of this adult population are in the R50 000-R300 000 per annum income groups (middle class) whilst 75.4 percent are earning less than R50 000 per annum. Unlike large business, SMMEs have to make use of all its capital stock to create one job, they have the advantage of utilising moderate share capital in creating sustainable jobs for employees (Malan 2010). This means that SMMEs have the capability to employ some capital stock from the share of large businesses and utilise it to offer jobs for the underprivileged poor people (Malan, 2013). Secondly, SMEs use very small capital stock to accommodate for a number of job opportunities.

Despite the fact that jobs created by this micro-enterprise sector are less paying and are not decent enough to sustain the employees' financial needs (Andalya, 2013; Abdalkrim, 2013). The third reason why SMMEs contribute considerably towards income equitable distribution is that SMMEs are scattered across the nation and even in less developed areas (Shava & Rungani, 2014). This helps to counter the inequality that comes by employing certain people because of their proximity (Aguero et al., 2007).

3.4 CHALLENGES ENCOUNTERED BY SMMEs IN SOUTH AFRICA

Despite the much attention that is provided by the government and other stakeholders to the SMME sector, SMMEs still face challenges that are of negative impact to their performance. The Small Enterprise Development Agency (SEDA) identifies some of the major challenges that these organisations face (SEDA, 2012). These factors that are indicated by the Small Enterprise Development Agency (SEDA) are discussed below.

3.4.1 Inadequate access to funds

Financial resources are the backbone of all business organisations (Aguero et al., 2007). Funds are mainly required to enable an organisation to get off the ground and start its trading activities as well as fostering growth (Malan, 2010). Most SMMEs face problems of accessing financial resources and this problem is highlighted to be a major hindrance to small organisational performance (Maas & Herrington, 2011). Statistics show that not more than 2% of newly established small businesses can get access to financial assistance in South Africa (SEDA, 2012). Also it is revealed that less than 25% of SMMEs that apply to banks for financial assistance access the bank loans (Garwe & Fatoki, 2012). Lack of collateral security and poor record keeping are the main factors that affect SMMEs access to bank loans (Garwe & Fatoki, 2010).

3.4.2 Poor support structures

The question of support structures is still highly debateable, small business owner and operators cry foul that not enough support is given to them by the government (Magruder, 2012). Whereas the government boasts of the support that it provides directly and indirectly through organisations such as SEDA (Mahembe, 2011). Darroll (2015) suggest that the debate may be as a result that that most of these organisations do not have enough on the different organisations that are available

to assist them. SEDA (2012) reports that most small business organisations in South Africa do not have the knowledge of the effort that the government puts in trying to offer them support.

3.4.3 Location and networking

The location of a business enterprise and the network connections that the business operator has play a major in the success of every business be it small or big (Mahembe, 2011). Case studies in and around the world reflect that the promotion and support of clusters and mostly networks create ways in which to stay connected to market changes (Magruder, 2012). Most of all networking provides access to information creating new opportunities for innovation technology advancements as well as enterprise longevity. However, most SMMEs in South Africa tend to operate in isolation which limits their access to new opportunities (SEDA, 2012). Darroll (2015) suggested that location has influence on the market potential and growth opportunities of new firms. Geographical proximity to either critical buyers or suppliers produces a form of enhanced environmental scanning that enables new firms to more easily identify and exploit growth opportunities in the market (Garwe & Fatoki, 2012).

3.4.4 Economic variables

The state of economic and market variables is a major factor that shapes how an organisation performs as well as how long it will exist (SEDA, 2012). Economic factors have an undeviating effect on the potential attractiveness of diverse approaches and spending patterns in the market (Malan, 2013). It also has considerable effects on business establishments in various industrial sectors. Economic variables are made up of the fiscal and monetary policies of the government, foreign exchange rates, inflation and interest rates (SEDA, 2012). These four variables have a relationship with demand of goods and services in the market therefore will influence growth and performance of SMMEs (Brewer, 2010). At present the South African economy is faced by high inflation rates, a very weak Rand in the currency exchange markets and high interest rates (Malan, 2013). This has led to a shrink in the market of goods and services since consumers tend to watch their spending and borrowing when the economy is unstable (Shava & Rungani, 2014). This shrink in the markets puts the survival and operation of SMMEs at high risk (Garwe & Fatoki, 2010). The endeavours that SMMEs take such as price reductions in order to find means of survival will in the long run throw them out of business (Mahembe, 2011). In such cases business organisations

will find it difficult to break even and improve on performance hence they eventually close shop (Shange, 2011).

3.4.5 Market inaccessibility

Organisational survival is greatly rooted on the ability of the owner and or manager to be able to comprehend the market dynamics and having the ability to provide competitive advantage (Van Scheers, 2011). One of the largest impediments to organisational success is market inaccessibility, most SMME find it difficult to enter or diverse into new markets (SEDA, 2012). Also when they get into these new markets the rate of completion in those markets is also a problem since they are dominated by large organisations (Kongolo, 2010). Michael Porter's five forces framework described in chapter two is the best framework that can explain this problem. Competition in an industry is provided by five complex forces and these forces directly affect the organisations that operate in the industry (Maas & Herrington, 2011). The most powerful of the factors highlighted by Porter is rivalry among competitors. SMMEs are there by faced with the problem that they not fight the competition that comes from established large organisations (Sondari, 2014). These large establishments will make it even more difficult for small businesses to enter the market by offering price cut a move that is devastating to small businesses (Matarirano, 2008).

3.4.6 Lack of education and training

One of the most significant hindrances to successful small business operations is lack of education and training amongst SMME owners and managers (SEDA, 2012). The lack of training and education has led to poor managerial skills by SMME managers (Sondari, 2014). Education and training is a source of developing good managerial competencies which are needed for organisations to survive and be successful (Maas & Herrington, 2011). Managerial competencies are a set of understanding, skills, actions and approaches that led to an individual's personal effectiveness (Garwe & Fatoki, 2012). The managers' personal effectiveness is very important to the growth and survival of business establishments. Sondari (2014) points out that the poor performance that is found in SMMEs is highly related to lack of education and training. Also the low level of entrepreneurial creativity and innovativeness is linked to lack of education and training (SEDA, 2012).

3.4.7 Statutory regulations

Statutory regulations refer to law that is set by the government of a country. In South Africa SMMEs face challenges in terms of some of the statutes that are presented by government (David Tax Committee (DTC), 2014). The law in South Africa states that business organisations cannot employ foreigners that do not have work permits (Leiman, 2014). In other countries these laws are relaxed hence availability of a cheap work force (Edwards & Rankin, 2015). Also there are laws that have got to do with taxation of business organisation are an impediment to success of SMMEs in a way (DTC, 2014). Most SMME owner managers desist from registering their organisations so as to avoid paying tax. Such organisation later will face challenges that they will not be able to access funding since some organisations will demand proof of registration (Darroll, 2015). There are also laws that are there in terms of standardisation of product produced by organisations (SBP, 2013). Such laws force most small businesses to close shop because some will be producing products that are below standard with the aim to improve once they have established well (Finn et al, 2014).

3.4.8 Infrastructure and labour

SMMEs in South Africa find it expensive and impossible for them to employ a skilled labour force (Sabia, 2014). The cost of labour is not determined by the individual organisation but it is set by government statute such as the employment and minimum wage regulations (Neumark, Salas & Wascher, 2013). Organisations are not able to employ a work force they cannot afford which will lead to them being under staffed. Also they are faced to settle for the second best which will result in poor performance and organisational failure (Edwards & Rankin, 2015). Poor infrastructural facilities are also another problem that SMMEs faces, most small business operate in facilities that do not meet the required standard (Darroll, 2015). The growth and success prospects of SMMEs are greatly affected by the quality of infrastructure available for use (Magruder, 2012). In South Africa the biggest setback in terms of infrastructure comes from the inadequate electricity supply (Rustomjee, 2015). Electricity power cuts have a negative effect on the production and turnover of small businesses (Smith, 2015).

3.4.9 Inadequate investment in information and technology

The global market and the environment is ever changing, the only way to keep track of these changes is through investing in information and technology (Rustomjee, 2015). Business development and growth is mainly supported by the access to information and advancements in technology (SEDA, 2012). Adequate access to these two factors insures that organisation get a chance to maximise on possible business opportunities and improve on their production (Magruder, 2012). The problem then comes from the fact that it is expensive to obtain new technology and also not all information is available for free (Leiman, 2014). Therefore due to the underfunding of SMMEs in South Africa these business organisations do not adequately invest in information and technology (Darroll, 2015).

3.5 SMME PERFORMANCE

The main objective of this section is to highlight on the phenomenon of organisational performance in respect to SMMEs. The section will provide a definition on what performance is. Moreover there will be a discussion on different measure of performance and a brief look at SMME performance theories.

SMMEs are greatly celebrated the world over for the part they play in fostering economic growth, providing means of employment and also reducing poverty (Murika, 2013). Despite of all these contributions by SMMEs to the world economy most of these small businesses still perform very weakly and fail in early stages (Kongolo, 2010). Santos and Brito, (2012) postulates, that organisational failure is much higher in SMMEs as compared to large enterprises. Nieman and Neuwenhuizen (2009) go further to highlight that the failure of SMMEs is much higher in Sub-Saharan Africa and as well as developing countries as compared to developed nations. In line with Nieman and Neuwenhuizen (2009) postulation that SMMEs in Africa are characterised with very low survival rate. Van Scheers (2011) notes that SMMEs in South Africa fail in their first two years. Edwards and Rankin (2015) recons that less than two percent of these small businesses survive (thus continue operations after two years of them starting operating). Table 3.3 is a depiction of SMME failure in developing and developed countries.

Table 3.4: SMME failure rates

COUNTRY	SMME FAILUIRE RATE (%)
Australia	23%
Malaysia	60%
Botswana	80 %
South Africa	75%

Source: (Ahmad &Seet, 2009; Fatoki & Odeyemi, 2010)

3.6 ORGANISATIONAL PERFORMANCE

A number of authors in literature provide a wide range of descriptions to what organisational performance is (Ahmad & Seet 2009; Fatoki & Odeyemi, 2010; Brewer, 2010) Performance can be defined as a measure of how best an establishment can put to use the resources that it possesses to generate income (Brewer, 2010). Thus, Brewer (2010) defines performance in relation to the accomplishments of an organisation or venture the organisation undertakes over a given period of time. Performance is also described in terms of achievements of set organisational goals measured in contrast to known standards, totality and cost (Fatoki & Garwe, 2010).

However, it is not easy to provide a distinction between the description of performance and that of organisational failure, the two are inter twined weak performers are recognised as failures and strong performers are successful (Murika, 2013). Hence, an organisation can be said to have failed when; it fails to reach a break-even point, the establishment is sold to reduce on possible future loses, discontinuance of business and insolvency or liquidation (Awino et al., 2012). Following a similar procedure Garwe and Fatoki (2010) described power performance as closure of business operations for any reason and insolvency or liquidation.

Organisational performance of SMMEs is of high interest to both governments and individual the world over due to the contribution these small businesses bring to economies (Ahmad & Seet 2009). Olutunla and Obamuyi (2008) suggest that organisational performance relates to the productivity and efficiency that an organisation undergoes when providing products and services to consumers. There is still debate on what the appropriate measure of organisational performance

is (Watson, 2011) and evidence in literature has shown that most scholars tend to focus factors for which data can be collected easily (Olutunla & Obamuyi, 2008). However some scholars propose that organisations may use objective measure in contrast to subjective measure to evaluate organisational performance (Tang & Zhang, 2005; McIlquham-Schmidt, 2010; Awino et al., 2012).

3.7 MEASURES OF ORGANISATIONAL PERFORMANCE

The debate on the appropriate measure of organisational performance is based on three factors thus subjective, objectives (financial) and non-financial measures (Sandada et al., 2014). Objective and subjective measure are mainly a composite of financial records thus, the measure is made up of financial stats such as revenue, net income cash flow and ratio such as return on equity, return on assets, return capital on invested total, debt to equity and long-term debt to equity (Green, 2003). Objective measure will require businesses to disclose part of their financial information of which most of these organisations are not will to provide since it is private and confidential. On the other hand the subjective measures are based on the managers' and or owner's understanding or judgement of organisational performance (Aracioglu, et al., 2013; Sandada et al., 2014).

Non- financial measures are therefore those measures that do not have anything to do with how the organisation is performing financially (Schayek, 2011). Non-financial measure comprise of factors such as; market share, capacity utilisation, product quality, customer satisfaction, customer retention, employee satisfaction as well as employee turnover (Aracioglu, et al., 2013). Non-financial measures are mostly factors that are connected to the operations of an organisation, effectiveness and efficiency in the way organisations operate (Efendioglu & Karabulut, 2010).

Due to the fact that most organisations especially small business are not willing to disclose their financial records it makes it nearly impossible to come up with objective measures (Aracioglu, et al., 2013; Dubilihla & Sandada, 2014 ; McIlquham-Schmidt, 2010; Akhlagh, et al., 2013). This is the main reason why scholars oppose the use of objective measures (Schayek, 2011). Also the other problem with objective measures is that financial records can be altered and thus making incorrect reflection on how the organisation performs (Bisbea & Malagueno, 2012). Objective measures are unreliable as they are extremely connected or interlinked and short cited rather than presumptuous looking, underlining the short-range view of the establishment as a substitute of the

long-range benefits (Bisbea, & Malagueno, 2012; Sandada et al., 2014). Tang and Zhang (2005) also postulated that objective measures are best suitable when comparing performance of organisations in the same industry not when conducting an inter-industry examination.

Due to such problems that are coupled with the objective measures of measuring performance researches depend on subjective and non- financial measures since their information can be accessed much easily (Ahmad & Seet 2009). Non- financial measure and subjective measure of performance are provided in non-monetary form hence organisations can easily offer that information to other people (Olutunla & Obamuyi, 2008). In terms of subjective measure the owner and or manager will only have to provide information based on their judgement on how they think they performed compared to their competitors (Bisbea, & Malagueno, 2012). Mostly they are just asked to provide a ranking on the previously mentioned financial records (*revenue, net income cash flow and ratio such as return on equity, return on assets, return capital on invested Total, debt to equity and long-term debt to equity*) comparing theirs to that of others in the industry (McIlquham-Schmidt, 2010). As for the non-financial measures the concept is similar to that of subjective measures (Olutunla & Obamuyi, 2008). The owner and or managers opinion will be based also on comparison of important variables (*market share, capacity utilisation, product quality, customer satisfaction, customer retention, and employee satisfaction as well as employee turnover*) that will enable establishment to make it in the market (Schayek, 2011).

3.7.1 Objective Financial Measures

This section will discuss some of the major variables that are used as part of financial or objective measures of organisational performance. Financial measures of performance calls for an organisation to reveal some of the figures in their financial statements. The problem with objective measure of performance as revealed in the previous section is that most organisations are not willing to disclose such information. Also some of the figures in the financial measure of performance are debatable since than can be easily manipulated (Awino et al., 2012; Ledgerwood, 2014; Nelson, 2015).

3.7.1.1 Revenue

Most organisations generate their revenue from the day to day operations that they do. The income that is generated when an organisation when an organisation sales a commodity or provides a

services to its consumers is known as revenue (Nelson, 2015). Others go further to mention that revenue the total sum of money a firm receives within a given period made up of sales, discounts and deductions of returned commodities (Longenecker, Petty, Palich & Loy, 2013; Sinha, 2012;). In the income profit and loss statement of an organisation the figure of revenue is usually at the top (Santos & Brito, 2012). In order to calculate revenue the price at which a commodity or services is sold at is multiplied by the total number of units sold (Nelson, 2015). Thus as illustrated by the following equation:

$$\text{Revenue (R)} = \text{Price (P)} \times \text{number of units sold (N)}$$

3.7.1.2 Net income

Organisations incur costs or what is referred to as expenses as a result of their day to day running. Net income is the organisations total earnings or profit. The amount of net income is obtained when the organisation has adjusted the revenue amount for costs or expenses (Rich, Jones, Heitger, Mowen & Hansen, 2011). The cost of operations, the wear and tear of equipment (depreciation), taxes and interests are among some of the expenses that are adjusted for (Gibson, 2010). The amount of net income is also found in the income profit and loss statement of the organisation (Damodaran, 2012). The figure is very important since it is a measure of how profitable an organisation has been over a given period of time (Longenecker et al., 2013). The equation bellow illustrates how net income is calculated:

$$\text{Net Income (NI)} = \text{Revenue (R)} - \text{Combined cost of operating an organisation (CCOO)}$$

$$\text{Where CCOO} = \{ \text{cost of operation (CO)} + \text{depreciation (D)} + \text{taxes (T)} + \text{interests (I)} \}$$

3.7.1.3 Cash flow

Organisations use cash for their day to day operations, the incomings and outgoings of cash that represent the firms operating activities is what is referred to as cash flow (Bragg, 2012). In respect to accounting the difference in the amount of cash available at the start of a period and the amount available at the end of that same period is cash flow (Ledgerwood, 2014). Cash flow is said to be positive when the amount available at the close of the trading period is higher than that was available at the opening (Sinha, 2012). The opposite of this would mean that the cash flow negative thus an organisation using more cash than it would have received. The rate of cash flow is increased

by many business activities which include; increasing the rate of sales, reduction in cost and expenses, price increments of organisations goods or services, borrowing (acquiring a loan) and sale of asset (Rich et al., 2011). However, the level of an organisation's cash flow is not a good measure of performance and more so having a high levels of cash flow do not mean high profits (Sinha, 2012).

3.7.1.4 Return on equity

The word equity is used to mean a wide range items in accounting. In most instances it is used to refer to the combination of an organisations liabilities and the owner's equity (Sinha, 2012). Hence equity can also be referred to as the amount of money that the owner or shareholders have invested in the organisation (Gibson, 2010). Thus for a business to get on its feet there is need to have injected some money as a means of financing the operations of the organisation such as acquisition of current and fixed assets (Nelson, 2015). Return on equity is a ratio that measures the amount of net income as a percentage of the owners or shareholders' equity (Rich et al., 2011). The ratio measures the organisations profitability by reflecting how much net income the organisation will produce with the money invested in it by the owner (Damodaran, 2012). Return on equity is calculated using the formula:

Return on equity (ROE) = Net Income / owners or shareholders' equity

3.7.1.5 Return on assets

Assets can be described as an object owned by an organisation or individual that is regarded as of value, available to pay off debt and commitments (Nelson, 2015). Moreover an asset is an item that an organisation puts to use to generate income or is used to fulfil the obligations of the organisation such as vehicles and machinery (Longenecker et al., 2013). Return on asset is a ratio that shows the profitability of an organisation in respect to its total assets (Ledgerwood, 2014). The ratio reflects the efficiency that management possess in making use of the available assets to produce earnings for the firm (Sinha, 2012). The ratio is calculated by dividing the organisations yearly net income by the available assets (Nelson, 2015). The formula to calculate return on assets is:

Return on assets (ROA) = Net Income (NI) / Total assets (TA)

3.7.1.6 Return on invested capital

Invested capital is the total sum of money that is endowed into an organisation by the owner, shareholders and all other stakeholders (Longenecker et al., 2013). The total amount that is invested in an organisation is found by adding the total debt and lease commitments to the total amount of equity in the firm and then adjusting for the non-operating cash and investments (Ledgerwood, 2014). Return on invested capital is a calculation used to examine the efficiency of organisations in distributing the capital it has to profit generating investments (Bragg, 2012). The ratio shows how well the money in an organisation is being used to generate more income (Sinha, 2012). There are various ways for calculating the return on invested capital one of this ways is as follows:

Return on invested capital (ROIC) = [Net Income (NI) – dividends (D)] / Total capital (TC)

Note: dividends are the total amount of income that is set to be paid to shareholders as returns on their investment. Hence dividends are in most cases excluded in the calculation of the ROIC in SMMEs.

3.7.1.7 Debt to equity ratio

Debt is an amount of money that is borrowed by an organisation from a bank or any other lending organisation to supplement the amount of money the organisation (Longenecker et al., 2013). Debt is at times in form of interest bearing loans and is short term in nature. In this instance equity is described as the difference between the value of an organisation or owner's assets and that of the organisation or owner's liabilities (Gibson, 2010). Debt to equity is a financial ratio that equates an organisations total debt to total equity (Nelson, 2015). This ratio provides the organisation with information on the fraction of that organisation's funding that is obtained from creditors and financiers (Rich et al., 2011). When the debt to equity ratio is high it reflects that the organisation depends more on borrowed funds (bank loans) as compared to owners or investors funding (Bragg, 2012). Dividing the total liabilities by the total equity would give the debt to equity ratio. All the components of the debt to equity ratio are found in the balance sheet hence the ratio is considered to be the balance sheet ratio (Ledgerwood, 2014). The formula bellow shows the calculation:

Debt to equity ratio (DER) = Total Liabilities (TL) / Total Equity (TE)

3.7.1.8 Long –Term Debt to equity ratio

The Long –Term Debt to equity ratio (LTDER) is similar to the debt to equity ratio, the difference only comes in that in the LTDER the calculations of debt are centralised on long term debt (Damodaran, 2012). Long term debt is made up of loans and other financial commitments that last for more than one year (Rich et al., 2011). Long-term debt for a business establishment is comprised of an obtained funding or leasing commitments that are expected to be paid off in a greater than single year's period (Gibson, 2010). Long term debt consists of things such as mortgages on corporate buildings and / or land, bank loans, and, the biggest item of them all; bonds issued to fixed income investors from whom the corporation raises money in exchange for the promise to return those funds in the future, while paying interest in the meantime (Bragg, 2012; Nelson, 2015). The LTDER is found by dividing the total long-term debt of an organisation by net book value of the organisations equity (Sinha, 2012). When the ratio is very high that mean that the organisation has high leverage and is thought to be more risky as well (Ledgerwood, 2014). Financing organisations are hesitant to provide financing to organisations with high debt (Longenecker et al., 2013). The formula below shows the calculation:

$$\text{Long-Term Debt to Equity Ratio (LTDER)} = \text{Long-Term Debt (LTD)} / \text{Total Equity (TE)}$$

3.7.2 Subjective Financial Measures

The difference between objective and subjective measure is that when it comes to subjective measures the organisation is not to provide any of its financial records. Owner and or manager of the small business are asked to subjectively provide a point of view of how the organisation is performing in comparison to its competitors (Marc, Peljihan, Ponikvar, Sobota, & Tekavcic, 2010). Some scholars have suggested that using the subjective measures of measuring performance provides a much reliable answer compared to that of objective measure (Spangenberg, & Theron, 2004; Hakimpoor, 2014). This is due to that it reduces the risk of business operators falsifying some figures such as revenue and income. Moreover subjective measures are easy to come by since the organisation does not have to disclose it private and confidential information (Terblanche, Gerber, Erasmus, & Schmidt, 2013). The same variables that are used in the objective measure are the ones used for subjective measure but on in a different criterion.

For this study the research adopted methods that have been used in previous studies (Miller, 1983; 1987; Marc et al., 2010; Hakimpoor, 2014). The researcher adopted a five point Likert scale in which the owner manger has to rank the performance of their organisation in contrast to that of its competitors (Miller, 1983; 1987). The scale ranged from one to five, one denoting that the organisations performance is weaker and five showing that it is stronger compared to other. The comparison in the subjective performance measures adopted by the research where in terms of the following variables: revenue, net income cash flow and ratio such as return on equity, return on assets, return capital on invested Total, debt to equity and long-term debt to equity. Appendix One shows the instrument in which was used for this research and the subjective financial measure are found on section B question 6.

Though researchers have supported the use of subjective measure of organisations the technique is coupled with its own problems (Le Cornu & Lockett, 2000). Most SMME owners and managers are faced by the problem that they have limited access to business education hence they find it challenging to calculate the variables discussed above (Kee-Luen et al., 2013). Calculation of the variables is not the only problem it is evident that some do not even have an idea what the variables are about (Rudd, Greenly, Beatson, & Lings, 2008). Due to the limited funds that these small businesses experience they tend to operate without calculating these variables since it would be expensive to employ external labour for it (Longenecker et al., 2013). Hence, this shows that there are more problems associated with financial measures whether it is from an objective or subjective point of view (Kee-Luen et al., 2013; Hakimpoor, 2014).

3.7.3 Non-Financial Measures

Olutunla and Obamuyi (2008) suggest that the best way to measure performance in the organisation is through the use of non-financial measures. Non-financial measures are any parameter an organisation can use to measure how they are performing that is not expressed in monetary points (Cant, 2011). It includes some of the measures discussed below. For this study the researcher adopted a semi-subjective form of assessing these measures. The organisations are not asked to disclose their non-financial performance measure but rather to rank how they think they are performing against a five point Likert scale. Appendix One shows the instrument in which was used for this research and the non-financial measure are found on section B question 7.

3.7.3.1 Market share

Market share refers to the percentage of total sales in an industry or market that is obtained by an organisation during a given time frame (Cant, 2011). Organisations can determine their market share by dividing the organisations total sales over a given period of time by the total sales in the industry during the same time frame (Zimmermann, 2012). The calculation provides a general view of the percentage that a particular organisation controls and also the percentage that will be controlled by its competitors (Topolosky, 2014). Organisations and investors pay a particular attention to market share fluctuations because market share reflect how competitive an organisation is and also the competitiveness of its products (Longenecker et al., 2013). The total revenue that a company generates is highly linked to the maintenance and growth of its market share, company revenue grows at the same rate as that of market share (Bragg, 2012). Hence, an organisation that has a growing market share will have revenue growth that is faster and of high levels compared to its competitors (Marc et al., 2010).

Increases in market share sizes provide room for organisations to improve its operations and revenue generations to greater margins (Rudd et al., 2008). Market share expansion is one of the main objectives that most organisations strive to obtain (Cant, 2011). Organisations go through great lengths to control large market share sizes in the industry. Improvements on product quality, price reductions and advertising are some of the activities organisations embark on as means to try and improve on their market share size (Longenecker et al., 2013). Information on market share sizes of organisations is widely available from numerous independent sources and also the organisation itself (Kee-Luen et al., 2013). However, there are some markets or industries were it is difficult to measure the market share in accuracy compared to others (Spangenberg & Theron, 2004). The formula below gives the market share size;

Market share = [organisation's total sales / industry total sales] X 100

Note: organisation's sales and industry sales should be provided for the same period of time.

3.7.3.2 Capacity utilisation

Capacity utilisation is the degree to which an organisation actually utilises the productive capacity it has (Weiss, 2010). It measures the degree to which the organisation uses its production potential.

Capacity utilisation can also be described as the fraction of total capacity that is actually being achieved in specific given time (Sunder, 2011). Organisations tend to worry about their capacity utilisation because it is a measure that provides information on the organisation's productive efficiency (Hansen, & Mowen, 2014). There is a positive relationship between the cost of production and production itself (Zimmermann, 2012). The average cost of production will fall as there is an increase in output; therefore when there are high levels of capacity utilisation production costs can be reduced (Bragg, 2012). Thus it is a goal for organisations to operate at a capacity of 100% so as to beat the cost of production (Damodaran, 2012).

Inefficiency is a problem which may lead to an organisation to lose out on market share as well as revenue as a result of failing to meet customer demands (Hansen, & Mowen, 2014). Inefficiency also leads to poor competitive units costs; this means that organisation will suffer from high fixed production costs which will lead in revenue reduction (Bragg, 2012). Capacity utilisation is given as a percentage and is calculated using this formula:

Capacity utilisation = [Actual level of output / maximum possible output] X 100

3.7.3.3 Product quality

The quality of a product is determined by it have the adequate collection of physiognomies and features that would make that particular product meet the prescribed requirements (Hermann, 2009). Most organisations operate in markets where there is a product or service quality regulator (Hakimpoor, 2014). Therefore, it is every organisations desire to provide a service or product that meets the requirement of the regulating body and that is way better than its competitors (Marcouse, Watson, & Hammond, 2015). From a manufacturer's point of view quality can be measured by the extent of conformance to pre-set stipulations and principles, and nonconformities from these principles can lead to reduced quality and little reliability (Hakimpoor, 2014). The manufactures aims to improve the quality of the product through reducing product imperfections and eliminating the need for any rework on products. A high-quality product to the consumer is a product that is able to meet their needs, inclinations and expectations (Hennig-Thurau & Hansen, 2013). The consumers perspective of a product comprise a number of features, some of which add little or nothing to the functionality of the product but are important to consumer in getting satisfied (Enis & Roering, 2012).

The quality of a product is important to both the manufacture (organisation) and the consumers (Damodaran, 2012). If an organisation produces a product that is of poor quality it will have a negative effect on the organisations image, reduces the consumers' confidence of the product and reduce organisation's revenue generated from sales (Hansen & Mowen, 2014). Therefore maintaining the quality of the products that an organisation produces should be one of its highest obligations (Weiss, 2010). Consumers are willing to pay large amounts of money for product that meets their needs and expectations. The moment a product fails to meet their requirements the consumers immediately move to other products produced by competitors in the same market (Longenecker et al., 2013). Hence, it is important for organisations to produce good quality products so as to maintain their market share and be able to retain their customers.

3.7.3.4 On time delivery of products or services

The success of on time delivery of products or services is greatly dependent on the ability of the organisation to embark on good project management (Ciccone, Gehkre, & Mongiovi, 2012). Organisations of all sizes rely on the project as a means of generating revenue hence new projects are embarked on every year (Marcouse et al., 2015). Starting a new project is not a guarantee that the organisation would generate income from that project. The success of the project is what insures obtaining income from a particular project (Kee-Luen et al., 2013). More over the success can only be present when the organisation meets the required time schedule of delivering the product or service (Cant, 2011). This means that organisations should be able to deliver their products or services in time.

On time delivery does not talk about a certain particular date; but it generally refers to a given range of dates. Many organisations describe on time delivery in form of a range of dates where X days before due date is early and Y days after due date is regarded as late (Farris, Neil, Pfeifer & Reibstein, 2010). On time delivery of products is a good measure of an organisational operational reliability. On time delivery is measured by dividing the orders delivered in time by the total number of orders delivered (Bragg, 2012). It is the organisations goal to have an on time delivery ratio of a hundred percent. This measure of performance helps manager to work hard in reducing the number of future projects they may lose due to failing to deliver the present ones on time (Longenecker et al., 2013). On time delivery of products or services calculated using this formula:

On time delivery (OTD) = orders delivered in time / total number of orders delivered

3.7.3.5 Customer satisfaction

The measure that reflects how a product or service that an organisation produces meets or exceeds the expectations of its consumers is what is referred to as customer satisfaction (Topolosky, 2014). The major indicator that consumers are satisfied is their repurchase intentions and their loyalty to the product (Farris et al., 2011). Customer satisfaction is described as the total number of consumers or ratio of consumers, recorded involvement with an organisation its products or services ratings surpasses stated satisfaction goals (Sunder, 2011). Customer satisfaction is regarded as one of the major organisational performance indicators (Kee-Luen et al., 2014). Since organisations operate in competitive market where rivalry over customers is high, customer satisfaction has been regarded as a key differentiator and is now a key factor in business strategy (Hakimpoor, 2014).

The ratings of customer satisfaction bear powerful effects within companies (Longenecker et al., 2013). They are a means to re-focus an organisation's employees in acknowledging how important it is to fulfil the expectations of consumers (Hennig-Thurau, & Hansen, 2013). As a means of trying to have information on how consumers view organisations products and if they are satisfied organisations tend to ask consumers whether or not the products or services have met their expectations (Zimmermann, 2012). Customer satisfaction is an intellectual notion and comprises such elements as product quality, service quality, the atmosphere of the location where the product or service is purchased, and product or service price (Sunder, 2011). Organisational research questions that try to gather information on customer satisfaction usually ask questions on; the product or service quality, value of the product in relation to its price, delivery time of the product and the personnel responsible for delivering the service offered (Topolosky, 2014).

3.7.3.6 Customer retention

Customer retention is the ways in which product and service selling organisations go through as a means to reduce losing customers (Cant, 2011). An organisations ability to draw and retain new consumers is not only centred on the service or product they offer (Farris et al., 2010). Rather the reputation of the organisation within it immediate and cross market or industry and the manner in which the organisations services its current customers is the centre of customer retention

(Hermann, 2009). In order to have good customer retention the organisations should be able to create brand loyalty among its product consumers (Weiss, 2010). Brand loyalty can only be created through offering consumers with products or services that surpass what they would be looking forward to (Hennig-Thurau & Hansen, 2013).

A strategy that is centred on putting consumers' values first rather than grounded on profit maximisation is required when an organisation wants to create customer loyalty (Enis & Roering, 2012). For an organisation to be able to differentiate itself from the rest of the industry is by consistently offering exceptional quality of customer service (Hennig-Thurau & Hansen, 2013). Hermann (2009) alludes to that retained customer generate more revenue compared to ordinary and new customers. Hence, customer retention has a direct impact on the profitability of an organisation (Hakimpoor, 2014). Customer satisfaction bears a strong influence in determining how successful an organisation is retaining customers. However, some scholars argue that satisfying a customer is not enough to retain them, customer delight is what retains customers (Hermann, 2009). Delighted customers are the ones who are most likely to stay with an organisation. Customers are said to be delighted when the organisation are able to offer products or services that exceed their expectations (Hennig-Thurau & Hansen, 2013).

3.7.3.7 Employee satisfaction

Employee satisfaction is an expression used to refer to whether organisations personnel are pleased, satisfied and accomplishing their needs and requirements at work (Topolosky, 2014). Job satisfaction is believed to be basically how happy an individual is with his or her work, in other words, whether or not they like the job or individual features or aspects of the work they do, such as flexibility of their work or management (Sunder, 2011). It is also suggested that job satisfaction is not as simpleminded as this description put forward and instead it is a multidimensional mental reaction to work that one individual is expected to do (Marcouse et al., 2015). Various measures purport that members of staff satisfaction influences employee inspiration, employee objective attainment, and constructive worker morale at the place of work (Spangenberg & Theron, 2004).

High levels of employee satisfaction are good for the organisation especially when the work force is highly productive (Nelson, 2015). However, it can become a downer when the organisation has mediocre workers who are not productive but are satisfied with the organisations work

environment (Terblanche et al., 2013). Job satisfaction in organisations is measured using surveys meant to assess job satisfaction (Marc et al., 2010). The employee satisfaction surveys answers questions on subjects such as; workers' salaries, the amount of work they do, resources available, teamwork, flexibility of their duties among others (Spangenberg, & Theron, 2004). Knowing how employees think about these subjects is very important to organisations that want to keep their workers happy and maintain a low worker turnover (Santos & Brito, 2012).

3.7.3.8 Employee turnover

Employee turnover refers to the total number of workers who leave a business establishment and are replaced by new workers (Topolosky, 2014). Have a measure of employee turnover is important to organisations that want to have knowledge on the reasons of turnover and establish estimates on the cost of hiring workers (Sunder, 2011). Hence, any time a worker decides to leave an organisation for one reason or another they are referred to as turnover or separation (Cant, 2011). There are two main categories of employee turnover: voluntary and involuntary (Sunder, 2011). When an employee decides to quit that is voluntary separation. This may be due to obtaining a better position at another organisation or any other personal reason (Zimmerman, 2012). Involuntary separation occurs when the worker is fired or laid off generally as a result of organisational downsizing or misconduct of the employee (Topolosky, 2014).

The cost of turnover can be either direct or indirect (Hansen & Mowen, 2014). Direct turnover costs are related to the finances needed when looking, hiring and training new workers to fill in positions that have been left vacant (Ciccone et al., 2012). Also factors like the payment of unemployment insurance to those workers that are no longer with the organisation. Indirect costs are generally difficult to account for and quantify (Farris et al., 2010). Indirect costs are mainly related to lose by the organisation in revenue due to having employees not fully qualified for the job, workers who do not know the operations of the organisation or being short-staffed (Hansen & Mowen, 2014). Employee turnover is calculated by dividing separations by the total staff:

Employee turnover = number of separations / average number of employees.

3.8 AN OVERVIEW OF LITERATURE ON STRATEGIC PLANNING AND ORGANISATIONAL PERFORMANCE

A large number of studies, in the past decades have been done that investigate the relationship between strategic planning and organisational performance in SMMEs (e.g. Hopkins & Hopkins, 1997; Lerner & Almor, 2002; Delmar & Shame, 2003; Sandada et al., 2014; Hakimpoor, 2014; Chavhunduka, Chimunhu & Sifile, 2015; Monday, Akinola, Ologbenla & Aladeraji, 2015). This section reviewed evidence that have been suggested by some of these researchers' studies and reflect on the hypotheses that this study is investigating. Even a perfunctory investigation of the domain discloses that one of the most noticeable characteristics of the literature is that 50 or so years of investigation into this subject has been bedevilled by inconclusive and conflicting results (Hakimpoor, 2014).

3.8.1 Strategic planning process and organisation performance in SMMEs

Strategic planning can be defined as the procedure of creating and upholding consistency between the establishment's goals and possessions and its shifting prospects (Grant, 2014). Strategy planning process in general comprises business objectives, a vision, and commonly a clear design to accomplish the idea and achieve the objectives (Mintzberg, 1994a). The concept of beginning at point "a" and moving to point "b" proposes a representation of strategy as either a way to set direction or the connection between now and tomorrow for an establishment (Guerras-Martína et al., 2014). The key constituents of strategic planning practices involve probing questions on where the establishment intends to go, the current situation of the organisation, how will the organisation get there, and what alterations or fluctuations will occur in the establishment's environment (Guerras-Martina et al., 2014; Grant & Jordan, 2015). Hutzschenreuter and Kleindienst (2006) describes that strategic management perspective views strategic planning as grounded on the strategic planning process. Hence it is true to conclude that research that has supported either the presence of a positive or negative relationship on strategic planning implies the same to the strategic planning process (Wijetunge & Pushpakumari, 2012; Abdalkrim, 2013). A lot of research which looks into the relationship between strategic planning and organisation performance in SMMEs has been done over the past decades (Hopkins & Hopkins, 1997; Lerner & Almor, 2002; Delmar & Shame, 2003; Dubilihla & Sandada, 2014; Hakimpoor, 2014; Chavhunduka et al, 2015; Monday et al., 2015).

Hopkins and Hopkins (1997) conducted a study that looked at the relationship between strategic planning and organisational financial performance in small finance assistance organisation and banks. Hopkins and Hopkins (1997) proposed that there was a relationship between strategic planning and financial performance in these organisations. The study findings showed that organisations that were not that intense with their strategy practice performed poorly to those that practiced intense formulation of strategies (Hopkins & Hopkins, 1997). Wijewardena, De Zoysa, Fonseka and Perera, (2004) conducted a study which investigated the impact of strategic planning and control sophistication on performance of small and medium-sized enterprises in Sri Lanka. The study was conducted on 168 manufacturing SMMEs and results showed that strategic planning and control influenced an increase in sales (Wijewardena et al, 2004). Conclusions drawn from the study revealed that the more sophisticated the strategy planning process the higher the sales obtained in that organisation (Wijewardena et al, 2004). In other words this means that strategic planning has a positive relationship with organisational performance in small businesses.

Hakimpoor (2014) conducted a study in Malaysia that had its focus on the intensity of the strategic planning process in SMMEs and its relationship to organisational performance. The results of the study showed that strategic planning played a major role in influencing the organisational performance of small-to-medium size businesses (Hakimpoor, 2014). Hakimpoor's study findings suggested that organisations that conducted a sound strategic planning performed better than those that had no strategy formulation procedures. Dubilihla and Sandada, (2014) conducted a similar study that investigates the impact of strategic planning on small and medium-sized enterprises' (SMEs) performance. The findings in the study of Dubilihla and Sandada, (2014) supported that of Hakimpoor. The study also revealed that there was a positive relationship between strategy planning and the performance of small business in South Africa (Dubilihla & Sandada, 2014). The authors added that the key to a successfulness of small businesses in South Africa is grounded on their ability to practice strategic planning (Sandada et al., 2014).

Chavhunduka et al., (2014) found out that there was a positive relationship between strategic planning and organisational performance measures such as net income, return on investment and market share among others. The investigation was conducted through a case study of Zimbabwe Mining Development Corporation (ZMDC) in Zimbabwe. Similar findings were also reported in a study done by Monday and associates (2015) through an investigation of Selected Manufacturing

Companies in Nigeria. The investigation revealed that 52% of the total respondents who had acknowledge that they had an excellent strategy implementation process had much sound organisational performance compared to those with a poor or fair strategy implementation process (Monday et al., 2015). Arasa & K'Obonyo, (2012) noted that there is a positive relationship between strategic planning and organisational performance.

However, Gable and Topol (1987) conducted a study on small retail businesses in the USA the study showed that there was no relationship between strategic planning and performance of the small businesses. French et al., (2004) also conducted a similar study in Australia basing the study on small service businesses and revealed that there was also no relationship between the two variables. O'Gorman and Doran (1999) summarised that strategic planning had no direct relationship with the performance of SMMEs. Hence, if the inter strategic planning process does not have any influence or has negative influence on the performance of SMMEs it means that strategy control and evaluation also does not influence performance (Wijetunge & Pushpakumari, 2012; Hakimpoor, 2014).

French et al., (2004) in there study that looked at the role of strategic planning in small service organisations found out that strategic planning did not affect organisational performance. The study revealed that a very few small businesses practiced strategic planning but these organisations performance was not in way affected by them not doing strategic planning (French et al., 2004). Gibson, Cassar, and Wingham, (2001) study on the longitudinal analysis of relationship between planning and performance in small Australian firms produced results which were different from the later. The results of Gibson et al., (2001) study showed that there was no evidence of a relationship between the variables in question which is in support of French's and associates findings. Gibson et al., (2001) investigation suggests that have a sound or poor strategic planning criterion would not have any effect on the performance of an organisation. Due to these conflicting findings in research the following hypotheses are presented for this study:

H₀: The strategic planning process has no positive effect on positive organisation performance in SMMEs.

H₁: The strategic planning process has positive effect on organisation performance in SMMEs

3.8.2 Strategy formulation and organisation performance in SMMEs

Strategy formulation is one of the major pillars of the strategic planning process (McIlquham-Schmidt, 2010; Lloyd, 2010). Strategy formulation refers to the process in which an organisation has to generate and formulate a plan that would correctly guide them to reaching organisational goal (Douglas, 2011; Bisbea, & Malagueno, 2012). Researchers have proposed that this is the most important and difficult section of the strategic planning process (Murimbika, 2011; McCauley, 2012; Grant, 2014; Grant & Jordan, 2015). Grant (2014) mentions that for organisation to have a sound and healthy strategic planning process there is need to play great attention of the first step of the process which is strategy formulation. Grant and Jordan (2015) advises that it is not enough to only pay attention on the formulation section but there is also need to be innovative such that the strategy formulated by the organisation will be unique. Bisbea, & Malagueno, (2012) notes the importance of an innovative and creative mind suggesting that innovativeness is what sets organisations apart. Wooldridge, Schmid and Floyd (2008) suggest that a good strategy formulation would result in good performance in organisation that practice strategic planning. However this suggestion does not stand ground without any empirical evidence to support.

The empirical evidence in literature of studies that analyse the relationship between the strategic planning process and organisational performance the majority of them show a positive relationship (Hopkins & Hopkins, 1997; Lerner & Almor, 2002; Delmar & Shame, 2003; Dubilihla & Sandada, 2014; Hakimpoor, 2014; Chavhunduka, et al., 2015; Monday et al., 2015). However majority of these studies do not take the elements in the strategic planning process as their independent variables (Lerner & Almor, 2002; Delmar & Shame, 2003). Hakimpoor (2014) conducted in Malaysia that had its focus on the intensity of the strategic planning process in SMMEs and its relationship to organisational performance. The results of the study showed that strategy formulation played a major role in influencing the organisational performance of small-to-medium size businesses (Hakimpoor, 2014). Hakimpoor's study findings suggested that organisations that conducted a sound strategy formulation performed better than those that had no strategy formulation procedures. Dubilihla and Sandada, (2014) conducted a similar study that investigates the impact of strategic planning on small and medium-sized enterprises' (SMEs) performance. The findings in the study of Dubilihla and Sandada, (2014) supported that of Hakimpoor. The study also revealed that there was a positive relationship between strategy formulation and the

performance of small business in South Africa (Dubilihla and Sandada, 2014). The researchers added that the key to a successful strategic planning process was entrenched in the ability of an organisation to formulate a good strategy (Dubilihla and Sandada, 2014).

In the late 1990's Hopkins and Hopkins conducted a study that focused at the relationship between strategic planning and organisational financial performance in small finance assistance organisation and banks. Hopkins and Hopkins (1997) proposed that there was a relationship between strategy formulation and financial performance in these organisations. The study findings showed that organisations that were not that intense with their strategy formulation performed poorly to those that practiced intense formulisation of strategies (Hopkins & Hopkins, 1997). However not all studies conducted in this area show these positive relationships some studies show evidence of no or negative relationships (Robinson & Pearce, 1983; French et al., 2004). In a study by French et al., (2004) which was conducted in Australia paying close attention to 127 small service providing firms results showed no relationship between strategy formulation and organisational performance. French et al., (2004) is of the opinion that strategy formulation on its on holds no ground in influencing hoe small businesses will perform. The researchers go further to suggests that the entire strategic planning process does not in any way influence the rate in which small businesses perform (French et al., 2004). Robinson and Pearce (1983) study that paid attention on the impact of planning on financial performance in small organisations produced results which were different from the later. The results of Robinson and Pearce (1983) study showed that there was no evidence of a relationship between the variables in question which is in support of French's and associates findings. Robinson and Pearce (1983) investigation suggests that have a sound or poor strategic formulation criterion would not have any effect on the performance of an organisation. Due to these conflicting findings in research the following hypotheses are presented for this study:

H₀: There is no significant positive correlation between the strategy formulation and organisation performance in SMMEs.

H₂: There is a significant positive correlation between the strategy formulation and organisation performance in SMMEs.

3.8.3 Strategy implementation and organisation performance in SMMEs

The concept of strategic implementation can be defined as the process of increasing and upholding stability between the establishment's aims and resources and its fluctuating prospects (Herrmann & Nadkarni, 2013). Most studies have noted that the strategic planning process is grounded on the section of formulation and implementation (Wooldridge et al., 2008; Mair & Thurner, 2008). Grant (2014) highlighted that most organisations do not have a problem with the formulation of strategies; the problem arises when it comes to implementations of the strategy. McCauley (2012) proposes that the problem with implementation is that not every stakeholder has a clear understanding of what most organisational strategies are about. Employees may fail to understand their roles and how they are supposed to contribute in the realisation of the formulated strategy (Douglas, 2011). Hence, failure to understand the strategy the stakeholders responsible for executing the strategy will result negative reparations of the entire strategic planning process (Mair & Thurner, 2008).

The literature shows that a few studies have been conducted that look into the relationship of the strategic planning process and organisational performance breaking down the process' sections into the dependent variables (French, et al., 2004; Arasa & K'Obonyo, 2012; Muogbo, 2013; Chavhunduka et al., 2015; Monday et al., 2015). Most of these studies have shown that there is a positive relationship between strategy implementation and organisational performance in small businesses (Monday et al., 2015; Chavhunduka et al., 2015; Arasa & K'Obonyo, 2012). Chavhunduka et al., 2014 found out that there was a positive relationship between strategy implementation and measure of organisational performance such as profit, return on investment and market share among others. The investigation was conducted through a case study of ZMDC in Zimbabwe. Similar findings were also reported in a study done by Monday and Associates (2015) through an investigation of Selected Manufacturing Companies in Nigeria. The investigation revealed that 52% of the total respondents who had acknowledge that they had an excellent strategy implementation process had much sound organisational performance compared to those with a poor or fair strategy implementation process (Monday eta al., 2015). Arasa & K'Obonyo, (2012) alludes to that there is a positive relationship between strategy implementation and organisational performance.

However, Gibson et al., (2001) study that looked longitudinal analysis of relationships between planning and performance in small Australian firms produced results which were different from the later. The results of Gibson et al., (2001) study showed that there was no evidence of a relationship between the variables in question. Gibson et al., (2001) investigation suggests that have a sound or poor strategic implementation criterion would not have any effect on the performance of an organisation. In a later study by French et al., (2004) which conducted in Australia paying close attention to 127 small service providing firms results showed no relationship. French et al., (2004) is of the opinion that strategy planning implementation on its on holds no ground in influencing hoe small businesses will perform. The author go further to suggests that the entire strategic planning process does not in any way influence the rate in which small businesses perform (French et al., 2004). Hence it is evident that there is still need to investigate on the relationship of the two variables since literature shows that prior studies have conflicting results (French et al., 2004; Chavhunduka et al., 2015; Arasa & K'Obonyo, 2012). Due to these conflicting findings in research the following hypotheses are presented for this study:

H₀: There is no significant positive correlation between the strategy implementation and organisation performance in SMMEs.

H₃: There is a significant positive correlation between the strategy implementation and organisation performance in SMMEs.

3.8.4 Strategy control and evaluation and performance in SMMEs

Strategic planning is viewed by a number of researchers as a continuous ongoing process that will never stop (Gibuson, & Kemp, 2005; Harris et al., 2009; Guerras-Martina et al., 2014). Thus, the reason why in this study the researcher took strategic planning as a procedure made up of three main sections one of the sections being the control and evaluation section. Strategy control and evaluation plays a very important role in providing a means of feedback and assessment on strategies that have been previously implemented (Harris et al., 2009). In organisations that operate using semi-formal strategies control and evaluations also plays a valuable role in addressing changes that need to be done to strategies such as to counter the fluctuations in the industry (Lee et al ., 2010). Moreover, in those organisations that have formal and rigid strategies the impact of

control and evaluation is still important since new strategies are shaped in line with information obtained from control and evaluation section (Langat & Auka, 2015).

Hutzschenreuter and Kleindienst (2006) describes that strategic management perspective views strategic planning as grounded on the strategic planning process. Hence, it is true to conclude that research that has supported either the presence of a positive or negative relationship on strategic planning implies the same to the strategic planning process (Wijetunge & Pushpakumari, 2012). It is evident that literature on the relationship between SMMEs performance is still inconclusive that means that it is the situation is the same in respect to that of strategy control and evaluation (French et al., 2004). Mankins and Steele (2005) validates that most organisations fail to realise more than 60 percent of their set strategies due to failure of conducting a proper strategy control and evaluation. The two researchers assert that strategy control and evaluations has a positive impact in the performance of business establishments (Arasa & K'Obonyo, 2012). Jackson (2015) deduced that drifts in strategies that may lead to poor performance start to occur when there is no evidence of a sound strategy control and evaluation technic in an organisation. Making use of the control and evaluation section of the strategic planning process does not only help in shaping new strategies but also ensuring that the current strategies are in order (Muogbo, 2013). Therefore, strategy control and evaluation has a somewhat direct relationship with how small organisations perform (Mankins & Steele, 2005; Arasa & K'Obonyo, 2012).

However, some sections of the literature suggest that strategy control and evaluations does not affect performance in small organisations (Robinson & Pearce, 1983; Gable & Topol, 1987). Based on Hutzschenreuter and Kleindienst (2006) description of the strategic management perspective all literature that does not support that strategic planning affects performance suggests that strategy control and evaluation also does not have an effect to organisational performance (Wijetunge & Pushpakumari, 2012; Hakimpoor, 2014). Gable and Topol (1987) conducted a study on small retail businesses in the United States of America (USA) the study showed that there was no relationship between strategic planning and performance of the small businesses. French et al., (2004) also conducted a similar study in Australia basing the study on small service businesses and revealed that there was also no relationship between the two variables. O'Gorman and Doran (1999) summarised that strategic planning had no direct relationship with the performance of SMMEs. Hence, if the inter strategic planning process does not have any influence or has negative

influence on the performance of SMMEs it means that strategy control and evaluation also does not influence performance (Wijetunge & Pushpakumari, 2012; Hakimpoor, 2014). This conclusion is based on the description that notes that strategic management is grounded on the strategic planning process (Hutzschenreuter & Kleindienst, 2006). Due to these conflicting findings in research the following hypotheses are presented for this study:

H₀: There is no significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

H₄: There is a significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

3.8.5 Strategy formalisation and organisation performance in SMMEs

Literature reviews that strategic planning is mainly found in two forms thus, planned and unplanned strategies (Mintzberg, 1994). Research over the past few decades has tried to provide a link between organisational performance and the nature in which organisations plan (Mintzberg & Lampel, 1999; Miller & Cardinal, 1994). However, there is still a lot of controversy, problems and inconclusiveness on the relationship between strategy formalisation and organisational performance (French et al., 2004). In the early foundations of strategic management the field has been highly linked to formal strategic planning (Ansoff, 1965; Thune & House, 1970). French et al., (2004) defined the term formal strategic planning as that process of setting organisational mission, key goals, approaches and guidelines to map how organisational resources will be used to acquire set goals. The definition tries to highlight that formal strategic planning set on delivering a message that an organisation's strategic planning process encompasses unequivocal methodical processes used to achieve the participation and assurance of those major participants affected by the plan (Pearce & Robinson, 2010).

Investigations on the relationship between formal strategic planning and firm performance have yielded results that are inconclusive (Lee-Luen et al., 2013). The studies that were conducted in the early 60s and 70s by the pioneers of strategic planning showed that formal strategic planning enhanced organisational performance (Ansoff, 1965; Thune & House, 1970; Steiner, 1963, 1979). Bresser and Bishop,(1983) argued that due to the fact that there was high likelihood of having rigidity and bureaucracy in the organisation due to formal strategic planning, the phenomenon may

be dysfunctional. Moreover Robinson and Pearce (1983) argued the whole phenomenon of formal strategic planning is a theoretical notion appropriate exclusively for larger organisations and consequently has no influence on the organisational performance of small organisations. However, Greenly (1986) proposed that there were a wide range of non-financial benefits to the organisation that came along with formal strategic planning.

Guerras-Martína et al., (2014) recommends that formal strategic planning is an unambiguous procedure for recognising the organisation's extended term goals, measures for producing and assessing substitute plans and a system for observing and analysing the outcomes of the strategy employed. Grant and Jordan (2015) support this and they go further to highlight that an organised methodical technique is essential to achieve commitment of organisational members affected by the plans employed.

Pearce & Robinson, (2010) suggest that in general there are three styles of formal strategic planning; the entrepreneurial, the planning and the adaptive styles. The entrepreneurial style of formal strategic planning is found in organisations that are controlled by one sole owner; the organisations are generally small and they create a limited variety of goods and services (Kee-Luen et al., 2013). The manners in which strategies are evaluated in such organisations are informal, spontaneous and narrow (Poster, 2010). The planning style is made up of large organisations that do the direct opposite of small organisations in the entrepreneurial style (Parnell, 2013). Organisations in that fall in the planning style make strategic assessment part of a broad, prescribed planning scheme (Pangarkar, 2015). Mintzberg (1994) acknowledged that adaptive style of formal strategic planning is mainly linked to organisations that are of medium size. Organisations that carry out the adaptive style have substitute plans that are very similar to their original strategies (Kee-Luen et al., 2013).

Xia, and Tang, (2011) argue that organisations stand better opportunities in reaching their goals and aims when there is formal strategic planning in the establishment. Since the key to success is having a competitive advantage, Ogunmokun and Hsin Tang, (2012) support the argument by Xia, and Tang, (2011) emphasising that organisations only have competitive advantage when there is a clear defined formal strategy. The clear formal strategy is an appropriate foundation for producing and upholding competitive advantage in the industry (Ogunmokun & Hsin Tang, 2012). Hence these researchers suggest that formal strategic planning will have a positive impact on the success

levels of an organisation mean that it increases performance. However this is not the case in all the studies that have been done French et al., (2004); Poster, (2010) and Dubilihla and Sandada, (2014) argued that it is not always the case that formal strategic planning enhances organisational performance.

French et al., (2004) in their study that looked at the role of strategic planning in small service organisations found out that the formalisation of the organisations strategy did not affect its performance. The study revealed that a very few small businesses practiced formal strategic planning but these organisations performance was not in way affected by them not doing formal planning (French et al., 2004). Poster's (2010) studies produces similar findings that reflected that the formality or non-formality of an organisations strategy did not affect its performance. However, the findings by Dubilihla and Sandada in their 2014 study showed that formal strategies had a negative impact to performance in small businesses. They based their argument in that formal strategic planning caused rigidity and in these ever changing markets it is important to continuously change strategies to shape what is happening in the market (Dubilihla & Sandada, 2014). Hence, failure to have flexible strategies due to strictness in following formal strategies would lead to poor competitiveness meaning poor performance in small businesses (Bresser & Bishop,1983). Due to these conflicting findings in research the following hypotheses are presented for this study:

H₀: There is no significant relationship between strategy formalisation and organisation performance in SMMEs.

H₅: There is a significant relationship between strategy formalisation and organisation performance in SMMEs.

3.8.6 Literature Overview Summary

The inconsistent outcomes from these investigations are probably as a result of the diversity of business performance measures, samples used by the researcher, and administration periods used (Dubilihla & Sandada, 2014). In addition, some of the more recent investigations tested business performance in multinational organisations not paying attention to small businesses. Mostly, much of the literature which deliberates on the impact of strategic planning on business performance is used to deliver evidence about the relationship of the two phenomena's grounded on scholar survey

interpretations rather than evidence of performance change grounded on experimental and or investigational outcomes (Poster, 2010; Ogunmokun & Hsin Tang, 2012).

On the other hand, some doubt is cast on what is being measured by the many instruments that have been devised to assess business performance and also a point is made on the fact that some of the measures are not used by SMME's. Bresser and Bishop, (1983) argue that qualitative information on the impact of strategic planning on SMME performance, show convincingly that performance instruments measure only one aspect of individual's views. In essence, what Bresser and Bishop, work points to be that many business performance instruments only measure what is the tip of the iceberg – the most understandable and unmistakably showed attitudes to an item, cited in French et al.,(2004).

3.9 CHAPTER SUMMARY

This chapter was dedicated to review what SMMEs are, the contribution that these SMME's make in the South African economy and also the challenges that they encounter in their day to day operations. This chapter was also dedicated to reviewing what business performance is and the empirical work around the relationship between business performance and strategic planning. This chapter also looked at the available measure of business performance and how they are used in different organisations. This leads to the next chapter which is premised on reporting on the research design and methodology.

CHAPTER FOUR

RESEARCH DESIGN & METHODOLOGY

4.1 INTRODUCTION

The preceding chapter presented the literature on the relationship between strategic planning and organisational performance in SMMEs. The goal of this chapter is to describe the methodology used in this investigation. According to Gates and McDaniel (2013) the research methodology can be described as the manner in which information is collected for an investigation scheme. It is the draught of the gathering, measurement, and analysis of information as a means to accomplish the objectives of the investigation scheme (Tracy, 2013).

In the research methodology section, the investigator continuously attempts to pursue the given problem analytically in a manner that will provide answers and a conclusion (Redman & Mory, 2009). Failure to conduct research in an analytical way would limit the chances of providing reliable results (Tracy, 2013). Making use of the correct research methodology offers effective resolutions to the problem that the investigator faces when trying to find answers or investigating research questions (Denscombe, 2007).

This chapter deliberates on the research design, population and sample of the investigation at hand. The chapter further debates on the approaches and procedures by which information is gathered. The research instrument which was used to gather data is also deliberated on, together with the data analysis approaches used.

4.2 OVERVIEW OF RESEARCH OBEJECTIVES

This section re-caps the research aims mentioned in section 1.4 of chapter one which are as follows:

- To determine the relationship between the strategic planning process (formulation, implementation, control and evaluation) on organisational performance in SMMEs.
- To determine the relationship between strategy formalisation and organisational performance in SMMEs.
- To investigate literature on SMME performance measures.

- To investigate literature on the barriers on strategic planning.
- To make recommendations, theoretically and practically.

4.3 RESEARCH PARADIGM

A research paradigm is an opinion around the way in which information around a phenomenon must be gathered, examined and used (Carson et al., 2001). The term epistemology (what is acknowledged to be factual) compared to doxology (what is assumed to be factual) integrates the many viewpoints of the study method. The drive of science is then, to transform concepts proposed to be true into concepts that are recognised to be true (Salkind, 2010). There are two broad approaches that exist which are positivism paradigm and the interpretivism paradigm (Denzin & Lincoln, 2011).

4.3.1 Interpretivism paradigm

A paradigm where the results obtained cannot be generalised to a wider population as a result of its subjectivity involved this leads to higher chances of the data being exposed to bias (Denscombe, 2007). Interpretivism states that simply by personal clarification of the intermediation in practicality can that actuality be presumed (Creswell, 2014). The objective of an interpretivism investigation is to capture and understand an individual's social conduct (Salkind, 2010). The overview and forecast of reasons and effects are not followed within this method.

4.3.2 Positivism paradigm

The researcher used positivism as a research paradigm in conducting this research. Positivism paradigm allows the separation of variables from the researcher thus variables are not controlled by the researcher. Only theories and hypotheses control the ideas and opinions when using the positivism approach (Creswell, 2014). Furthermore this implies that the research was grounded on an objective examination and assessment of information with an extensive use of precise and non-subjective measures (Graham, 2009). Hence this means that the researcher did not have any connection with the objectives of the study (Gates & McDaniel, 2013). Also, the researcher made clear distinctions between reason and emotion with science and individual experience without any attachment feeling (Malhotra, 2010). Thus, the approach allows generalisation of research findings. The researcher employed a positivist paradigm. This is due to that a positivist paradigm

uses logic and formal measures in respect of the objects under study hence it employs quantitative research techniques (Carson, et al., 2001). The reason behind this choice of paradigm is because it focuses on justification and clarification, where assumptions are directed by openly specified notions and proposition concern.

4.4 RESEARCH APPROACH

Redman and Mory (2009) defined a research approach as a blueprint for directing a study with full control over elements that can impede with the cogency of the findings. Goddard and Melville (2004) described a research procedure as a plan that describes how, when and where data are to be collected and analyzed. Albright, Winston, and Zapper (2011) described an investigation procedure as the researcher's overall for responding to the study question or analysis of the study hypotheses. There are two broad approaches that exist which are the quantitative and qualitative approaches.

4.4.1 Qualitative Research

Malhotra (2010) referred to a qualitative method as an orderly subjective method used to define life experiences and circumstances to give them significance. Hatch (2010) states that qualitative research emphasizes on the understandings and familiarities of individuals as well as highlighting exceptionalities of the individual. Carson et al., (2001) highlights that, qualitative research is a method of social request for information that concentrates on the manner individuals take to meaning and take account of their understanding as well as their surrounding environment. Investigators practice the qualitative method to discover the conduct, perceptions, understandings and state of mind of individuals and highlight the understanding of these fundamentals (Tracy, 2013).

4.4.2 Quantitative Research

In this study the researcher employed the quantitative research method. According to Muijs, (2011) a quantitative research method initiates empirical simplifications which can be used to regulate forthcoming sequences of action. Lim and Ting (2012) add that in quantitative research variables are explained in a way that they become measurable and it also requires statistical summarization. It follows that in quantitative research data can be collected from an enormous set of participants

and is used in descriptive studies to quantify information and project the outcomes from the sample to the populace of concern (Denzin & Lincoln, 2011).

It is essential to bear in mind that the two have become more alike than they are different and by upholding the myth of mismatch, investigators might miss out on significant means of discovering solutions to their investigation problems (Roberts-Lombard, 2002; Redman & Mory, 2009). Some of the differences put forward for these two techniques include but are not limited to, their analytical objectives, as well as, the kind of questions they ask and form of information gathering tool used (Malhotra, 2010). Type of information they generate and the amount of flexibility factored into their design are also included in those differences (Burns & Grove, 2003).

Although quantitative data is statistically driven, it too, can provide a lot of information. Quantitative research provides information in a brief and easy to comprehend manner (Burns & Grove, 2003). It is easier to compile data into charts, or graphs as the data is presented in numerical format. Furthermore, quantitative research allows enlarging a sample frame as it is actually easy to gather information from a large number of participants (Mooi & Sarstedt, 2011). This technique allows sampling from different groups and making comparisons (Malhotra, 2010). The objective was to generalise about a specific population based on the results of a representative sample of that population. Quantitative research provides this platform since its data that can be converted into numbers and seeks to quantify data by applying some form of statistical analysis. The approach was chosen since it is most suitable for a wider population such as that of the SMMEs in the Buffalo City Municipality.

4.5 RESEARCH DESIGN

Research procedure is the strategy used to obtain the study aims and addresses the study questions (Mooi & Sarstedt, 2011). It is a structure in which a detailed problem is to be answered. Selecting a procedure might be complex owing to the accessibility of a diversity of approaches, techniques and selection tactics (Beri, 2013). Determining the proper research design is a role of the investigation aims and the exact material requirements (Bradley, 2013). Investigation aims can be realised through putting to use either of three styles of investigation procedures explained below.

4.5.1 Exploratory research design

The exploratory design puts attentions on gathering either secondary or primary data making use of unstructured prescribed or casual techniques (Hatch, 2012; Gates & McDaniel, 2013). It is often used merely to categorize complications or prospects, and is not envisioned to deliver decisive evidence from which a specific option of action can be determined (Gillespie & Hennessey, 2011; Lim & Ting, 2012).

4.5.2 Descriptive research design

The descriptive research strategy uses a set of scientific approaches and measures to gather raw information and form information structures that define the prevailing features of a distinct target population (Silver, Stevens, Wrenn, & Loudon, 2013; Salkind, 2010; Malhotra, 2010). Descriptive studies largely permit decision makers to pull conclusions about their clients, target population or market issues (Silver et al., 2013).

4.5.3 Causal research design

Causal research is aimed to gathering raw information and generating information structures and information that will permit the investigator to present effect-and-cause associations between a series of factors (Black, 2012). Causal research is greatly suitable when the investigation aims need to take account of the explanations why particular market events occur the way do. Salkind (2010) mentions, that causal research studies the possibility that a particular factor affects or influences the value of another factor. A variable is a representation or notion that can adopt any one of a set of values (Muijs, 2011). Causal investigations disclose a cause-and-effect association between dependent and independent variables (Burns & Grove, 2003). A dependent variable is a representation or notion that is expected to be affected by an independent variable (Carson et al., 2001; Boone & Kurtz, 2013). An independent variable is a representation or notion over which the investigator has some control (Elliot, 2013).

The research aims of this study are to investigate the relationship between strategic planning and business performance. This is a cause-and-effect relationship. The objective was to generalise about a specific population based on the results of a representative sample of that population. Quantitative research provides this platform since its data that can be converted into numbers and

seeks to quantify data by applying some form of statistical analysis. The approach was chosen since it is most suitable for a wider population such as that of the SMMEs in the Buffalo City Municipality.

4.6 DATA TYPES

There are basically two categories of data which are secondary and primary data (Beri, 2013) the two types will be explained in detail below.

4.6.1 Secondary Data

Secondary data is historic information that was formerly gathered and accumulated for an investigation question or opportunity which is similar but not the exact circumstances at hand (Beri, 2008; 2013; Bajpai, 2011). Secondary data enables the investigator to have a clear understanding of the investigation questions (Burns & Burns, 2003). Secondary data is greatly useful when the researcher is in the starting phases of the research and need to comprehend specific factors related to the study (Arora & Mahankale, 2013).

Secondary data is classified into two categories which are external and internal sources (Bradley, 2013). Data found within an organisation or organisation is referred to as internal data (Robert-Lombard, 2002). While external data is found outside the organisation e.g. internet sources, reference books, government reports, libraries and computerised databases (Wilson, 2014; Vartanaian, 2010).

Secondary data allows the investigator to examine large amounts of data and improves the quality of collecting primary data (Vartanaian, 2010). Secondary data has a large number of benefits but at the same ha a variety short falls (Albright et al., 2011). The greatest short fall being that some essential key components might be missing hence inaccurate or it can be time bound hence suffers from being outdated once the stipulated time lapses (Silver et al., 2013). Hence, indicating that secondary data has got gaps that need great attention when using it. However these gaps are addressed by primary data.

4.6.2 Primary Data

Primary data is information gathered to address the research problem at hand (Gillespie & Hennessey, 2011). Primary data is data gathered to provide exact and direct solutions to a research question at hand however, it is costly to collect (Gates & McDaniel, 2013). Primary data offers actual, suitable and up-to-date answers to the research problem at hand. Surveys, questionnaires, experiments, observations and interviews are the ways through which primary data can be gathered (Wilson, 2014). More so, in order to acquire excellent outcomes, both primary and secondary data should be used together when necessary (Boone & Kurtz, 2013). The researcher gathers information precisely related to the question being investigated which is an advantage (Bajpai, 2011).

In line with the current investigation, the research used both secondary and primary data. Secondary data helped the researcher in supporting the aims of the research and enabled the researcher to check if the research was viable through already existing literature. However, primary data was collected to close the missing patches in literature gathered and answer specific questions related to the present study.

4.7 RESEARCH INSTRUMENT

A survey is an effective means of collecting primary data which involves the gathering of data from participants through asking them to answer questions verbally or writing them done on a list of a compiled set of questions (questionnaire) (Creswell, 2014). The research instrument used for this study is a questionnaire. A questionnaire is a set of cautiously deliberate questions given in precisely an unchanged method to a set of individuals in order to gather information around some subject(s) in which the investigator is concerned (Silver et al., 2005). Questionnaire questions have to be simple, clear, valid and reliable (Redman & Mory 2009; Mooi & Sarstedt, 2011; Pagano, 2013). Wilson (2014) states that one of the main choices in the questionnaire design procedure proposing questions to be examined; thus questions in a questionnaire must be pertinent and precise. Pertinent refers to avoiding the collection of unnecessary evidence and ensure that only data needed to solve the research questions is acquired (Rubin, 2012).

The questionnaire to be used for this study was adopted from similar studies which investigates small business organisations. The questionnaire was divided into two parts. Part one consists of 7

Items related to sector classification to which organisations operate in and strategic planning. The seven items in part one was adopted from a study by Arafat El-Mobayed (2006).

Part two: It includes 8 that were adopted from three different studies. Field one to field ix is a five point Likert scales ranging from strongly disagree to strongly agree also adopted from the study by Arafat El-Mobayed (2006). Field one is the organisations mission constituting four items. Organisation's objectives and goal are in field two and include four items. Field three is the strategic formulation which includes twelve items. Strategy implementation is in field four and includes two items. Field five is the strategy control and evaluation which includes seven items. Field six which asses the firm growth and has got thirteen items.

Field seven measures environmental uncertainty and it was adopted from an instrument validated in a business context by Miller and Droge (1986). The owner/manager or the CEO is requested to highlight on a seven point Likert scale the rate of turbulence and uncertainty in the organisations market, competition and technological advancement. Lastly field eight measures organisational performance and it includes eight items. The organisational performance scale was adopted from a study by Green and Mediln, (2003). Each of the performance related items asked the owner/manager or CEO to highlight their organisations performance in comparison to the industry average on a five point Likert scale anchored with "weaker (1)" and "stronger (5)" (Green and Mediln, 2003).

4.8 POPULATION AND SAMPLE

Berndt and Petzer (2011) described population as the study object, which may be persons, groups, organizations, human products and events, that is the subject of the research interest or the situations to which they are exposed. A population is the overall pool of components about which we want to make various interpretations and conclusions (Denzin & Lincoln, 2011; Bajpai, 2011; Albright et al., 2011). In this study the population comprise of SMMEs operating in the Buffalo City Municipality. This target population needs to be explicitly defined in order to draw an accurate sample. Malhotra (2010) described a sample as a fraction or percentage of a populace. The sample was drawn from the population of SMMEs operating in the Buffalo City Municipality available in the ECDC data base.

4.8.1 Sample size

Raosoft sample size calculator was put to use by the investigator to decide on the sample size. The Raosoft sample size calculator is arithmetical computer software package that permits investigators to define the size of a sample assumed the margin of error, confidence level, response distribution and population size. A 5% margin of error, a confidence level of 95% and 50% as the response distribution were used by the investigator to calculate the sample size. The population size as obtained from ECDC is 950 SMMEs. The Raosoft sample size calculator gave a recommended sample size of 275 respondents.

4.8.2 Sampling Approaches

Gillespie and Hennessey (2011) proposed that sampling approaches are alienated into two classifications, which are probability and non-probability techniques. The two sampling approaches are further discussed in the coming sections.

4.8.2.1 Probability sampling approach

In probability sampling, every single unit in the target populace has an acknowledged non-zero possibility of being chosen for the sample (Hatch, 2010; Salkind, 2010; Boone & Kurtz, 2013). Gillespie and Hennessey (2011) define probability sampling as a meticulous process that pledges that every populace component is assumed an identified non-zero chance of being chosen. Probability sampling approach includes the following techniques:

4.8.2.1.1 Systematic sampling

Systematic sampling picks a component of the populace at a beginning with an unplanned start and following the control group portion picks each similar specific component (Gillespie & Hennessey, 2011). The key benefit of this sampling technique is that it is easy to project and it is also easy to define test group spreading of the average or percentage (Hatch, 2010). The drawback is that periodicity in the populace might influence negatively outcome of the control group and results (Salkind, 2010).

4.8.2.1.2 Stratified sampling

The majority of populations can be separated into numerous equally exclusive subsections or divisions. The procedure by which the control group is interpreted to consist of essentials from

each of the subsections is referred to as stratified random sampling (Salkind, 2010). The key benefit of stratified sampling is that it delivers information to characterize and investigate subsections (Hatch, 2010). On the other hand, stratified sampling has its drawbacks that there is increased inaccuracy because subsections are chosen at diverse proportions. Moreover, this sampling technique requires the researcher to devote large quantities of time (Boone & Kurtz, 2013).

4.8.2.1.3 Cluster sampling

Cluster sampling requires the populace to be separated into equally exclusive and jointly comprehensive groups or subdivisions after which certain groups are nominated in the control group (Zikmund & Babin, 2010). The benefit of cluster sampling is that it simple and not expensive (Boone & Kurtz, 2013). Nonetheless, this sampling technique is frequently inaccurate and outcomes are problematic to calculate and understand (Hatch, 2010).

4.8.2.1.4 Simple random sampling

Simple random sampling is the simplest probability sampling method where a collection of subjects (a sample) is selected for examination from a larger collection (Berndt & Petzer, 2011). With simple random sampling there is an equal chance for unit of the population to be selected to be part of the sample. Simple random sampling is easy to use and data examination is practically simple to conduct (Boone & Kurtz, 2013). More so, this sampling technique has a comprehensive mathematical foundation (Zikmund & Babin, 2010).

These probability sampling techniques discussed above allow the sating of the sampling error in mathematical and the use of a big sample can reduce this error (Boone & Kurtz, 2013). However, creating a sample by means of probability sampling techniques call for consistency and potency therefore being expensive (Creswell, 2014) thus, the researcher employed a non-probability sampling approach in constructing a sample.

4.8.2.2 Non-probability sampling approach

For the purpose of this research, the researcher made use of a non-probability sampling approach. A non-probability sample is when the likelihood of choosing every single unit is not known, that is, choice of sampling units grounded on instinctive judgment or understanding of the researcher (Boone & Kurtz, 2013). Non-random sampling techniques include; judgement, quota and

convenience sampling (Salkind, 2010). The chance of nomination of any element of the populace being picked is not known in non-probability sampling and elements are nominated on the foundation of the investigators personal judgement (Creswell, 2014). Non-probability sampling approaches provide investigators with greater freedom since it has no restrictions or boundaries in selecting the sample and uses more of the researcher`s judgements (Zikmund & Babin, 2010). The approach requires no thoroughness in selecting the sample participants hence it is easier and cheaper to administer.

4.8.2.2.1 Convenience sampling

The investigator selects the easiest population participants from which to collect data from (Zikmund & Babin, 2010). This technique is sometimes referred to as accidental or haphazard sampling. It is argued that it lacks population representation since sample elements are drawn if they are easily available and conveniently (Boone & Kurtz, 2013). The usefulness of this technique is limited but it can provide precise results when the population in question is similar (Hatch, 2010).

4.8.2.2.2 Judgment sampling

The investigator makes use of personal judgment to pick population participants who are good projections for correct data material (Hatch, 2010). This technique is most useful when there is a particular conclusion about the overall population (Salkind, 2010). It is grounded on the assumption that the investigator will choose elements with high attributes of the population (Boone & Kurtz, 2013). The technique is highly subjected to the researcher`s biases and it is argued that it is more biased than convenience sampling (Zikmund & Babin, 2010).

4.8.2.2.3 Quota sampling

The investigator finds and interviews a recommended amount of participants in each of the numerous classes (Salkind, 2010). It is one of the most common forms of non-probability sampling. The sampling is done until a required number of elements are obtained from different sections of the population (Cant et al., 2005). No rule is set on how the quotas have to be filled thus; quota sampling is a way of satisfying a sample size objective for certain population sub-sections (Creswell, 2014).

4.8.2.3 Justification of the chosen sampling technique

A convenience sampling technique is a technique which can be employed when the population in question is more or less the same in terms of its characteristics for example university students (Cant et al., 2005). Convenience sampling involves selecting samples on availability (Creswell, 2014). Put differently, Convenience sampling is a technique from which a sample is selected with no difficulties in its accessibility and it is readily available (Salkind, 2010). The researcher chose convenience sampling since the participants need in this study are always on busy schedules with running their business hence the best was to select them based on their availability. Also this procedure does not limit the researcher choice to specific participants such as in random sampling; the researcher's choices remain wide spread over the population.

4.9 DATA PREPARATION, ANALYSIS AND STATISTICAL TECHNIQUES

According to Burns and Bush (2013), data analysis is a procedure of reviewing, cleaning, altering and editing data with the objective of interpreting and drawing conclusions from the mass of collected data.

4.9.1 Preparing Data

After all of the participants have concluded the research measures and all of the information have been collected, the investigator's duty is to organize the information to be analyzed (Zikmund & Badin, 2010; Tracy, 2013). Bringing together the information appropriately saves a lot of time and foils errors. Great numbers of investigators decide to use a database or statistical analysis program (Microsoft Excel, SPSS) that they can setup to match their requirements in order to bring together their information efficiently and successfully (Wilson, 2014). A good investigator enters all of the information in the same arrangement or set-up and in the identical database, as doing otherwise can lead to misunderstanding and struggle with the statistical analysis in future (Graham, 2009). As soon as the information has been entered, it is critical that the investigator checked the information for correctness and truthfulness.

4.9.1.1 Questionnaire checking / Data validation

This is the first phase of preparation which includes examining raw data to insure that the collected information is correct (Rubin, 2012). Questionnaire inspection includes doing away with improper

questionnaires. These questionnaires may be incomplete, instructions not followed, little variance, missing pages, past cut-off date or respondent not qualified (Albright et al., 2011). The purpose of the process is to check if there were any short cuts done during data collection.

4.9.1.2 Editing

The inspection of the research instrument to make change and or corrections is called editing (Mooi & Sarstedt, 2011). Editing looks to correct illegible, incomplete, inconsistent and ambiguous answers. Editing is done with an aim of increasing accuracy of the instrument (Pallant, 2010). As a process, editing consists of screening the questionnaires to identify illegible, incomplete, inconsistent or ambiguous questions (Vartanaian 2010; Rubin, 2012). In this study the instrument was checked for obscurities, exclusions, discrepancies and other errors.

4.9.1.3 Coding

Coding typically assigns alpha or numeric codes to answers that do not already have them so that statistical techniques can be applied (Muijs, 2011). Data coding entails recognizing involved participants and variables employed in the research in order to assist in the classification of data (Pallant, 2008). This was done through allocating numerical variables or characters to responses and respondents characteristics which were being studied (Pagano, 2013). It is a stage that assisted the researcher in managing large sums of data. For this study data coding was done on Microsoft excel to make it easy to transfer to the SPSS package.

4.9.1.4 Data entry /Transcribing

Transcribing data involves transferring data so as to make it accessible to people or applications for further processing (Pallant, 2010). This includes is the entering of data in various soft-wares in use for that particular analysis (Tracy, 2013). There is need to perform this phase with extra care to avoid error which would distort the collected information (Muijs, 2011). The next process is done in order to rectify the committed errors and check if data was entered correctly without any errors.

4.9.1.5 Data Cleaning

It is a process of checking data that has been coded and entered for errors before analyzing it. Cleaning reviews data for consistencies (Vartanaian, 2010). Inconsistencies may arise from faulty logic, out of range or extreme values (Muijs, 2011). This process is greatly important when the processes of coding and entering have been done manually (Rubin, 2012). This process helped to rectify some of the errors done during data entry.

4.9.1.6 Data analysis strategy

Choice of a data analysis approach is grounded on previous work in planning the investigation scheme but is concluded after contemplation on the features of the information that has been collected (Pallant, 2010; Wilson, 2014).

4.10 DATA ANALYSIS AND STATISTICAL TECHNIQUES

Pagano (2013) stated that data analysis includes reducing collected data to a controllable proportion, developing reviews, looking for patterns and applying statistical methods. Data analysis can be described as a way of converting meaningless unprocessed data into information that can be easily understood (Burns & Bush, 2013). In this study, statistical procedures and tests were used to analyze and give some inferential conclusions on collected data. The Statistics Department at the University of Fort Hare assisted in the data analysis by employing statistical computer software packages like the Statistical Package for Social Sciences (SPSS) and the Statistical Analysis System (SAS), which can be used with Microsoft Excel to compute tables and graphs.

4.10.1 Descriptive Statistics

Burns and Bush (2013) defined descriptive statistics as the name given to a large body of statistical and graphical techniques. Descriptive statistics provide simple reviews about the sample and the measures (Lim & Ting, 2012). Descriptive statistics is mainly useful in analyzing demographic information. The mean, standard deviation, range of score, skewness and kurtosis are all provided by the descriptive statistics (Pallant, 2011). Together with the graphical analysis, they form the basis of virtually every quantitative analysis of data (Pagano, 2013).

4.10.2 Inferential Statistics

Inferential statistics are the part of statistics which spreads out the evidence dug out from a sample to the real situation in which the study questions came from (Graham, 2009). The real question is: Are the findings of a small group likely to be true for a larger group? In other words inferential statistics seek to draw conclusions from datasets obtained from a system of random variation, random sampling and observational errors. The following inferential techniques were used.

The following section discusses the Regression and Pearson correlation analysis including sample t-test.

4.10.2.1 Regression analysis

Regression analysis is a technique that can be used to examine the relationship between one continuous dependent variable and a number of independent variables (Pallant, 2011). The technique is centered on correlation but it goes further by providing much refined examinations of the interrelationships among groups of variables (Graham, 2009). Regression analysis is most suitable for complicated real life research questions.

This technique is best suitable when investigating the relationship between one independent variable and a number of dependent variables (Neuman, 2003). Regression analysis is used when there is need to investigate the impact that certain variables have on dependent variables. The results of regression analysis are given by the R-squared which shows how much a group of independent variables affect the dependent variable (Pallant, 2010). Regression analysis measure also shows the direction and the size of the effect that the independent variables have on the dependent (Neuman, 2003). The following hypothesis will be tested using:

H₀: The strategic planning process has no effect on positive organisation performance in SMMEs.

H₁: The strategic planning process has positive effect on organisation performance in SMMEs

The regression model in this study is as follows;

$$Y = \beta_0 + \beta_1 X_{1-5} + \beta_2 I + \beta_3 AOF + \beta_4 FCS + \beta_5 PR + \beta_6 SP + \beta_7 PC + \beta_8 YOP + \varepsilon \dots \dots \dots (1)$$

Where,

Y= Business performance, measured by two scales (Financial Measure / objective and Non-financial Measure / subjective) on a 5 point Likert scale ranging from weaker to stronger.

X₁₋₅ = Firm mission, Firm objectives & goals, Strategy formulation, Strategy Implementation and Strategy Controlling & Evaluation.

I = the industry category that best describes the firm.

AOF = Age of the firm.

FCS = Firm's capital size.

PR = Person or unit that develops strategic plans in the firm.

SP = Whether or not an organisation practices strategic planning, measured as a dummy variable (1 for yes, 0 no).

PC = Period covered by these strategic plans.

YOP = How long have your firm using strategic plans.

4.10.2.2 Spearman correlation analysis

The strength and direction of a linear relationship between two variables is best described by correlation (Graham, 2009). The spearman correlation analysis is best used when there is ordinal level or ranked data available (Pallant, 2011) Spearman's correlation coefficient is a statistical measure of the strength of a monotonic relationship between paired data. In a sample it is denoted by r_s and is by design constrained as follows (Pallant, 2010): $-1 < r_s < 1$.

And its interpretation is similar to that of Pearson's for example; the closer is to the stronger the monotonic relationship (Graham, 2009). The calculation of Spearman's correlation coefficient and subsequent significance testing of it requires that there is interval or ratio level or ordinal and monotonically related for data assumptions to hold. Note, unlike Pearson's correlation, there is no requirement of normality and hence it is a nonparametric statistic (Pallant, 2010; Graham, 2009). The following hypothesis will be tested using:

H₀: There is no significant positive correlation between the strategy formulation and organisation performance in SMMEs.

H₂: There is a significant positive correlation between the strategy formulation and organisation performance in SMMEs.

H₀: There is no significant positive correlation between the strategy implementation and organisation performance in SMMEs.

H₃: There is a significant positive correlation between the strategy implementation and organisation performance in SMMEs.

H₀: There is no significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.

H₄: There is a significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs

4.10.2.3 Sample T-test

When there are two groups available in the data set t-test are used to compare the mean scores of the variables (Pallant, 2010). Independent sample t-test are used when there two different groups available and the researcher aims to compare the two groups' scores (Neuman, 2003). An independent-samples t-test informs the researcher if there is a statistically significant variance in the average scores for the two groups (i.e. whether organisations that practice formal strategic planning and those that do not practice formal strategic planning differ significantly in terms of their business).

In statistical terms, the researcher is testing the prospect that the two groups of results came from an identical population (Pallant, 2011). When the value in the Sig. (2-tailed) column of the independent-samples t-test table is equal or less than .05 (e.g. .03, .01, .001), there is a significant difference in the mean scores on the dependent variable for each of the two groups (Pallant, 2010). Hence when the value is above .05 (e.g. .06, .10), there is no significant difference between the two groups (Graham, 2009). The following hypotheses will be tested using:

H₀: There is no significant relationship between strategy formalisation and organisation performance in SMMEs.

H₅: There is a significant relationship between strategy formalisation and organisation performance in SMMEs.

4.11 VALIDITY, RELIABILITY AND DEALING WITH ERRORS

When conducting research some errors can occur and as such the investigator has to make sure that evidence and inferences from an investigation can stand up to inspection (Gates & McDaniel, 2013). This hinges on how scientifically comprehensive the measuring instrument is. Validity and reliability are two significant features of a comprehensive measurement tool (Denscombe, 2007). To make sure the integrity of the outcomes and inferences of this investigation steps were taken to make certain that both the reliability and validity of the instrument and moderate the errors.

4.11.1 Validity

According to Babbie and Mouton (2002) validity determines whether the research has managed to achieve and measure that which it intended too. It focuses on how truthful are the obtained results (Creswell, 2014). This aspect is of great importance such that the researcher must know how to achieve this. Berndt and Petzer (2011) highlight important aspects on validity. The aspects include using a statistician and a group of specialists to assess the investigation instrument for theoretical transparency, pre-testing the investigation instrument in a pilot study (Albright et al., 2011). Also using self-administered questionnaires which usually have an extraordinary response rate and systematically going through the literature for theoretical paradigms and realistic inferences (Burns & Grove, 2003; Burns & Burns, 2008). Validity can be categorized in terms of internal and external validity (Carson et al., 2001).

Internal validity refers to the extent to which an independent variable is manipulated to indicate whether there was causal effect on two variables (Arora & Mahankale, 2013). Here the study made use of the Chi Square test to determine whether strategic planning as an independent variable, caused any effect on firm performance (dependent variable). External validity according to Malhotra (2010) describes whether the cause and effect relationship found in the study can be generalized beyond the survey situation. To ensure external validity the researcher made use of a

big sample to collect data which was selected through convenience sampling to mitigate selection bias. The sample was also drawn from a variety of industrial sectors to insure that all the sectors are represented.

4.11.2 Reliability

According to Boone and Kurtz (2013) reliability is the degree to which outcomes are consistent over time and the precise exemplification of the entire populace being investigated. The instrument is said to be reliable if it produces results that can be obtained if the research is replicated under a similar methodology (Malhotra, 2010). Reliability is mainly focused on the uniformity of methods. An instrument's reliability level is based on its capability to provide identical outcomes when put to use over and over again. According to Black (2012) the Cronbach alpha is what is used to measure the reliability of a research instrument. The Cronbach alpha is a measure of how sound each distinct item in an instrument shows a relationship with the remaining items (Bajpai, 2011). Reliability also displays the degree to which the scales in a research instrument continue to provide the same results over recurrent examinations on identical topics (Beri, 2008). The alpha coefficient ranges in value from zero to one (Cooper & Schindler, 2006) and greater the notch shown by a scale the more reliable it is (Bradley, 2013). Berndt and Petzer (2011) noted that, a score of 0.7 is the conventional accepted as a reliable factor but lower factors have occasionally been used in prior studies.

4.11.3 Dealing with Response and Non-Response Errors

Beri (2013) and Bradley (2013) mention that errors, particularly the response and non-response errors, can also cause a severe risk to the reliability of information and it the investigator duty to reduce this danger. Malhotra (2010) suggested that the errors that are in a research can be described as the difference between the true value of the total target population and the value of the sample. Response errors are the projected mistakes that can be presented by the investigator, the examiner or the participant (Black, 2012). The investigator might make the error in the formulation of the research instrument or may not correctly describe the research question and the type data necessary to answer the question (Beri, 2008). Response errors might as well occur when the participants purposely or misguidedly offer unfitting responses to the study questions (Bajpai, 2011).

Berndt and Petzer (2011) described a non-response error as an error resulting from failure to get hold of every participant selected in a sample and/or the failure of some contacted participants of the sample to answer to all or particular sections of the research instrument. According to Malhotra (2010) non-response error transpires because participants who answer to the investigation may have different characteristics to the ones who would not have participated. To reduce the non-response errors that may occur in a survey Beri (2013) suggested some steps to follow. The steps include using self-administered questionnaire, which requires a face to face meeting between the investigator and the participants, recurrent phone calls and visits to the participants, eliminating complex questions from the research instrument and finally carefully creating and pre-testing the questionnaire (Bradley, 2013).

4.12 CHAPTER SUMMARY

This chapter presented the methodology of carrying out the study. The research design, technique and method were discussed in the early sections of the study. The chapter also highlighted on the population and sampling frame as well as the sampling procedure that was employed in this study. The last sections of this study focused on the data analysis procedure utilized in this study, reliability and validity of the data collection instrument. Data was then collected using all the laid out procedures and instrument. This leads to the next chapter which is premised on analysis of the research findings.

CHAPTER FIVE

RESULTS

5.1 INTRODUCTION

The previous chapter presented the research design and methodology of the research under-study. Chapter four highlighted issues around the research design, research methodology, data collection and data analysis methods employed in the study. This chapter will discuss the results obtained and possible interpretations to the data collected by the researcher. The Statistical Package for Social Sciences (SPSS) was used in analysing the data using descriptive and inferential statistics. Each section of the data collection instrument will be discussed and each specific hypothesis will be presented and also be analysed in this chapter. Due to the statistical analysis presented, the null hypotheses were either accepted or rejected depending on the results obtained. The chapter will be structured starting with section 5.2 focussing on the response rate of the survey; section 5.3 focusses on the tests of the normality of the data; section 5.4 is dedicated to the reliability tests of the research instrument used; section 5.5 mainly focusses on the analysis of the descriptive statistics around the background information found on the questionnaire as the biographical information section 5.6 to section 5.7 cover the inferential statistics.

5.2 RESPONSE RATE

This section discusses the number of questionnaires sent and those that were returned and the possible interpretation of all this. The figures are shown in the table 5.1.

Table 5.1: Response Rate

Sample Category	Numbers
Recommended sample size	275
Questionnaires issued	280
Questionnaires returned	224
Response rate	80%

As highlighted in chapter one the Raosoft sample size calculator was used to determine the sample size for this study. The Raosoft sample size calculator gave a recommended sample size of 275 respondents from a total population of 950 registered SMMEs on the ECDC data base. From the recommended sample of size given by the Raosoft sample size calculator 280 questionnaires were distributed. Of the 280 issued data collection instruments 224 were completed and returned to the researcher. This represents an 80% response rate which is sufficient enough for this research study. Gerber et al., (2008) proposes that a 50% response rate is sufficient enough for conducting data analysis for a study.

5.3 NORMALITY OF THE DATA

Pallant (2010) states that, the normality of the gathered data be able to be dictated by means of the Kolmogorov-Smirnov test (if the sample size is over 100) and the Shapiro-Wilks test (if the sample size is underneath 100). The researcher used the Kolmogorov-Smirnov test on the basis that the sample in this study was above 100. Kolmogorov-Smirnov test make use of the null hypothesis principle to verify whether a sample emanated from a normally distributed population. The null hypothesis of this test is that the population is normally distributed. Thus if the p-value is above the alpha level, then the null hypothesis is rejected and the validation of the data is that it's not from a normally distributed population. The data gathered in this study had an alpha level of 0.05 while the data set had a p-value of 0.02 therefore this fails to rejects the null hypothesis. This proves that the data in this research was obtained from a normally distributed population. According to Pallant (2010), many scales and measures used in the social sciences have scores that are skewed, either positively or negatively. This does not necessarily indicate a problem with the scale, but rather reflects the underlying nature of the constructs being measured.

5.4 RELIABILITY TEST FOR INDIVIDUAL SCALES

Assessing the internal reliability of a research instrument is very important so as to insure the reliability of the information gathered by the researcher (Cooper & Schindler, 2006). All the sub-scales of the research instrument were checked for their reliability and all of them showed a Cronbach rating above (> 0.7) prescribed by (Cronbach, 1990) except for strategy implementation which had a Cronbach rating of (>0.662) and had two items. The question that focussed on the firm's mission had four items showed a rating of (>0.889). The scale on firm objectives and goals

was made up of four items and showed a rating of (>0.909). The first component of the strategic planning process which is strategy formulation showed a Cronbach Alpha coefficient rating of (>0.909) and it comprised of twelve items. Organisational performance was measured using organisational financial measures and organisational non-financial measures. Organisational financial measures comprised of eight questions and it had a Cronbach alpha of (>0.944). The second measure of organisational performance thus, non-financial measures showed a Cronbach alpha of (>0.931) and was made up of eight questions. The results of the reliability scale are summarised in table 5.2.

Table 5.2: Scale reliability test

Scale	Cronbach alpha coefficients	Items
Firm mission	0.946	4
Firm objectives and goals	0.889	4
Strategy formulation	0.909	12
Strategy implementation	0.662	2
Strategy control and evaluation	0.890	7
Organisational financial measure	0.944	8
Organisational non-financial measure	0.931	8

5.5 ORGANISATIONAL BACKGROUND INFORMATION

This section provided an overview of the results on the background information section of the questionnaire. The respondents were asked questions about the category their organisation falls under, age of the organisation, the firm's capital size and the people that are responsible for the development of strategic plans in the organisations. Questions also on whether the organisation has a written strategic plan or not, and if the answer was yes the respondent had to mention the time period covered by the written strategic plans and also the time frame they have been using the strategic plans.

5.5.1 The industry category that best describes the firm

Figure 5.1 shows the industry category that best describes the firm. This distinction on which industry the organisation is based in is necessary in determining whether industry category influences the performance of an organisation, as a control variable in the regression analysis of the primary hypothesis.

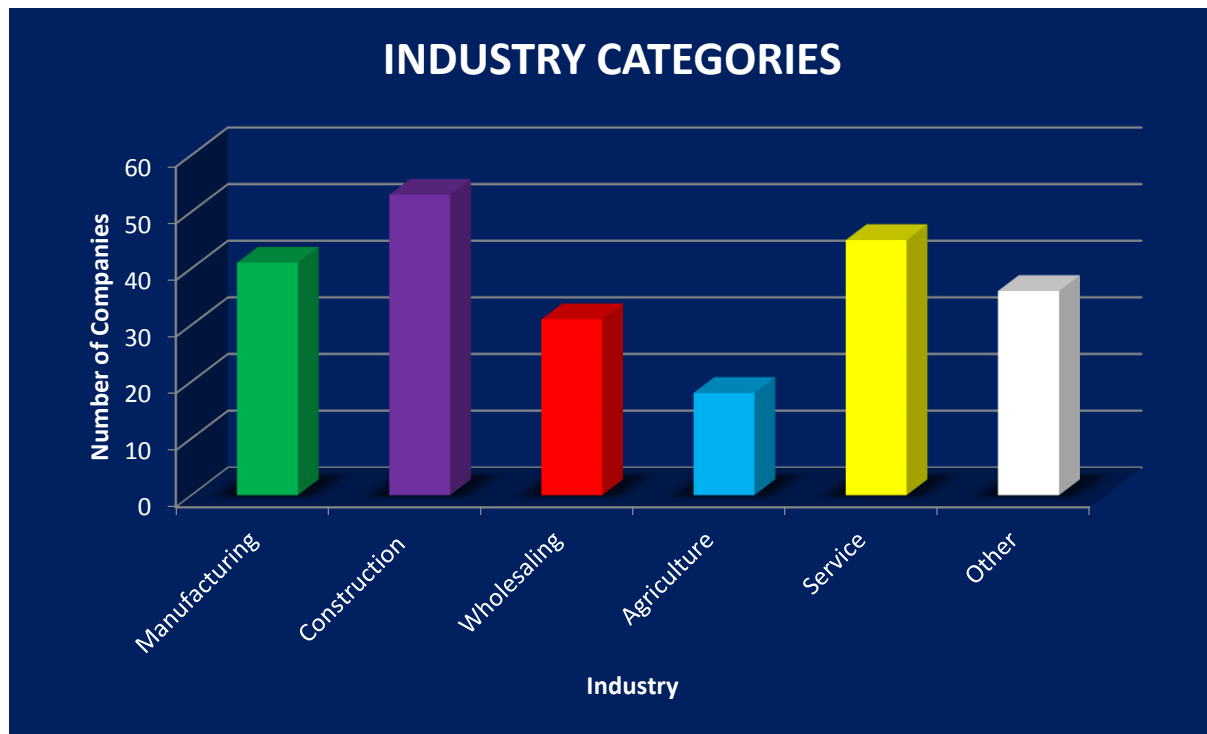


Figure: 5.1: Industry categories

The researcher obtained 224 respondents, 41 of which indicated that their organisation to be in the manufacturing industry, the construction industry had the highest number with 53 representing 23.7% of the respondents, the wholesale industry was represented by 31 respondents in the survey and only 18 respondents indicated that their organisation fell in the agriculture industry. The service industry was represented by 45 respondents thus 20.1% of the total respondents and lastly the respondents that indicated to be from a category that is other than the ones mentioned were 36 representing 36% the total respondents.

5.5.2 Age of the firm

Figure 5.2 shows the number of respondents that answered the question on the age of the firm. The age of the firm was also used as a control variable in the regression formula used to analyse the primary hypothesis.

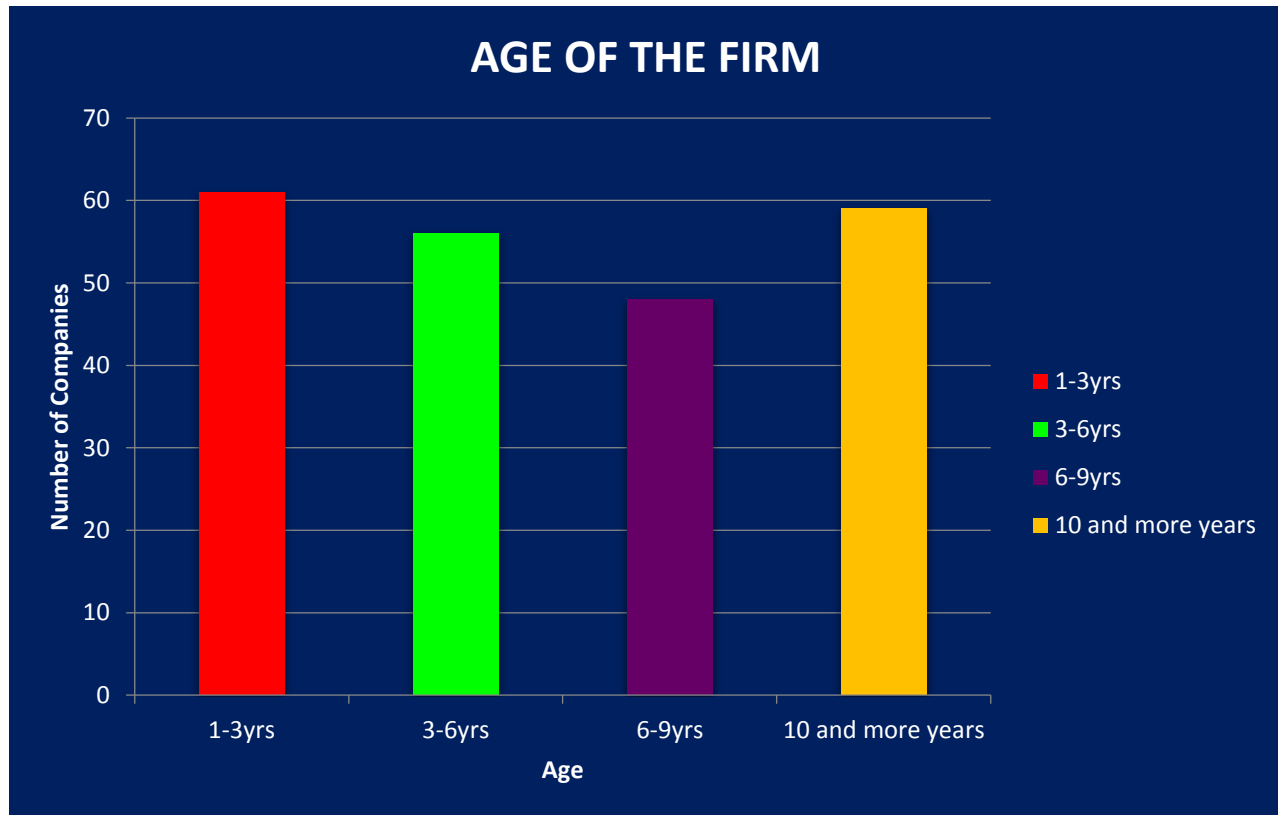


Figure 5.2: Age of the firm

Most of the respondents (27.2%) that took part in this survey were between one and three years (n=61). The firms that were between three to six years made up 25% of the respondents and organisations that were between six to nine years were only 48 representing 21.4% of the respondents. Lastly there were 59 organisations that were ten years and above with regard to the age of the firm thus representing 26.3% of the total respondents.

5.5.3 Firm's capital size

Figure 5.3 shows the firm's capital size. This variable was also be used as one of the control variables in the analyses of the primary hypothesis using regression analyses.

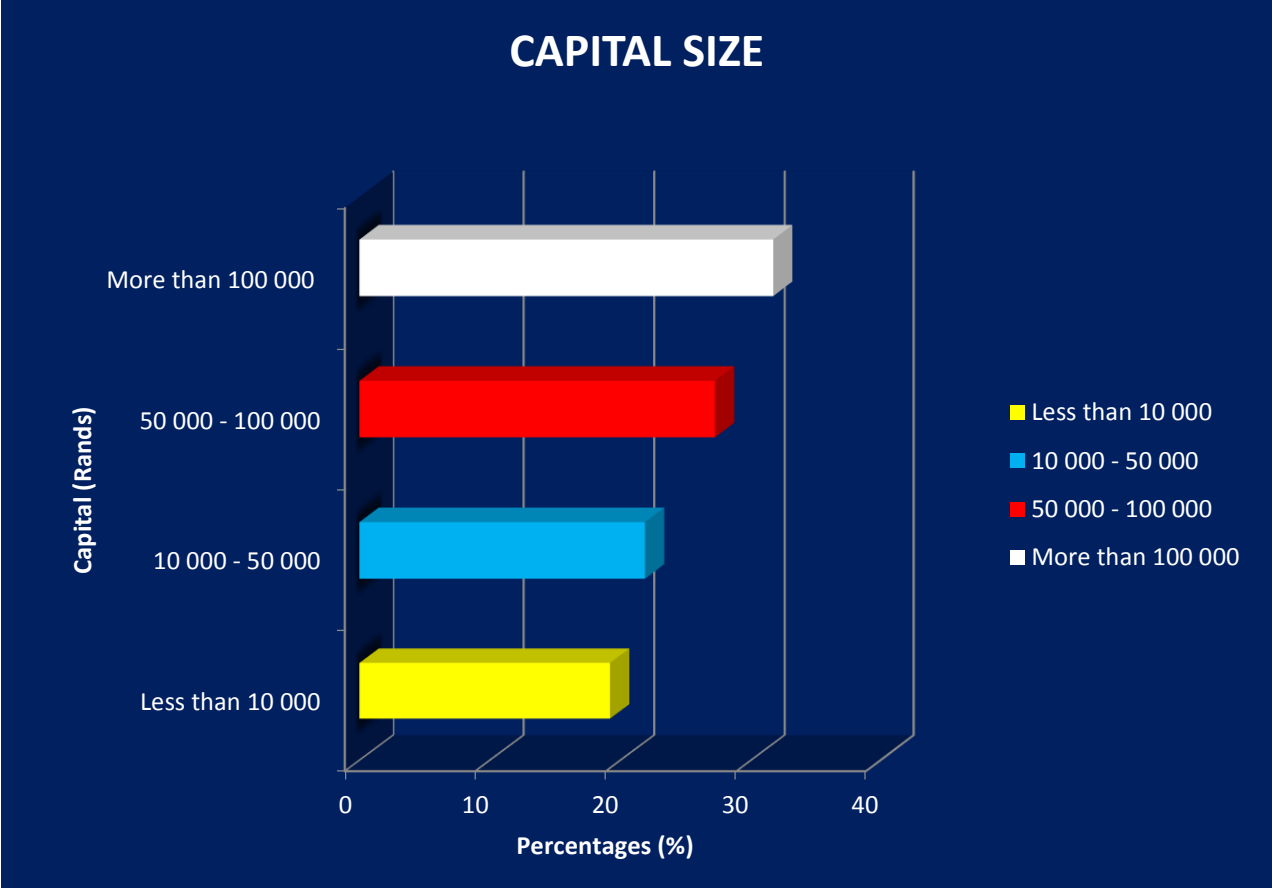


Figure 5.3: Firm's capital size

The result of the question on the capital size of organisations showed that only 43 organisations had a capital size of less than R10 000, organisations that had a capital size of R10 000 to R50 000 were 49 representing 21.9% of the total respondents and those that had a capital size of R50 000 to R100 000 as their capital size were the second highest with 61 organisations representing 27.2% of the total respondents. Lastly the organisations that had a capital size of more than R100 000 were the most in this survey with a total number of 71 representing 31.7% of the participants.

5.5.4 The person or unit that develops strategic plans in the firm

Table 5.3 shows the person or unit that is responsible for the development of strategic plans within the firm. This variable was also used as a fourth control in the regression formula that was used in analysing the primary hypothesis.

Table 5.3: Firm’s strategic plan developer

FIRM’S STRATEGIC PLAN DEVELOPER	No. of Companies	Percent (%)
Owner or manager	154	68.8
Top management	45	20.1
Centralised planning departments	10	4.5
Different managerial levels participate in firm strategic planning	11	4.9
A strategic planning committee made up of all or selected members of top management	4	1.8

The majority of the respondents revealed that the owners or the managers in their organisation were the individuals responsible for the development of strategy. The survey results showed that 154 participants indicated that the owners or managers developed strategy in their firms representing 68.8% of the total sample. In this survey, respondents indicated that top management were the second highest group of people to develop strategy with a frequency of 45 representing 20.1% of the total sample. Only ten participants highlighted that strategy was developed by a centralised department in their firm. Eleven respondents indicated that different managerial levels participate in firm strategic planning were responsible for developing strategic plans representing 4.9% of the sample. Lastly the least number of respondents highlighted a strategic planning committee as responsible for the task of setting up strategy with a frequency of 4 representing only 1.8% of the participants.

5.5.5 Use of written strategic plans

Figure 5.4 shows the respondent's answer to the question on whether their organisations have a written strategic plan or not. The question is also a control measure for the primary hypothesis analysis.

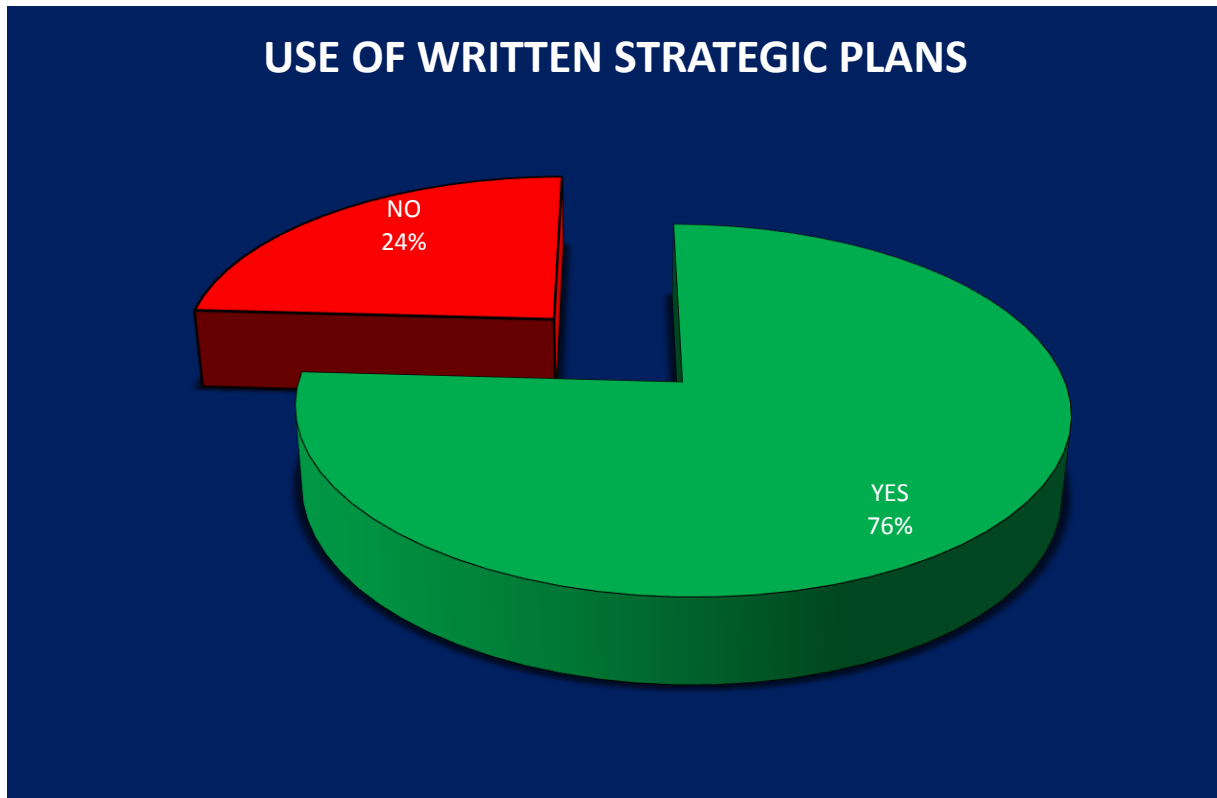


Figure 5.4: Use of written strategic plans

The majority of the respondents in this survey indicated that they had written strategic plans. The respondents that answered the question with a “yes” were 170 representing 76% of the total participants in this survey. Only 54 of the participants indicated that they did not put their strategic planning in writing.

5.5.6 The time period covered by written strategic plans

Table 5.4 shows the responses provided by the respondents on the question concerning the time period covered by the strategic plans. The question is also part of a control variable in the regression equation that analysed the primary hypothesis.

Table 5.4: Duration of written strategic plans

Period covered	Frequency	Percent (%)
Less than one year	63	28.1
1-3 years	72	32.1
4 or more years	35	15.6
Did not respond	54	24.1

Table 5.4 shows the respondents that had written strategic plans that covered less than a year were 63 representing 28.1% of the respondents. The majority of the respondents indicated that their strategic plans cover between 1 to 3 years. These respondents had a frequency of 72 thus representing 32.1 % of the participants. Only 35 respondents indicated that their strategic plans cover 4 or more years thus representing 15.6% of the participants. Some participants did not respond to the question. The participants that did not respond were 54 representing 24.1% of the participants.

5.5.7 Number of years a firm has been using written strategic plans

Table 5.5 shows the responses provided by the respondents with reference to the question on the number of years a firm has been using written strategic plans. The question is also part of the control variables in the regression equation that analysed the primary hypothesis.

Table 5.5: Number of years a firm has been using written strategic plans

Time period	Frequency	Percent (%)
Less than one year	62	27.7
1 – 3 years	33	14.7
4 – 6 years	51	22.8
7 or more years	24	10.7
Did not respond	54	24.1

Table 5.5 shows that respondents that had been using written strategic plans for the less than one year were 62 representing 27.7 percent of the participants which was the majority. Respondents that had been using a written plan for 1 to 3 years were 33 thus, representing 14.7% of the total participants. The participants that indicated that they had been using written strategic plans for 4 to 6 years were 51 representing 22.8% of the respondents to the present survey. Only 24 participants indicated that they had been using a written strategic plan for 7 or more years thus, representing 10.7% of the respondents.

5.6 STRATEGIC PLANNING MEASURES

This section will present descriptive statistics results question by question. Descriptive statistics provide simple reviews about the sample's mean responses and the standard deviation. The section is focused on the five sub-scales used in this research to evaluate the level of strategic planning in the organisation.

5.6.1 Firm mission

The question on firm mission was important in this survey since the basis of strategic planning is grounded on the organisation's ability to have a sound organisational mission. Table 5.6 shows the mean responses given by the respondents to the survey of the questions addressing firm mission.

Table 5.6: Firm mission

1	Question	n	Minimum (S-Disagree)	Maximum (S-Agree)	Mean	Std. Deviation
a	You have a formal statement of your firm's mission	224	1	5	3.62	1.169
b	Your mission is long-term in nature	224	1	5	3.51	1.202
c	Your firm has developed a statement of mission	224	1	5	3.52	1.148
d	All your employees understand firm mission and committed to it	224	1	5	3.42	1.169

Table 5.6 shows that all the participants in the survey responded to the questionnaire concerning the section on the firm's mission. The means of the four questions that addressed the idea of a firm mission it is evidenced that the means range from 3.42 to 3.62. The standard deviation shows the distribution of the responses from the mean since they all range from 1.1 to 1.2; it shows that they are close to the mean. Others were neutral with regard the statements about employees understanding the firm mission and a commitment to it. However, there is a generally a large number of respondents acknowledged having a formal statement of their firm's mission. As observed from the table 5.5, mean scores of 3.42 to 3.62 reveal that nearly every respondent acknowledged the availability of a firm mission.

5.6.2 Firm objectives and goals

The question on firm objectives and goals was important in this survey since strategic planning is centred on the organisational objectives and goals. It is organisational goals and objectives that lead to meaningful and sound firm strategic planning processes. Table 5.7 shows the mean responses given by the respondents to the survey of the questions addressing firm objectives and goals.

Table 5.7: Firm objectives and goals

2	Question	n	Minimum (S-Disagree)	Maximum (S-Agree)	Mean	Std. Deviation
a	You have a formal statement of firm goals and objectives	224	1	5	3.55	1.083
b	Your firm have established both long-range and short-range goals and objectives	224	1	5	3.65	1.056
c	Your firm develops goals and objectives continuously	224	1	5	3.69	1.016
d	There is wide management participation in establishing goals and objectives	224	1	5	3.49	1.216

Table 5.7 shows that all the 224 participants in the survey responded to the question around the firm's objectives and goals. The means of the four questions that addressed the idea of organisational goals and objectives ranged from 3.49 to 3.69. The standard deviation shows the distribution of the responses from the mean since they all range from 1.016 to 1.216 it shows that they are close to the mean. Others were neutral with the statement about the presence of wide management participation in establishing goals and objectives but there generally a large number of the respondents acknowledged that their firm developed goals and objectives continuously. As observed from the table 5.6 mean scores were between 3.49 and 3.69 with nearly every respondent being of the view that the development of firm objectives and goals are key and important.

5.6.3 Strategy formulation

Strategy formulation is the first step in the strategic planning process and was accounted for in this study. The question on strategy formulation was important in this survey since it is one of the major pillars of the strategic planning process. It is good strategy formulation that leads to

meaningful and sound firm strategic planning processes. Table 5.8 shows the mean responses given by the respondents to the survey of the questions addressing strategy formulation.

Table 5.8: Strategy formulation

3	Question	n	Minimum (S-Disagree)	Maximum (S-Agree)	Mean	Std. Deviation
a	There is wide management participation in developing strategic alternatives	224	1	5	3.52	0.998
b	When formulating strategy, you identify any external environmental threats and opportunities.	224	1	5	3.77	1.037
c	Budgets for strategic plans are developed.	224	1	5	3.58	1.064
d	The results of your strategic planning process clearly spell out what will be done	224	1	5	3.59	1.076
e	You attempt to project the outcome of strategic alternatives facing your firm.	224	1	5	3.52	1.075
f	When selecting a strategy, your firm is concerned with long-term implications.	224	1	5	3.56	1.294
g	Your firm has formed procedures for strategy selection	224	1	5	3.47	1.148
h	You develop budgets for all strategic alternatives	224	1	5	3.44	1.127
i	Alternatives are developed before a strategic plan is adopted	224	1	5	3.43	1.118

j	Your firm has no formal procedures for identifying strategic alternatives	224	1	5	3.00	1.425
k	when formulating strategy, we identify strengths and weaknesses of your firm	224	1	5	3.60	1.144
l	In developing alternative strategies ,long-range considerations are important	224	1	5	3.59	1.109

Based on table 5.8, it is evident that all the 224 participants in the survey responded to the questionnaire section on strategy formulation. Similar to the two previous sections that have already been discussed the means of the responses to the question on formulation ranged from 3.00 to 3.77. The standard deviation that was recorded in this section show that the answers provided were close to the mean since they ranged from 0.99 to 1.29. Based on the evidence provided by the standard deviation, it shows that the majority of the responses were concentrated on two sections that’s either being neutral or in agreement. For example, the majority of the participants responded with a neutral on the statement to a firm having no formal procedures for identifying strategic alternatives thus, evident by the mean of 3 and a standard deviation of 1.42.

5.6.4 Strategy implementation

Strategy implementation is the second step in the strategic planning process hence it determines the success of the entire process. The question on strategy implementation was important in this survey since it is one of the major pillars of the strategic planning process. Table 5.9 shows the mean responses given by the respondents to the survey of the questions addressing strategy implementation.

Table 5.9: Strategy implementation

4	Question	n	Minimum (S-Disagree)	Maximum (S-Agree)	Mean	Std. Deviation
a	Once strategy has been selected it is so implemented	224	1	5	3.13	1.264
b	Long-range factors are important when implementing strategy	224	1	5	3.75	1.141

From the evidence provided by table 5.9 all the participants in this survey responded to the two questions that covered the section on strategy implementation in the questionnaire. Evidence shows that the means of the responses to questions in this section range from 3.13 to 3.75. This means that the majority of the respondents answers in this section were either neutral or in agreement. The standard deviations that were recorded in this section show that the answers provided were close to the mean since they ranged from 1.14 to 1.26.

5.6.5 Strategy control and evaluation

Strategy control and evaluation is the third step in the strategic planning process hence it determines the success of the entire process. The question on strategy control and evaluation was important in this survey since control and evaluation ensures the success of the strategic planning process. Table 5.10 shows the mean responses given by the respondents to the survey of the questions addressing strategy implementation.

Table 5.10: Strategy control and evaluation

5	Question	n	Minimum (S-Disagree)	Maximum (S-Agree)	Mean	Std. Deviation
a	There is wide participation by management in the review and evaluation of strategic plans	224	1	5	3.62	1.018
b	Review and evaluation are important in your strategic planning process	224	1	5	3.53	1.112
c	You identify and monitor other companies providing products or services similar to yours	224	1	5	3.62	1.130
d	Your firm has formal procedures for reviewing and evaluating strategies	224	1	5	3.42	1.035
e	There is continuous review and evaluation of the strategic plan	224	1	5	3.42	1.207
f	Do you think your strategic plans are very sophisticated?	224	1	5	3.10	1.176
g	Are your strategic plans suitable to your firm's objectives and goals?	224	1	5	3.79	0.967

From table 5.10 it is evident that all the 224 participants in the survey responded to the questionnaire section on strategy formulation. Similar to the previous sections that have already been discussed the means of the responses to questions in this section range from 3.10 to 3.79. This means that majority of the respondents answer in this section were either neutral or in agreement to the statement provided. The standard deviations that were recorded in this section show that the answers provided were close to the mean since they ranged from 0.96 to 1.20.

Therefore, this suggests that SMMEs that took part in this study recognised the importance of the strategy control and evaluation phase of the strategic planning process.

5.7 ORGANISATIONAL PERFORMANCE MEASURES

This section will cover the question by question descriptive statistics analysis of the research instrument that measured organisational performance. Descriptive statistics provide simple reviews about the sample's mean responses and the standard deviation. The section is focused on the two sub-scales used in this research to evaluate the level of performance in the organisation.

5.7.1 Financial or objective measure

The researcher considered the use of financial measures of performance since they provide evidence on the manner in which an organisation is operating. The respondents were asked to rate their organisational performance on a scale of weaker to stronger in comparison to those organisations in an industry as theirs. Table 5.11 provides evidence of the responses given by the participants of this study.

Table 5.11: Financial or objective measure

6	Question	n	Minimum (weaker)	Maximum (Stronger)	Mean	Std. Deviation
a	Revenue	224	1	5	3.41	1.121
b	Net Income	224	1	5	3.48	1.148
c	Cash flow	224	1	5	3.30	1.032
d	Return on Equity	224	1	5	3.16	1.023
e	Return on Assets	224	1	5	3.11	1.079
f	Return on invested capital	224	1	5	3.23	1.024
g	Total Debt to Equity	224	1	5	3.00	1.044
h	Long-term Debt to Equity	224	1	5	3.01	1.080

From the evidence provided by table 5.11 all the participants in this survey responded to the eight questions that covered the section of financial or objective performance measures in the

questionnaire. Evidence shows that the means of the responses to questions in this section range from 3.00 to 3.48. This means that the majority of the respondents answered either as being neutral or in strong agreement to the statement provided. The standard deviations that were recorded in this section show that the answers provided were close to the mean since they ranged from 1.02 to 1.12.

5.7.2 Non- financial or subjective measures

The use of two different measures was considered as a way to try and obtain results that were not biased. Generally organisations are reluctant to release non-financial information as compared to financial information. Similar to the previously discussed measure of performance, respondents were asked to rate their organisational non-financial performance on a scale of weaker to stronger in comparison to those organisations in a field as theirs. Table 5.12 provide evidence of the responses given by the participants of this study.

Table 5.12: Non- financial or subjective measures

	Question	n	Minimum (weaker)	Maximum (Stronger)	Mean	Std. Deviation
a	Market share	224	1	5	3.56	1.031
b	Capacity utilisation	224	1	5	3.73	1.160
c	Product quality	224	1	5	3.60	1.148
d	On time delivery of products or services	224	1	5	3.66	1.239
e	Customer satisfaction	224	1	5	3.62	1.207
f	Customer retention	224	1	5	3.58	1.214
g	Employee satisfaction	224	1	5	3.58	1.195
h	Employee turnover	224	1	5	3.31	1.486

Table 5.12 shows evidence that all the participants in this survey responded to the eight questions that covered the section of non-financial or subjective performance measures in the questionnaire. Evidence shows that the means of the responses to questions in this section range from 3.31 to 3.73. This means that the majority of the respondents who answered questions in this section were either neutral or strongly agreed to the statement provided. The standard deviations that were recorded in this section show that the answers provided were close to the mean since they ranged from 1.03 to 1.48.

5.8 HYPOTHESES TESTING

Hypothesis testing refers to the formal procedures used to accept or reject statistical hypotheses (Cohen, 1988). As highlighted in the previous chapter the hypothesis will be tested using Multiple Regression analysis and Pearson correlation relying on a two tailed t-test. This section will discuss the testing of each individual hypothesis.

5.8.1 Strategic planning process and organisation performance

The primary hypothesis measured the relationship between the strategic planning process and organisational performance. Multiple Regression analysis was chosen and used as the statistical techniques to explore the relationships amongst variables. Tables 5.13 represent the findings of the second hypothesis.

Table 5.13: Results of regression analysis

Model summary					
Model name	R	R Squared	Adjusted Squared	R	Std. error of the estimate
1	.869 ^a	.756	.744		7.07
Analysis of variance					
Model 1	Sum of squares	<i>df</i>	Mean squares	<i>f</i>	Significance
Regression	32991.179	10	32299.118	65.621	.000^a
Residual	10659.959	213	50.047		
Total	43651.138	223			

Note. Dependent variable: Organisational performance (financial and non-financial measures)

Note. Predictors which are constant: Control & Evaluation, Implementation, formulation, firm capital size , Age of the firm , How long has you firm been using strategic planning, Does your firm has a written strategic plan

In terms of the model summary (Tables 5.12), the R Square value indicates that the proposed model explains .744 (74%) of the variance in organisational performance. This result can be considered to be objectively applicable. This result shows that an increase in strategic planning process by one percent would result in a 74% increase in organisational performance. Thus indicating that strategic planning process has a positive effect on the way in which SMMEs perform. As is indicated by the Analysis of Variance (ANOVA), the projected model can be reflected to be statistically significant, thus indicating that multiple R in the population does not equal 0. Hence the results of the study reject the study's null hypothesis which states that **the strategic planning process has no effect on positive organisation performance in SMMEs and accept the alternate hypothesis.**

Table 5.14: Predictor and Significance of Relationships

Model variables	Unstandardized Coefficients		Standardised Coefficients		
	B	Std. Error	Beta	t	Sig
PREDICTOR	7.460	3.962		1.883	.061
Firm mission	3.486	.829	.291	4.205	.000
Objectives and goals	-.865	.875	-.067	-.989	.324
Formulation	.382	.125	.265	3.067	.002
Implementation	.376	.366	.056	1.027	.306
Control and evaluation	.336	.176	.143	1.908	.058
Age of firm	1.207	.594	.099	2.032	.043
Firm capital size	-1.031	.572	-.082	-1.803	.073
Does firm has a written strategic plan	10.189	3.053	.312	3.338	.001
Time period covered by strategic plans	1.144	.949	.092	1.20	.229
How long has your firm been using strategic planning	.087	.605	.009	.143	.886

Table 5.14 shows how the factors in the model influence the likelihood of organisational performance in SMMEs. The model shows that the Beta value for whether or not a firm has a written strategic plan as 0.312 making it the prime contributor to the model, this means that it the major factor that influences SMMEs organisational performance are grounded on answers provided by respondents to this research. The results of this study showed that firm mission had the second highest beta of 0.291 making it a major contributor to the model. The results showed that strategy formulation is the third highest factor influencing SMMEs organisational performance with a Beta coefficient of 0.265, thus indicating that the more an organisation put

effort on the formulation of a strategy the greater is performance. Strategy control and evaluation with a Beta of 0.143 and the age of the firm represented by a Beta of 0.099 are the third and fourth most influential factors to organisational performance in SMMEs respectively. Strategy implementation was the least positive influential factor to organisational performance with a beta of 0.056. The capital size of an organisation showed a beta of -0.082. This means that an organisations capital size has got a negative influence on the organisational performance of SMMEs. Six of the constant factors are considered to be making a statistically significant influence to the regression model and only one factor can be regarded as an insignificant contributor to the model (how long has your firm been using strategic planning).

5.8.2 Strategy formulation and organisational performance

Hypothesis two measured the relationship between strategy formulation and organisational performance. The Pearson correlation analysis was chosen and used as the statistical techniques to explore relationships among variables. Table 5.15 represents the findings of the second hypothesis.

Table 5.15: Pearson Correlation; formulation and organisational performance

Variables	Formulation	Organisational performance
Formulation	1	.785**
Sig. (2-tailed)		.000
Number (respondents)	224	224
Organisational performance	.785**	1
Sig. (2-tailed)	.000	
Number (respondents)	224	224

The result in table 5.15 indicates an r of 0.785 which means that there is a strong positive correlation between strategy formulation and organisational performance of SMMEs in the Buffalo City Municipality. This provides evidence that the more small business organisations concentrate

on the strategy formulation section of the strategic planning process the greater the performance of these small organisations. **Hence the results of the study reject the study’s null hypothesis which states that there is no significant positive correlation between the strategy formulation and organisation performance in SMMEs and accepts the alternate hypothesis.**

5.8.3 Strategy implementation and organisational performance

Hypothesis three measured the relationship between strategy implementation and organisational performance. The Pearson Correlation analysis was chosen and used as the statistical techniques to measure relationships among factors. Table 5.16 denotes the results of the third assumption.

Table 5.16: Pearson Correlation; Implementation and organisational performance

Variables		Implementation	Organisational performance
Implementation	Pearson correlation	1	.658**
	Sig. (2-tailed)		.000
	Number (respondents)	224	224
Organisational performance	Pearson correlation	.658**	1
	Sig. (2-tailed)	.000	
	Number (respondents)	224	224

Table 5.16, shows that there is an r of 0.658 which means that there is a strong positive correlation between strategy implementation and organisational performance of SMMEs in the Buffalo City Municipality. This provides evidence that the more small business organisations concentrate on the strategy implementation section of the strategic planning process the greater the performance of these small organisations. **Hence the results of the study reject the study’s null hypothesis which states that there is no significant positive correlation between the strategy**

implementation and organisation performance in SMMEs and accepts the alternate hypothesis.

5.8.4 Strategy control and evaluation and organisational performance

Hypothesis four measured the relationship between strategy control and evaluation and organisational performance. The Pearson Correlation analysis was chosen and used as the statistical techniques to measure relationships among factors. Table 5.17 denotes the results of the fourth assumption.

Table 5.17: Pearson Correlation; Control and evaluation and organisational performance

Variables		Control and evaluation	Organisational performance
Control and evaluation	Pearson correlation	1	.755**
	Sig. (2-tailed)		.000
	Number (respondents)	224	224
Organisational performance	Pearson correlation	.755**	1
	Sig. (2-tailed)	.000	
	Number (respondents)	224	224

It is shown in table 5.17 that there is an r of 0.755 which means that there is a strong positive correlation between strategy control and evaluation and organisational performance of SMMEs in the Buffalo City Municipality. This provides evidence that the more small business organisations concentrate on the strategy control and evaluation section of the strategic planning process the greater the performance of these small organisations. **Hence the results of the study reject the study's null hypothesis which states that there is no significant positive correlation between**

the strategy control and evaluation and organisation performance in SMMEs and accept the alternate hypothesis.

5.8.5 Strategy formalisation and evaluation and organisational performance

Hypothesis five measured the relationship between strategy formalisation and organisational performance. An independent sample T- test was chosen and used as the statistical techniques to measure relationships among factors. Table 5.18 denotes the results of the fifth assumption.

Table 5.18: independent sample T- test; strategy formalisation and organisational performance

Group Statistics										
Does your firm has a written strategic plan		N	Mean	Std. Deviation	Std. Error Mean					
Total performance		Yes	170	60.54	7.394	.567				
		No	54	34.89	11.862	1.614				
Independent Sample Test										
		Levene's test		T-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence interval	
									lower	upper
Total perfor mance	Equal variance assumed	25.00	.000	18.93	222	.000	25.646	1.355	22.977	28.316
	Equal variance not assumed			14.99	66.57	.000	25.646	1.711	22.231	29.062

It is shown from the table that the mean of formal strategic planners group was **60.54** (SD = **7.394**) and the mean of the non-formal strategic planners group was **34.89** (SD = **11.862**). The table also showed a Leven's test P-value of **.000** hence the researcher assumes that the variance is assumed to be not equal. According to the t-test for equality of means showed significant difference between the two groups of formal and non-formal strategic planners with a t value of **14.99**, df of **66.57** and P-value of **.000**. There was enough evidence to suggest a significant difference between the two groups of formal and non-formal strategic planners. **Hence the results of the study reject the study's null hypothesis which states that there is no significant relationship between strategy formalisation and organisation performance in SMMEs and accept the alternate hypothesis.**

5.9 CHAPTER SUMMARY

This chapter presented the data analysis section of this study. The chapter discussed the results obtained and possible interpretations to the data collected by the researcher. Each section of the question was discussed and each specific hypothesis was analysed and interpreted in this chapter. Due to the statistical analysis presented, the null hypotheses were either accepted or rejected depending on the results obtained.

CHAPTER SIX

DISCUSSION, IMPLICATIONS AND LIMITATIONS

6.1 INTRODUCTION

The preceding chapter presented the analysis of the data. Further, the previous chapter presented the various statistical tests conducted to investigate the relationship between strategic planning (formulation, implementation & control and evaluation) with organisational performance in SMMEs. This chapter serves the last aim of this study and aims to provide a discussion of the findings leading to a conclusion of the current study. Further, this chapter evaluates the study with regard to some of its limitations and gives recommendations for future research.

6.2 RE-CAP OF OBJECTIVES

This section endeavours to re-cap the objectives of the study in view of the research objectives presented in chapter one. The aim of the study was to investigate the relationship between strategic planning and organisational performance amongst SMMEs in the Buffalo City Municipality. This research aimed to:

- To determine the relationship between the strategic planning process (formulation, implementation and control and evaluation) on organisational performance in SMMEs.
- To determine the relationship between strategy formalisation and organisational performance in SMMEs.
- To investigate literature on SMME performance measures.
- To investigate literature on the hindrances on strategic planning.
- To make recommendations, theoretically and practically.

The first and second objectives of this study were realised through chapter five of this study. Chapter five presented the results of the empirical study. The statistical analysis presented in chapter five provided the researcher with evidence on which to either accepted or rejected the null hypotheses depending on the results obtained.

The third objective was to investigate the extant literature on SMME performance, this was achieved through chapter three of the study. Further, chapter three provided evidence on the aspect of organisational performance and the measures used to assess this important aspect drawn from previous studies. The possible relationship between the strategic planning and organisational performance in SMMEs was also explored in chapter Three. The fourth objective which was to investigate literature on the hindrances on strategic planning was addressed in chapter two of this study. The chapter looked into characteristics that encourage SMMEs to strategically plan and also the hindrances to strategic planning. Lastly, the final objective which was to make recommendations, theoretically and practically is addressed in chapter six. Chapter six also evaluates the study with regard to some of its limitations and gives recommendations for future research.

6.3 SUMMARY OF CHAPTERS IN THE RESEARCH

This study is made up of six chapters. Sections 6.2.1 to 6.2.5 present a short summary of each chapter.

6.3.1 Introduction and Background (Chapter One)

The primary aim of this study was to determine the relationship between the strategic planning process (formulation, implementation and evaluation and control) and organisational performance in SMMEs in the Buffalo City Municipality in the Eastern Cape Province, South Africa. Chapter one provided an outline of the research problems. Furthermore, the chapter presented the research objectives, the research hypotheses and the significance of the research. Lastly, the chapter provided a brief outlook on the research methodology, the delimitations of the study and the chapter outline of the study.

6.3.2 Strategic planning (Chapter Two)

The second chapter of this study was devoted to the literature on strategic planning. The chapter paid focus to the definitions of strategy, aspects that foster SMMEs to strategically plan and the deterrents to strategic planning. The chapter further reviewed the extant literature on strategic planning. Finally, chapter two also reviewed the strengths and weakness of strategic planning and the criticisms against strategic planning.

6.3.3 Strategic planning and organisational performance (Chapter Three)

Chapter three paid focus to the existing literature on strategic planning and specifically on performance. The chapter further provided both local and international definitions on the phenomena in strategic planning. Further, the chapter highlighted the contribution that SMMEs within the South African socio-economic system make. Chapter also looked into the aspect of organisational performance and the measures used to assess this important aspect of any firm. Finally, the chapter explored the relationships between strategic planning and firm performance specifically aspects of organisational performance and growth.

6.3.4 Research design and methodology (Chapter Four)

The goal of chapter four was to describe the methodology and design used in this research. This chapter deliberated on the research design, population and sample of the current study. Chapter four also further debated the research approaches and procedures by which information is gathered and justified the chosen approach and procedures based on the aims of the study. The research instrument that was used to gather data also received attention together with the data analysis approaches used.

6.2.5 Research results (Chapter Five)

The chapter discussed the results obtained and possible interpretations to the data collected by the researcher. Each section of the data collection instrument was discussed and each specific hypothesis was presented and also be analysed in this chapter. Based on the statistical analysis presented, the null hypotheses was either accepted or rejected depending on the results. Table 6.1 presents a summary of the results of the study.

Table 6.1: Summary of hypotheses tested

Hypotheses tested	Result
The strategic planning process has no effect on positive organisation performance in SMMEs.	Reject
There is no significant positive correlation between the strategy formulation and organisation performance in SMMEs.	Reject
There is no significant positive correlation between the strategy implementation and organisation performance in SMMEs.	Reject
There is no significant positive correlation between the strategy control and evaluation and organisation performance in SMMEs.	Reject
There is no significant relationship between the strategy formalisation and organisation performance in SMMEs.	Reject

6.4 DISCUSSION

The following section and its sub-sections focuses on discussing the findings of the present research and the similarities or differences of the present findings to those available in literature. The discussion addresses each hypothesis comparing the present findings and previous studies.

6.4.1 Strategic planning process and organisational performance in SMMEs

The main purpose of the study was to establish the relationship between the strategic planning process and organisational performance in SMMEs in the Buffalo City Municipality. The results on the regression analysis tests done to test the relationship between strategic planning processes and organisational performance in SMMEs indicated a positive relationship to exist amongst the SMMEs sampled. A number of studies conducted looked into the relationship of strategic planning and organisational performance have provided evidence of a positive relationship between the two

variables (e.g. Asara & K'Obonyo, 2012; Hakimpoor, 2014; Sandada et al., 2014; Dubilihla & Sandada, 2014; Chavhunduka et al., 2014, Monday et al., 2015). The findings on the relationship between strategic planning and organisational performance are consistent with the work of Dubilihla and Sandada (2014). Further, the findings of this work that showed that the strategic planning process has a positive effect on organisational performance is also similar to findings reported in a study conducted by Monday and Associates (2015) within selected companies in Nigeria. The investigation revealed that respondents who had acknowledged that they had a strategy planning process had much sound organisational performance compared to those with a poor or no strategy implementation process (Monday et al., 2015). The similarity in the findings of the current study and that of Dubilihla and Sandada (2014) and Monday et al., (2015) can be attributed to this fact that both the three studies were conducted in similar geographical areas in Sub-Saharan Africa.

Furthermore, the relationship between strategic planning and organisational performance was proven to be positive by Asara and K'Obonyo (2012). Hakimpoor's (2014) study conducted in Malaysia also produced findings that are similar to that of the present study and that of Asara and K'Obonyo, (2012). The results of the study showed that strategic planning played a major role in influencing the organisational performance of small-to-medium size businesses (Hakimpoor, 2014). The similarity in the results presented in this current study and those by Asara and K'Obonyo, (2012) and Hakimpoor (2014) can be accredited to the point that both the studies used similar measures of organisational performance (e.g. revenue, cash flow, market share, capacity utilisation etc.)

It is worth to note that the findings of the current study showed that the strategic planning process has a positive effect on organisational performance of SMMEs did not show support to previous work (e.g. O'Gorman & Doran, 1999; Gibson et al., 2001; French et al., 2004). Findings from a study conducted in in Australia showed that there was no relationship between strategic planning and organisational performance of small firms (Gibson et al., 2001). Furthermore, a study that focused on the relationship between strategic planning and the performance of small, professional service firms also showed that there was no relationship between strategic planning and organisational performance (French et al., 2001). The difference in the results obtained in the present study and that of Gibson et al., (2001) and French et al., (2004) can be due to that the

difference in geographical area of where the studies were conducted. Gibson et al., (2001) and French et al., (2004) studies were conducted in Australia and Europe respectively were as the present study was conducted in Africa.

Given the current study shows general support to the relationship between strategic planning and element of performance (Wijetunge & Pushpakumari, 2012; Asara & K'Obonyo, 2012; Muogbo, 2013; Hakimpoor, 2014; Sandada et al., 2014; Chavhunduka et al., 2015) this study therefore puts forth that the strategic planning process is important to the success, realisation of organisational goal and good performance of SMMEs. Also these findings reflect that it is true to conclude that the strategic planning process has got a very strong effect on the performance of organisation. Hence, this addresses the daunting question in the literature on what is the relationship between strategic planning process and organisational performance.

6.4.2 Strategy formulation and organisational performance in SMMEs

The second hypothesis of this study was set to investigate the relationship between strategy formulation and organisational performance in SMMEs in the Buffalo City Municipality. The findings of this current study revealed that there was a positive relationship between strategy formulation and organisational performance in SMMEs. The results of this study are similar to a number of previous investigations available in the literature (e.g. Efendioglu & Karabulut., 2010; Awino et al., 2012; Wijetunge & Pushpakumari, 2012; Abdalkrim, 2013; Andalya, 2013; Aldehayyat & Khattab, 2013; Aracioglu, et al., 2013; Didrell, 2014). Aldehayyat and Khattab, (2013) revealed that there was a positive relationship between strategy formulation and measure of organisational financial performance such as profit, return on investment and market share among others.

Similar findings were also reported in a study done by Dibrell, (2014) that investigated the impact of strategic management practices on organisational growth and development. The investigation revealed that respondents who had acknowledge that they had an excellent strategy planning process and strategic management practices had much sound organisational performance compared to those with a poor or no strategy implementation process (Dibrell, 2014). The findings by Aldehayyat and Khattab, (2013) and Dibrell, (2014) were in support of Wijetunge and Pushpakumari, (2012) and Awino et al., (2012) findings that showed that there was a positive

relationship between strategy formulation and the performance of manufacturing SMMEs and Commercial banks respectively. The similarity in the findings of the current study and that of Wijetunge and Pushpakumari, (2012), Awino et al., (2012), Aldehayyat and Khattab, (2013) and Dibrell, (2014) can be attributed to the reason that both five studies were conducted in using a quantitative research methodology.

On the other hand, despite having adopted the same research methodology and design as the present study there are some studies available in literature that show results that are contradictory to that of the current investigation (e.g. Bresser & Bishop, 1983; Greenly, 1986; Gable & Topol, 1987; Miller & Cardinal, 1994; Poster, 2010). The difference in the results may be as a result of the difference in the sample used in the studies. For example Gable and Topol, (1987) study only focused on small scale retailer ignoring other sectors of the economy. Also, the study by Poster (2010) had a sample drawn from public sector organisations which is a totally different segment of the economy to that addressed by the current study. Moreover the difference can also be influenced by the fact that the study by Millar and Cardinal, (1986) only used financial measure of performance compared to the present study that used both financial and non-financial measure of performance.

Based on the evidence provided in this study (Efendioglu & Karabulut., 2010; Awino et al.,2012; Wijetunge & Pushpakumari, 2012; Abdalkrim, 2013; Andalya, 2013; Aldehayyat & Khattab, 2013), this researcher therefore suggests that strategy formulation plays a pivotal role in the realisation of organisational goal and ensuring that organisation perform well. Moreover, these outcomes reveal that it is true to put forth that the strategic planning process has got a positive relationship with the performance of organisations. Thus, regardless of the availability of research that suggest that the strategic formulation has no relationship with organisational performance (e.g. Gable & Topol, 1987, Miller & Cardinal, 1994, Poster, 2010).

6.4.3 Strategy implementation and organisational performance in SMMEs

The current study also aimed to investigate the relationship between strategy implementation and organisational performance. As a result the third hypothesis of this study was set to answer the question on the relationship between strategy implementation and organisational performance in SMMEs in the Buffalo City Municipality. Strategy implementation was found to have a positive

relationship with organisational performance amongst the sampled SMMEs in the Buffalo City Municipality. The results of this study are similar to a number of previous investigations available in literature (e.g. Mcllquham-Schmidt, 2010; Lee, et al., 2010; Efendioglu, & Karabulut, 2010; Mitchelmore, & Rowley, 2013; Kee-Luen et al., 2013; Langat & Auka, 2015; Pangarkar, 2015). Mcllquham-Schmidt, (2010) study produced results that showed a positive relationship between strategy implementation and corporate performance. These findings were also similar to the ones obtained in a study by Lee et al., (2010) were the results revealed that strategy implementation had a positive effect on how organisations in the steel industry in Taiwan performed. The similarity in the findings of the current study and that of Mcllquham-Schmidt, (2010) and by Lee et al., (2010) can be as a result of the fact that both studies used quantitative methods of collecting data and also that performance in both the three studies was measured using similar financial and non-financial measures.

More evidence of the positive relationship between strategic implementation and organisational performance is provided by Kee-Luen and Associates (2013) thus providing similar evidence to that of the current study. The findings by Kee-Luen et al., (2013) and that of the current study are also consistent with evidence obtained from a study by Langat and Auka, (2015) that addressed the effect of strategic planning on medium sized enterprises. An earlier study by Efendioglu, and Karabulut, (2010) also confirms the presence of a positive relationship between strategy implementation and organisational performance as such acknowledged by the current study. The consistence in the findings between the current study and that of Efendioglu, and Karabulut, (2010) and Langat and Auka, (2015) can be attributed to the point that both the three studies were conducted in Africa. The use of a similar study sample can also be a contributing factor to the similarity of the three studies results since they all used SMMEs as study samples.

However, some of the literature available suggests that there is no relationship between strategy implementation and organisational performance (e.g. Robinson & Pearce, 1983; Gable & Topol, 1987; Miller & Cardinal, 1994; Gibson et al., 2001; French et al., 2004; Poster, 2010). The inconsistency in the finding of the current study and that of studies such as of Robinson and Pearce (1983) and Millar and Cardinal, (1986) maybe as a result that Robinson, Pearce, Millar and Cardinal only used financial measure of performance ignoring the non-financial measures that were integrated in the current study. The difference in the results can also be attributed to the fact

that studies like that of French et al., (2004) and Poster (2010) concentrated on specific industries when choosing the sample (professional service firms and public sector organisations respectively) not taking into account other sectors.

Hence, due to the evidence of the current study that shows general support to the relationship between strategic implementation and element of performance (McIlquham-Schmidt, 2010; Lee, et al., 2010; Efendioglu, & Karabulut, 2010; Mitchelmore, & Rowley, 2013; Kee-Luen et al., 2013; Langat & Auka, 2015; Pangarkar, 2015) strategic implementation is the key to the success, realisation of organisational goal and good performance of SMMES. Furthermore, these findings reveal that strategic implementation has got a strong influence in the manner in which organisations perform both financially and non-financially.

6.4.4 Strategy control and evaluation and organisational performance in SMMES

The fourth aim of the study was to establish the relationship between the strategy control and evaluation and organisational performance in SMMES in the Buffalo City Municipality. Based on the evidence provided by this current study, strategy control and evaluation was found to have a positive relationship with organisational performance amongst the sampled SMMES in the Buffalo City Municipality. The results of this study are similar to a number of previous investigations available in the literature (e.g. Rudd et al., 2008; Parnell, 2013; Hakimpoor, 2014; Sandada et al., 2014; Dubilihla & Sandada, 2014; Chavhunduka et al., 2014, Monday et al., 2015; Langat & Auka, 2015; Pangarkar, 2015). The current study's findings is in line with that of Hakimpoor, (2014) who established that organisations that used the strategy control and evaluation had a better chance of performing well than those that did not use strategy control and evaluation. Similar findings were also reported in a study done by Monday and Associates (2015) that put forward that there is a positive relationship between strategy control and evaluation and organisational financial performance in Manufacturing Companies in Nigeria. The similarity in the finding of the current study and that of Hakimpoor (2014) and Monday et al., (2015) can be as a result that both three studies used similar research methods (quantitative).

Similar findings were also reported in a study done by Sandada et al., (2014) that investigated the effect of strategic management practices on organisational growth and performance. Studies by Aldehayyat and Khattab, (2013) and Dibrell, (2014) also provide evidence that strategy control

and evaluation has a positive effect on organisational performance. Furthermore, the relationship between strategic planning and organisational performance was proven to be positive by Dubilihla and Sandada, (2014) and Langat and Auka, (2015) providing similar evidence to that of the current study. The similarity of the current study and that of Aldehayyat and Khattab, (2013) and Dibrell, (2014) can be attributed to the use of similar study samples (small business organisations) and similar measures of organisational performance.

Based on the evidence provided in this study and a thorough review of literature (e.g. Rudd et al., 2008; Parnell, 2013; Hakimpoor, 2014; Sandada et al., 2014; Dubilihla & Sandada, 2014; Chavhunduka et al., 2014, Monday et al., 2015; Langat & Auka, 2015; Pangarkar, 2015) the researcher has come to the conclusion that strategy control and evaluation is of great importance to how organisations perform. Moreover, the evidence provide an answer to the gap that the researcher identified in literature that is on the relationship of the two factors (strategy control and evaluation against organisational performance).

6.4.5 Strategy formalisation and organisational performance in SMMEs

The current study also aimed to investigate the relationship between strategy formalisation and organisational performance. As a result the fifth hypothesis of this study was set to answer the question on the relationship between strategy formalisation and organisational performance in SMMEs in the Buffalo City Municipality. Strategy formalisation was found to have a significant relationship with organisational performance amongst the sampled SMMEs in the Buffalo City Municipality. The results of this study are similar to a number of previous investigations available in literature (Kee-Luen et al., 2013; Hakimpoor, 2014; Sandada et al., 2014; Dubilihla & Sandada, 2014; Chavhunduka et al., 2014; Langat & Auka, 2015; Pangarkar, 2015). Sandada et al., (2014) revealed that there was a significant relationship between strategy formalisation and measure of organisational financial and non-financial performance measures. Similar findings were also reported in a study done by Langat and Auka, (2015) that put forward that there is a significant relationship between strategy formalisation and organisational financial performance. The consistence in the findings between the current study and that of Sandada et al., (2014) and Langat and Auka, (2015) can be attributed to the point that both the three studies were conducted in Africa.

More evidence of a significant relationship between strategic formalisation and organisational performance is provided by Chavhunduka et al., (2014) thus providing similar evidence to that of the current study. The findings by Pangarkar (2015) and that of the current study are also consistent with evidence obtained from an earlier study by Kee-Luen et al., (2013) that addressed the relationship between strategy formalisation and organisational performance in SMMES. The similarity in the current study and that of Kee-Luen et al., (2013), Chavhunduka et al., (2014) and Pangarkar (2015) can be attributed the fact that both studies used similar samples in the form of small business enterprises.

On the other hand, some of the literature available suggests that there is no relationship between strategy formalisation and organisational performance (e.g. Miller & Cardinal, 1994; Gibson et al., 2001; French et al., 2004; Poster, 2010). The difference can be influenced by the fact that the study by Millar and Cardinal, (1986) only used financial measure of performance compared to the present study that used both financial and non-financial measure of performance. The difference in the results may also be as a result of the difference in the sample used in the studies. Thus, studies like that of French et al., (2004) and Poster (2010) concentrated on specific sectors industry when selecting the sample (professional service firms and public sector organisations respectively) ignoring to consider other sectors of industry.

Given the current study shows general support to the relationship between strategy formalisation and element of organisational performance (Kee-Luen et al., 2013; Hakimpoor, 2014; Sandada et al., 2014; Dubilihla & Sandada, 2014; Chavhunduka et al., 2014; Langat & Auka, 2015; Pangarkar, 2015) this study therefore puts forth that the strategy formalisation is highly significant to the accomplishment of organisational objectives and good performance of SMMES. Also these findings reflect that it is true to conclude that the strategy formalisation has got a significant effect on the performance of organisation in SMMES.

6.5 IMPLICATIONS OF STUDY

The following section and its sub-sections will focus on discussing the implications and recommendations based on the empirical evidence drawn from the investigation's results. The implications will be presented in way the study have an effect on theories proposed in literature and methodology used by this study and previous investigations available in literature. Finally, a

presentation of how the study affects practitioners (SMME managers and owners) and the recommendations on what they might need to implement in their organisations.

6.5.1 Theoretical Implications

The most important contribution of this study is that it helps to extend knowledge and understanding on the issues of the relationship between strategic planning process and organisational performance in SMMEs (Dubilihla & Sandada, 2014; Hakimpour, 2014; Chavhunduka, et al., 2015; Monday, et al., 2015). The research magnified the frame of information in the area strategic planning in relation to performance of SMMEs. It makes available more literature that looks in these two variables (strategic planning process and organisational performance in SMMEs) in an African context.

Conflicting views still exist on the concept of strategic planning and its contribution or link to organisational performance (Gibson et al., 2001; French et al., 2004; Chavhunduka, et al., 2015; Monday, et al., 2015). The research question of this study which read “**what is the relationship between strategic planning and business performance in SMMEs?**” was set due to the conflicting evidence available in literature. Hence, this study contributes through providing an empirical based answer to the gap in the extant literature. From the results strategic planning has been found to have a positive relationship on organisational performance. Based on this finding it can be argued that strategic planning is an important precursor to performance amongst the sample SMMEs in this study.

This work advances an understanding into a phenomena that is not often researched outside the Western and Asian context. This study is one of the few that have been conducted in Sub-Saharan Africa that look into the relationship between the strategic planning process and organisational performance in SMMEs (Muogbo, 2013; Dubilihla & Sandada, 2014; Chavhunduka et al., 2014). The current research showed that there was evidence that the strategic planning process has a positive effect on organisational performance in SMMEs.

Further, the study answers the call on the relationship between strategy formalisation and organisational performance. The literature has suggested that the formalisation of the strategy process would result in rigidity of organisational plans and limited reaction to changes in the environment (Herrmann & Nadkarni, 2013; Grant, 2014). Forerunners of emergent strategic

planning suggest that SMMEs do not benefit from formal strategic planning (McIlquham-Schmidt, 2010; McCauley, 2012). However, the evidence drawn from the findings of this research suggest that strategy formalisation is beneficial to SMMEs. Thus, those that practice formalised strategic planning will perform better than those that do not practice formal strategic planning. This is in line with what forerunners of deliberate planning suggest that strategic planning has a number of performance benefits to organisations (Aracioglu et al., 2013; Jackson, 2015; Kuratko, 2016)

The evidence provided by this study reflected that the size of an organisation's capital possessed a negative effect on the performance of the SMMEs. The organisations that had large capital sizes performed poorly compared to those whose capital was small. Since the RBV is grounded on the perspective that the organisations ability to have valuable, rare, imperfect imitability and non-substitutable (Barney, 1991; McWilliams & Siegel, 2011; Coff & Kryscynski, 2010); capital size in SMMEs can be said to possess all these four traits since large amount of start-up money or funding are not easy to come by (Bbenkele, 2007). The evidence provided by this study in a way does not support what is suggested by the RBV. The theory is centred on the notion that an organisation's ability to formulate fruitful strategies will bring out good organisational performance and is highly dependent on the resources (capital or funding) possessed by an organisation (Barney, 1991; Barney, 2001; Rugman & Verbeke, 2002). Nevertheless, the current study showed that having a large capital base on its own is not enough to ensure that SMMEs perform better. This highlights that the way these resources are interconnected and work together that is fundamental to comprehending what competitive advantage is as put forth by Priem & Butler, (2001b). Knowledge on how resources play a part in improving performance and how they foster competitive aspects can only be gained if organisational resources and the competitive environment are brought together into one structure (Markman et al., 2009).

6.5.2 Methodological Implications

The researcher used a casual research design was employed. The reason being that it provides clarity on the aim of this study, which was to give answers to the formulated objectives these, entailed finding the respective relationships between the strategic planning process (formulation, implementation and control and evaluation) and organisational performance. This research design provides a valuable examination of the study variables grounded on the information to be gathered along with answering questions on what, where and how (Creswell, 2014). The objective of

research is to be able to generalise about a specific population based on the results of a representative sample of that population. Quantitative research provided this platform since its data that can be converted into numbers and seeks to quantify data by applying some form of statistical analysis. Hence, the researcher used quantitative research approach since it is most suitable for a wider population such as that of the SMMEs in the Buffalo City Municipality. The researcher also used a questionnaire that was designed basing on prior research from other practitioners and academics.

6.5.3 Practitioner Implications

The evidence drawn from this study indicated that a majority of SMME managers and owners practice strategic planning and they have a formalised way of conducting the process. However, there is still a section of manager and owner of SMMEs that do have written statement, statement of goals and objectives, are rarely used, or sometimes never used. The current research showed that the ones that use the strategic planning process and have written or formalised ways of using the process perform much greater than emergent strategic planners. Thus, it is advisable for emergent strategic planning to practice the use of the strategic planning process and shift from emergent strategic planning to deliberate strategic planning.

Based on the results of this study, the researcher may conclude that the strategic planning process has a positive impact on organisational performance in SMMEs. Since the impact of strategic the strategic planning process is positive, it is a good predictor of organisational performance. Therefore this study contribute in shading light on how important the strategic planning process is and how much attention has to be committed by those responsible for strategic planning in SMME organisations.

There is need for SMME organisations to provide their employees with training programs that would develop their abilities and skills to understand and make use of the plans provided by top management. The training programs should not only be provided to subordinate but also to the owners and manager so as to improve their ability to come up with sound and fruitful strategic plans. Furthermore, SMMEs need to integrate with organisations of higher learning in providing quality training and guidance on the use and importance of strategic planning in business organisations.

Results of this study show that strategic planning is exclusively done by owners and top management in most SMME organisations. However, from the literature review in this study it has been pointed out that there is need to integrate all stakeholder or member of an organisation when conducting strategic planning (Bodwell & Chermack, 2010; Herrmann & Nadkarni, 2013). The engagement of all staff members creates supplementary contributions and assists in shaping their undivided commitment to the plan. This would result in a sound strategic planning and practice which will ultimately lead to good organisational performance. Hence, SMMEs should consider moving from a one man strategic planning criterion to an all staff member contribution criterion.

It is also advisable for SMME managers and owners to employ strategic planning experts or create a department responsible for the strategic planning in the organisational structure to improve and advance the strategic planning process. Having a strategic planning manager or department will allow a diverse integration of ideas between members of the strategic planning department or manage with the owner of the SMME.

Technology has greatly advanced in the past decade and this has brought great improvements in how people and organisations do their day to day business. Therefore, as a way to improve how SMME organisations strategically plan using new technology and comprised software is advisable. The use of specialized computer software in strategic planning aids in simplification and enabling this process, which will result in sound strategic planning and good organisational performance.

6.6 LIMITATIONS

The major limitation of this research is that the researcher only focused data collection in one region. Limiting the data collect to Buffalo City Municipality limits the generalisation of the findings of this study. Hence, having considered data collection from different regions would have made the findings more generalizable. Secondly, the research only considered a single respondent in an organisation in the form of SMME owner-managers ignoring other members of the organisation. Having considered more respondents from an organisation would have provided better clarity on the information about the organisations. Moreover, there are high chance of respondents responding to the questions in the questionnaire in a socially desirable way. Thus, respondent may acknowledge the presence of strategic planning only because it is socially expected of them to do so hence forth making the data collected unreliable.

Also the researcher used a few variables, the study did not consider other variables such as gender and level of education of the SMME owner/ manager. The use of a wide variety of variable would have allowed the capture of the level of complexity and variety of the relationships under study. Furthermore, the variables in this study were measured at the same point in time. The use of a real time study would have provided better insight on the relationship of the variables in questions. Thus, providing evidence on organisational performance before and after organisations practice the use of the strategic planning process. Hence, this means that data collected and the results obtained may not be used to generalize for the entire population of SMMEs not only in South Africa but also in the Buffalo City Municipality

6.7 FUTURE RESEARCH

Repeated investigations can help deliver comparative interpretations of measures in a variety of settings on an industrial, national and international context. The current study had its sample drawn from one particular location conducting studies that may have respondents drawn from different nations or regions (Africa and Europe) may produce an interesting comparative study.

Apart from exclusively being grounded on the objective or performance approach, future investigations could be grounded on other various hypothetical approaches such as stakeholders, competitive value and environmental turbulence to offer an all-inclusive viewpoint of how the measures help SMMEs plan on their performance, success and successions.

This study only considered the strategic planning process (formulation, implementation and evaluation and control) and strategy formalisation as the independent variables. There is need to conduct studies that will widen the range of independent variables and integrate factors such as gender and level of education of owner manager, location and size of the SMME into the investigation.

This study and other pay attention to the relationship of the strategic planning process and organisational performance in profit making organisations. There is need to conduct similar studies that look into the relationship of the strategic planning process and organisational performance in non-profit making organisations. This is because this non-profit making sector represents an important factor in the South African social economic system.

6.8 CHAPTER SUMMARY

This chapter presented the final conclusions and implications of the investigation grounded on the empirical research for this study. Results from previous studies show conflicting findings on the relationship between strategic planning process and organisational performance in SMMEs. This study has attempted to make a contribution to this area from an African perspective and has come up with remarkable discoveries and recommendations. The chapter provided a revisit to the research objectives set in chapter one and highlighted if they were met or not. Furthermore, the results of the test hypothesis were discussed in comparison to the findings of previous findings in literature.

The main findings of this study showed that the impact of strategic the strategic planning process is positive, it is a good predictor of organisational performance. The study also reflected that strategy formalisation had a positive relationship to organisational performance. Therefore, for SMMEs to ensure good performance and guard against failure it is advisable that SMME owners and managers they practice formal strategic planning and use the strategic planning process in their organisations. However, there is a limitation on the generalisation of these finding hence, it would be more interesting to replicate the study to other African countries to examine its applicability to the rest of the world.

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APPENDICES

APPENDIX A: QUESTIONNAIRE



University of Fort Hare
Together in Excellence

Questionnaire

Dear Participant

This investigation will be used to fulfil the requirements of a Master's in business management at the University of Fort Hare by Shingirai Walter Gomera; student number: 201013582.

The topic of the study is AN INVESTIGATION INTO THE REALTIONSHIP BETWEEN STRATEGIC PLANNING AND BUSINESS PERFORMANCE IN SMMEs.

Ethical clearance certificate reference number: CHI11SGOM01

Any information that is obtained in connection with this study, and that can be identified with you, will remain confidential. Confidentiality will be maintained by means of using coding procedures. The participants are not required to write their names on the questionnaires.

If you have any questions or concerns about the research, please feel free to contact Shingirai Walter Gomera (Principal Researcher) on the following phone number: 0845619983; email: 201013582@ufh.ac.za OR shingiewalter@gmail.com and my supervisor: Dr Willie Chinyamurindi on email: wchinyamurindi@ufh.ac.za

Please tick below if you have read and understood the information provided above, and agree to take part in the study under conditions stated above.

I agree to participate

I do not agree to participate

SECTION A: ORGANISATIONAL INFORMATION

1. Please indicate the industry category that best describes your firm:

Manufacturing		Construction	
Wholesaling		Agriculture	
Service		Other	

2. Age of the firm

1-3 years		3- 6 years	
6- 9 years		10 or more years	

3. Firm's capital size by Rand

Less than 10 000		10 000 – 50 000	
50 000 – 100 000		More than 100 000	

4. Please indicate the person or unit that develops strategic plans in your firm:

Owner/Manager	
Top management	
A centralized planning department	
Different managerial levels participate in firm strategic planning	
A strategic planning committee made up of all or selected members of top management	

5. Does your firm prepare written strategic plans?

Yes		No	
-----	--	----	--

6. If yes, check the appropriate space concerning the time period covered by these strategic plans

less than one year	
1-3 years	
4 or years more	

7. How long have your firm using strategic plans?

less than one year		1-3 years	
4- 6 years		7 or more years	

SECTION B: SUBJECTIVE MEASURE

For each of the statements below, please mark with an **X** the number that best describes how much you agree or disagree with the statement: Strongly Disagree (SD) Disagree (D) Neutral (N) Agree (A) Strongly Agree (SA)

1	Firm mission	SD	D	N	A	SA
<i>a</i>	You have a formal statement of your firm's mission					
<i>b</i>	Your mission is long-term in nature					
<i>c</i>	Your firm has developed a statement of mission					
<i>d</i>	All your employees understand the firm mission and committed to it					
2	Firm Objectives & Goals	SD	D	N	A	SA
<i>a</i>	You have a formal statement of or firm goals and objectives					
<i>b</i>	Your firm have established both long-range and short-range goals and objectives					
<i>c</i>	Your firm develops goals and objectives continuously					
<i>d</i>	There is wide management participation in establishing goals and objectives					
3	Strategy Formulation	SD	D	N	A	SA
<i>a</i>	There is wide management participation in developing strategic alternatives.					
<i>b</i>	When formulating strategy, you identify any external environmental (political economic social etc.) threats and opportunities.					
<i>c</i>	Budgets for strategic plans are developed.					
<i>d</i>	The results of your strategic planning process clearly spell out what will be done, when and by whom					
<i>e</i>	You attempt to project the outcome of strategic alternatives facing your firm.					
<i>f</i>	When selecting a strategy, your firm is concerned with long-term implications.					
<i>g</i>	Your firm has formed procedures for strategy selection					
<i>h</i>	You develop budgets for all strategic alternatives					
<i>i</i>	Alternatives are developed before a strategic plan is adopted					
<i>j</i>	Your firm has no formal procedures for identifying strategic alternatives					
<i>k</i>	when formulating strategy, we identify strengths and weaknesses of your firm					
<i>l</i>	In developing alternative strategies ,long-range considerations are important					
4	Strategy Implementation	SD	D	N	A	SA
<i>a</i>	Once strategy has been selected it is so implemented					

<i>b</i>	Long-range factors are important when implementing strategy					
5	Strategy Controlling & Evaluation	SD	D	N	A	SA
<i>a</i>	There is wide participation by management in the review and evaluation of strategic plans					
<i>b</i>	Review and evaluation are important in your strategic planning process					
<i>c</i>	You identify and monitor other companies providing products or services similar to yours					
<i>d</i>	Your firm has formal procedures for reviewing and evaluating strategies					
<i>e</i>	There is continuous review and evaluation of the strategic plan					
<i>f</i>	Do you think your strategic plans are very sophisticated?					
<i>g</i>	Are your strategic plans suitable to your firm's objectives and goals?					

6. Organisational Performance (Financial Measure / objective)

For each of the statements below, please mark with an X the number that best describes how firm performs compared to the industry average.

		weaker	1	2	3	4	5	stronger
<i>a</i>	Revenue							
<i>b</i>	Net Income							
<i>c</i>	Cash flow							
<i>d</i>	Return on Equity							
<i>e</i>	Return on Assets							
<i>f</i>	Return on invested capital							
<i>g</i>	Total Debt to Equity							
<i>h</i>	Long-term Debt to Equity							

7. Organisational Performance (Non- financial Measure / subjective)

		weaker	1	2	3	4	5	stronger
<i>a</i>	Market share							
<i>b</i>	Capacity utilisation							
<i>c</i>	Product quality							
<i>d</i>	On time delivery of products or services							
<i>e</i>	Customer satisfaction							
<i>f</i>	Customer retention							
<i>g</i>	Employee satisfaction							
<i>h</i>	Employee turnover							

Thank you for your participation!!!!

APPENDIX B: DATA ANALYSIS RESULTS

Industry category that best describes the firm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	manufacturing	41	18.3	18.3	18.3
	construction	53	23.7	23.7	42.0
	wholesaling	31	13.8	13.8	55.8
	agriculture	18	8.0	8.0	63.8
	service	45	20.1	20.1	83.9
	other	36	16.1	16.1	100.0
	Total	224	100.0	100.0	

Age of the firm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 years	61	27.2	27.2	27.2
	3-6 years	56	25.0	25.0	52.2
	6-9 years	48	21.4	21.4	73.7
	10 or more years	59	26.3	26.3	100.0
	Total	224	100.0	100.0	

firm capital size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 10 000	43	19.2	19.2	19.2
	10 000 - 50 000	49	21.9	21.9	41.1
	50 000 - 100 000	61	27.2	27.2	68.3
	more than 100 000	71	31.7	31.7	100.0
	Total	224	100.0	100.0	

The person or unit that develops strategic plans in your firm

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	owner/manager	154	68.8	68.8	68.8
	top management	45	20.1	20.1	88.8
	centralised planning department	10	4.5	4.5	93.3
	different managerial levels	11	4.9	4.9	98.2
	strategic planning committee	4	1.8	1.8	100.0
	Total	224	100.0	100.0	

Does your firm has a written strategic plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	170	75.9	75.9	75.9
	no	54	24.1	24.1	100.0
	Total	224	100.0	100.0	

The time period covered by strategic plans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than one year	63	28.1	28.1	28.1
	1-3 years	72	32.1	32.1	60.3
	4 Or more years	35	15.6	15.6	75.9
	did not respond	54	24.1	24.1	100.0
	Total	224	100.0	100.0	

How long has you firm been using strategic planning

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid less than one year	62	27.7	27.7	27.7
1-3 years	33	14.7	14.7	42.4
4-6 year	51	22.8	22.8	65.2
7 or more years	24	10.7	10.7	75.9
did not respond	54	24.1	24.1	100.0
Total	224	100.0	100.0	

Descriptive Statistics: Firm Mission

	N	Minimum	Maximum	Mean	Std. Deviation
formal statement for mission statement	224	1	5	3.62	1.169
mission is long term in nature	224	1	5	3.51	1.202
developed a mission statement	224	1	5	3.52	1.148
all employees understand mission statement	224	1	5	3.42	1.169
Valid N (listwise)	224				

DESCRIPTIVES VARIABLES=FIRMISSION
/STATISTICS=MEAN STDDEV MIN MAX.

Descriptive Statistics: Objectives

	N	Minimum	Maximum	Mean	Std. Deviation
You have a formal statement of or firm goals and objectives	224	1	5	3.55	1.083
Your firm have established both long-range and short-range goals and objectives	224	1	5	3.62	1.056
Your firm develops goals and objectives continuously	224	1	5	3.69	1.016
There is wide management participation in establishing goals and objectives	224	1	5	3.49	1.216
Valid N (listwise)	224				

DESCRIPTIVES VARIABLES=OBJECTIVES
 /STATISTICS=MEAN STDDEV MIN MAX.

Descriptive Statistics: Formulation

	N	Minimum	Maximum	Mean	Std. Deviation
There is wide management participation in developing strategic alternatives.	224	1	5	3.52	.998
When formulating strategy, you identify any external environmental threats and opportunities	224	1	5	3.77	1.037
Budgets for strategic plans are developed.	224	1	5	3.58	1.064
The results of your strategic planning process clearly spell out what will be done, when and by whom	224	1	5	3.59	1.076
You attempt to project the outcome of strategic alternatives facing your firm.	224	1	5	3.52	1.075
When selecting a strategy, your firm is concerned with long-term implications.	224	1	5	3.56	1.294
Your firm has formed procedures for strategy selection	224	1	5	3.47	1.148
You develop budgets for all strategic alternatives	224	1	5	3.44	1.127
Alternatives are developed before a strategic plan is adopted	224	1	5	3.43	1.188
Your firm has no formal procedures for identifying strategic alternatives	224	1	5	3.00	1.425
when formulating strategy, we identify strengths and weaknesses of your firm	224	1	5	3.60	1.144
In developing alternative strategies ,long-range considerations are important	224	1	5	3.59	1.109
Valid N (listwise)	224				

Descriptive Statistics: Formulation

	N	Minimum	Maximum	Mean	Std. Deviation
There is wide management participation in developing strategic alternatives.	224	1	5	3.52	.998
When formulating strategy, you identify any external environmental threats and opportunities	224	1	5	3.77	1.037
Budgets for strategic plans are developed.	224	1	5	3.58	1.064
The results of your strategic planning process clearly spell out what will be done, when and by whom	224	1	5	3.59	1.076
You attempt to project the outcome of strategic alternatives facing your firm.	224	1	5	3.52	1.075
When selecting a strategy, your firm is concerned with long-term implications.	224	1	5	3.56	1.294
Your firm has formed procedures for strategy selection	224	1	5	3.47	1.148
You develop budgets for all strategic alternatives	224	1	5	3.44	1.127
Alternatives are developed before a strategic plan is adopted	224	1	5	3.43	1.188
Your firm has no formal procedures for identifying strategic alternatives	224	1	5	3.00	1.425
when formulating strategy, we identify strengths and weaknesses of your firm	224	1	5	3.60	1.144
In developing alternative strategies ,long-range considerations are important	224	1	5	3.59	1.109

DESCRIPTIVES VARIABLES=formulation
/STATISTICS=MEAN STDDEV MIN MAX.

Descriptive Statistics: implementation

	N	Minimum	Maximum	Mean	Std. Deviation
Once strategy has been selected it is so implemented	224	1	5	3.13	1.264
Long-range factors are important when implementing strategy	224	1	5	3.75	1.141
Valid N (listwise)	224				

DESCRIPTIVES VARIABLES=Implemenation
/STATISTICS=MEAN STDDEV MIN MAX.

Descriptive Statistics: control and evaluation

	N	Minimum	Maximum	Mean	Std. Deviation
There is wide participation by management in the review and evaluation of strategic plans	224	1	5	3.62	1.018
Review and evaluation are important in your strategic planning process	224	1	5	3.53	1.112
You identify and monitor other companies providing products or services similar to yours	224	1	5	3.62	1.130
Your firm has formal procedures for reviewing and evaluating strategies	224	1	5	3.42	1.035
There is continuous review and evaluation of the strategic plan	224	1	5	3.42	1.207
Do you think your strategic plans are very sophisticated?	224	1	5	3.10	1.176
Are your strategic plans suitable to your firm's objectives and goals?	224	1	5	3.79	.967
Valid N (listwise)	224				

DESCRIPTIVES VARIABLES=Contoll_Evaluation
 /STATISTICS=MEAN STDDEV MIN MAX.

Descriptive Statistics: financial performance

	N	Minimum	Maximum	Mean	Std. Deviation
Revenue	224	1	5	3.41	1.121
Net Income	224	1	5	3.48	1.148
Cash flow	224	1	5	3.30	1.032
Return on Equity	224	1	5	3.16	1.023
Return on Assets	224	1	5	3.11	1.079
Return on invested capital	224	1	5	3.23	1.024
Total Debt to Equity	224	1	5	3.00	1.044
Long-term Debt to Equity	224	1	5	3.01	1.080
Valid N (listwise)	224				

DESCRIPTIVES VARIABLES=FinPerf
/STATISTICS=MEAN STDDEV MIN MAX.

Descriptive Statistics: Non-financial performance

	N	Minimum	Maximum	Mean	Std. Deviation
Market share	224	1	5	3.56	1.031
Capacity utilisation	224	1	5	3.73	1.160
Product quality	224	1	5	3.60	1.148
On time delivery of products or services	224	1	5	3.66	1.239
Customer satisfaction	224	1	5	3.62	1.207
Customer retention	224	1	5	3.58	1.214
Employee satisfaction	224	1	5	3.58	1.195
Employee turnover	224	1	5	3.31	1.486
Valid N (listwise)	224				

DESCRIPTIVES VARIABLES=Non_FinPerf
/STATISTICS=MEAN STDDEV MIN MAX.

Correlations

		TotalPerf	FinPerf	Non_FinPerf	TotalSPP	formulation	Implementation	Contoll_Evaluation
TotalPerf	Pearson Correlation	1	.910**	.927**	.810**	.785**	.658**	.755**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	224	224	224	224	224	224	224
FinPerf	Pearson Correlation	.910**	1	.689**	.661**	.629**	.615**	.608**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	224	224	224	224	224	224	224
Non_FinPerf	Pearson Correlation	.927**	.689**	1	.820**	.804**	.595**	.772**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	224	224	224	224	224	224	224
TotalSPP	Pearson Correlation	.810**	.661**	.820**	1	.982**	.724**	.942**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	224	224	224	224	224	224	224
formulation	Pearson Correlation	.785**	.629**	.804**	.982**	1	.672**	.879**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	224	224	224	224	224	224	224
Implementation	Pearson Correlation	.658**	.615**	.595**	.724**	.672**	1	.578**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	224	224	224	224	224	224	224
Contoll_Evaluation	Pearson Correlation	.755**	.608**	.772**	.942**	.879**	.578**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	224	224	224	224	224	224	224

** Correlation is significant at the 0.01 level (2-tailed).

Model Summary^c

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.817 ^a	.667	.663	8.123	
2	.869 ^b	.756	.744	7.074	1.712

- a. Predictors: (Constant), Contoll_Evaluation, Implemenation, formulation
- b. Predictors: (Constant), Contoll_Evaluation, Implemenation, formulation, firm capital size , Age of the firm , The time period covered by strategic plans, formal statement for mission statement , You have a formal statement of or firm goals and objectives, How long has you firm been using strategic planning, Does your firm has a written strategic plan
- c. Dependent Variable: TotalPerf

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29134.813	3	9711.604	147.183	.000 ^b
	Residual	14516.325	220	65.983		
	Total	43651.138	223			
2	Regression	32991.179	10	3299.118	65.921	.000 ^c
	Residual	10659.959	213	50.047		
	Total	43651.138	223			

- a. Dependent Variable: TotalPerf
- b. Predictors: (Constant), Contoll_Evaluation, Implemenation, formulation
- c. Predictors: (Constant), Contoll_Evaluation, Implemenation, formulation, firm capital size , Age of the firm , The time period covered by strategic plans, formal statement for mission statement , You have a formal statement of or firm goals and objectives, How long has you firm been using strategic planning, Does your firm has a written strategic plan

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.138	2.463		1.680	.094
	formulation	.511	.129	.355	3.952	.000
	Implemenation	1.645	.353	.245	4.661	.000
	Contoll_Evaluation	.710	.192	.302	3.702	.000

2	(Constant)	7.460	3.962		1.883	.061
	formulation	.382	.125	.265	3.067	.002
	Implementation	.376	.366	.056	1.027	.306
	Contoll_Evaluation	.336	.176	.143	1.908	.058
	Age of the firm	1.207	.594	.099	2.032	.043
	firm capital size	-1.031	.572	-.082	-1.803	.073
	Does your firm has a written strategic plan	10.189	3.053	.312	3.338	.001
	The time period covered by strategic plans	1.144	.949	.092	1.206	.229
	How long has you firm been using strategic planning	-.056	.680	-.006	-.082	.935
	formal statement for mission statement	3.486	.829	.291	4.205	.000
	You have a formal statement of or firm goals and objectives	-.865	.875	-.067	-.989	.324

a. Dependent Variable: TotalPerf

T-TEST

Group Statistics

Does your firm has a written strategic plan		N	Mean	Std. Deviation	Std. Error Mean
TotalPerf	yes	170	60.54	7.394	.567
	no	54	34.89	11.862	1.614

Independent Sample Test										
		Levene's test		T-test for Equality of Means						
		F	Sig	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence interval	
									lower	upper
Total performance	Equal variance assumed	25.00	.000	18.93	222	.000	25.646	1.355	22.977	28.316
	Equal variance not assumed			14.99	66.57	.000	25.646	1.711	22.231	29.062

APPENDIX C: ETHICAL CLEARANCE FORM



University of Fort Hare
Together in Excellence

ETHICAL CLEARANCE CERTIFICATE REC-270710-028-RA Level 01

Certificate Reference Number: CHI111SGOM01

Project title: **An investigation into the relationship between strategic planning and business performance in SMMEs**

Nature of Project: Masters

Principal Researcher: Shingirai Walter Gomera

Supervisor: Dr W.T Chinyamurindi
Co-supervisor:

On behalf of the University of Fort Hare's Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the above-mentioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

Please note that the UREC must be informed immediately of

- Any material change in the conditions or undertakings mentioned in the document
- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research

Special conditions: Research that includes children as per the official regulations of the act must take the following into account:

Note: The UREC is aware of the provisions of s71 of the National Health Act 61 of 2003 and that matters pertaining to obtaining the Minister's consent are under discussion and remain unresolved. Nonetheless, as was decided at a meeting between the National Health Research Ethics Committee and stakeholders on 6 June 2013, university ethics committees may continue to grant ethical clearance for research involving children without the Minister's consent, provided that the prescripts of the previous rules have been met. This certificate is granted in terms of this agreement.

The UREC retains the right to

- Withdraw or amend this Ethical Clearance Certificate if
 - Any unethical principal or practices are revealed or suspected
 - Relevant information has been withheld or misrepresented
 - Regulatory changes of whatsoever nature so require
 - The conditions contained in the Certificate have not been adhered to
- Request access to any information or data at any time during the course or after completion of the project.
- In addition to the need to comply with the highest level of ethical conduct principle investigators must report back annually as an evaluation and monitoring mechanism on the progress being made by the research. Such a report must be sent to the Dean of Research's office

The Ethics Committee wished you well in your research.

Yours sincerely


Professor Gideon de Wet
Dean of Research

17 August 2015