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Empirical investigation of strategic planning of small businesses in the City of Tshwane: a framework for profitability and growth

by

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DECLARATION WITH RESPECT TO PLAGIARISM

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I, the undersigned, Thiemuli Rudolf Mudau hereby declare that the work contained in this dissertation entitled: ***Empirical investigation of strategic planning of small businesses in the City of Tshwane: a framework for profitability and growth*** is my own original work and that I have acknowledged all additional sources I have used and or quoted directly and have been acknowledged by complete references.

I further declare that I submitted the dissertation to originality checking software and that if falls within accepted requirements for originality.

I further declare that I have submitted this work, or part of it, for examination at Unisa for another qualification or at any other high education institution.

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Declaration of authenticity

I, the undersigned, **Thiemuli Rudolf Mudau** hereby declare that the work contained in this dissertation entitled:

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is my own original work and that I have acknowledged all additional sources I have used and/or quoted directly.

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DEDICATION

In acknowledgement of the importance of excellence, persistence, and perseverance, I dedicate this dissertation to my late mother Avhashoni Sarah Mabuli-Sithaganya (Mudau) and family.

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ABBREVIATIONS AND ACRONYMS

GDP:	Growth Domestic Product
GEP:	Gauteng Enterprise Propeller
GE:	General Electric
GGDA:	Gauteng Growth Development Agency
DSBD:	Department of Small Business Development
NDP:	National Development Plan
NEF:	National Empowerment Fund
NYDA:	National Youth Development Agency
PESTEL:	Political, Economic, Social, Technological, Environmental, Legal
SBU:	Strategic Business Units
SEDA:	Small Enterprise Development Agency
SEFA:	Small Enterprise Finance Agency
SMEs:	Small Medium Enterprises
SMMEs:	Small, Medium and Micro Sized Enterprises
SPSS:	Social Package for Social Sciences

ABSTRACT

This study sought to investigate the impact of strategic planning on profitability and growth in the context of small businesses in the City of Tshwane. The rationale for the research was motivated by the literature that suggests that there is a low success rate of small businesses globally. Quantitative data were collected from 144 small business owners/managers using self-administered questionnaires. Descriptive statistics were performed, and the results show that participants were male-dominated. Most participants have at least a matriculation certificate, have several years of experience, and are actively involved in strategic planning processes formal or informally. Cronbach's alpha was used to test the reliability and the scale was found to be highly reliable with loading of .908 for all 115 items. KMO was performed to determine the sampling adequacy and it yielded a loading of .768 and Bartlett's test of Sphericity showed a strong correlation between the items confirming the factorability of the data.

Factor analysis yielded five factors that were used to investigate strategic planning activities. The first factor relates to three stages in the strategic management process namely strategy formulation, strategy execution and strategy evaluation and control. The activities relating to each of the stages are executed in consultation with stakeholders whose previous experience and exceptional skills make meaningful contributions to the business. The second factor shows the importance of strategic planning to financial performance. The financial health of any form and size of the business depends on the quality of its strategic plans and this is critical for small businesses. Whatever strategic activity which small business owners/managers engage in; it must translate into financial performance. The third factor accentuates the fact that small businesses must understand the importance of engaging in strategic planning. Fourthly, the factor describes the strategic planning activities small businesses must engage in. It emphasizes the importance of being clear about the strategic planning activities and their prioritisation. The final factor states the importance of small businesses and itemizes the dangers of not engaging in strategic planning. The five factors were subjected to logistical regression modelling.

Logistical regression modelling shows that there is a significant relationship between strategic planning and growth and profitability. A framework was developed to show the impact of strategic planning on profitability and growth. This is an important contribution of the study that examines the impact of strategic planning and growth and profitability in the context of small businesses. The study concludes that strategic planning is key in all business activities and determines the performance, profitability and sustainability of small businesses. Small business owners/managers may pay special attention to strategic planning. The findings raise important insights that small businesses and other stakeholders such as government and policymakers need to pay attention to and therefore makes recommendations that benefit different stakeholders. Directions for further research have also been provided.

KEYWORDS:

Small Businesses, Strategic Planning, Strategic Management, Profitability, Growth.

CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

In South Africa, small businesses play a critical role in the economic growth of the country, particularly with regard to their contributions to employment opportunities (unemployment reduction), contribution to the gross domestic product (GDP), technological innovations, poverty eradication, equal distribution of income, and improving the livelihood standards for both employers and employees (Dzomonda & Masocha, 2018; Mafundu & Mafini, 2019; Maziriri & Chivandi, 2020). According to Kelly, Singer and Herrington (2016) on Global Entrepreneurship Monitor (GEM, 2016/2017), small businesses contributed 36% (2015) of the GDP in South Africa (SA). According to the Banking Association of South Africa (2019), small businesses are 91% of formal businesses, provide 60% of job opportunities, and roughly contribute 34% to the GDP of South Africa. They emphasise that there is a need to focus more on supporting small businesses and entrepreneurs for their collective and inclusive growth.

Small businesses are acknowledged and recognised by the government as key drivers of future economic growth in South Africa (Bushe, 2019; Chimucheka, 2013; Tseka, 2018). According to the World Economic Forum Africa (2019) in the latest development on the digital platform, South African Small and Medium Enterprises (SMEs) must take the advantage of technological platforms to exploit the gaps in the market. The National Development Plan vision 2030 (NDP) documented that small businesses remain the key driver for reversing the country’s slow economic growth and creating employment. The NDP stated that 90% of jobs must be created by small businesses (National Planning Commission, 2013) yet this ambition is difficult to attain in South Africa.

According to Nemaenzhe (2010) and Tembe (2018), Small, Medium and Micro-Sized Enterprises (SMMEs) do not operate in isolation, and their efficiency and effectiveness depend on the quality of legislation, markets and other institutions for business performance and the performance of the economy as a whole. Yet, small businesses in South Africa are exposed to several challenges that affect survival, profitability, growth and performance (Bosma & Kelley, 2019; Hove & Banjo, 2018). Instead of small businesses growing, there is a decline as compared to past years in South Africa, and the sector is currently facing a multitude of challenges that can have an impact and limit the long-term survival and profitability of small businesses (Lekhanya, 2016; OECD, 2016). Many small businesses fail within the first two to three years of their existence due to tough economic conditions, namely, poor finance and mishandling, rising fuel prices, the economic recession, high rate of unemployment, political uncertainty, and the threat of further downgrades in the country's credit ratings. The conditions affect the ability of small businesses to sustain their cash flow within the business (Bureau for Economic Research, 2016; Mthimkhulu & Aziakpono, 2018).

In South Africa, several factors have been identified that specifically lead to business failure, namely, lack of proper planning, poor decision-making, the absence of performance monitoring, lack of access to capital, lack of business or marketing strategy, lack of resources, inadequate management and technical skills and lack of strategic direction (Radipere & Van Scheers, 2014; Hove & Tarisai, 2017; Leboea, 2017). Urban and Mothusiwa (2014) recommend addressing the above-mentioned challenges by implementing effective strategic planning to challenge and respond to the rapidly changing external environment. Pangarkar (2015) advised that the execution of strategic changes could increase the survival of small businesses and address some of the challenges identified. Given the limited literature that focuses on the strategic planning of small businesses, this study seeks to contribute to the discourse by directing the research on small businesses.

This chapter begins with the background of the study, followed by the formulation of the problem statement and the purpose of the study. Research objectives of the study, as well as the research questions that have been developed, hypothesis statement and literature review, are outlined and discussed. Study limitations, expected contribution of the study and sequence of chapters are outlined in this chapter

1.2 BACKGROUND OF THE STUDY

Past research reveals that, worldwide, approximately 70% of SMMEs fail within the first year of existence (Leboea, 2017). The following factors have been mentioned as the reasons for the failure of small businesses; lack of entrepreneurship capacity, lack of enterprise competitiveness, lack of environmental conduciveness, lack of support mechanisms for small, micro and medium-sized enterprises and lack of adequate financing systems for micro-enterprise needs in South Africa (Bushe, 2019). The importance of strategic planning has emerged within this context. Strategic planning is one of the main factors contributing to the performance and profitability of SMMEs (Gomera, Chinyamurindi & Mishi, 2018; Wijetunge & Pushpakumari, 2014).

Hove and Tarisai (2017) stressed the following factors that influence the survival and profitability of small businesses: managerial incompetence; poor business planning; absence of good business models; lack of leadership relevant to strategic implementation and control; lack of skilled management, lack of business strategy and poor control systems; uncontrolled growth; unrealistic or unworkable goals; and ignoring the competition. Several studies reported some personal attributes or factors that contribute to business failure are poor financial management, inadequate accounting records, lack of relevant information, and lack of good managerial skills (Rankhumise & Letsoalo, 2019). Due to the challenges, Hove and Tarisai (2017) advise that SMMEs owner/managers must develop proper business strategies to direct their operations.

Despite the government efforts and other institutions to support the development and growth of small businesses, the failure rate of small businesses in South Africa is still very high (Bhorat, Asmal, Lilenstein & Van Der Zee, 2018). The South African government is doing great efforts to support small businesses. To this end, the Department of Small Business Development (DSBD) has been established, and state agencies have been established to support small businesses; Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), National Empowerment Fund (NEF) and National Youth Development Agency (NYDA). In addition, various provincial agencies such as Gauteng Enterprise Propeller (GEP) and

Gauteng Growth Development Agency (GGDA) have been established for the mobilisation of resources and the development of small businesses, but regardless of these initiatives, small businesses fail.

A study conducted by Maziti, Chinyamurindi and Marange (2018) revealed that there are internal factors that affect SMME development. However, they suggested that these factors can be influenced and controlled by SMME owners/managers to allow the business to meet its objectives and goals. This research focuses on strategic planning and how it affects the profitability of small businesses, and it examines the aspects of business strategies owners/managers are not adopting and should adopt. According to Wheelen, Hunger and Bramford (2015), strategic planning is defined as a process in which the resources and functions of the organisation are coordinated and integrated to implement strategies that are aligned with the business environment, to attain long-term objectives and to gain competitive advantage through value-added to stakeholders. Gomera (2016) indicated that the constantly changing business environment makes strategic planning more important to small businesses.

1.3 PROBLEM STATEMENT

In South Africa, the most common problem is that small businesses have a low survival rate (Bushe, 2019). Most SMME owners/managers are unable to make their businesses profitable due to the tough economic environment where their business operates (Neneh & Van Zyl, 2014). Hartnack and Liedeman (2017) stated that there was little in-depth research conducted on the strategic planning of small businesses and the research that was conducted where focusing on constraints and challenges that affect small businesses in South Africa. Although several research studies have been conducted, they make inconclusive findings, and unquantifiable and mixed findings still exist within these studies on strategic planning and financial performance of small businesses (Radipere & Dhliwayo, 2014; Gomera, Chinyamurindi & Mishi, 2018). Most articles and journals on strategic planning focus on the performance of small businesses and appear to neglect how it affects profitability or financial performance (Pushpakumari & Watanabe, 2010; Wijetunge & Pushpakumari, 2014). Studies on strategic planning and practice have concentrated mostly on large enterprises, and there is little prospect of SMME research becoming more important (Njeru, 2015). Small businesses face a high risk of vulnerability and capital risk, a lot of small businesses do not properly plan for future growth and performance through strategic planning and thinking (Opoku, 2016).

It is not clear whether small business owners/managers in the City of Tshwane are formulating strategic plans or understanding the importance of strategic planning for their small businesses. This is the gap identified for this study. The literature further reveals a lack of information on small business owners/managers about challenges related to a lack of understanding of strategic planning, and operational activities towards the business performance. Thus, it is necessary to carry out this study to investigate the impact of strategic planning on the financial performance and sustainability of small businesses.

1.4 PURPOSE OF THE STUDY

Around the world, business operates in a volatile business environment where they face high competition, and as such, organisations need to prepare plans to meet unforeseen circumstances (Isaboke, 2018; Kihia, 2017). Sandada, Pooe and Dhurup (2016) referenced that the world has changed drastically in recent years and the resources that give the organisation the competencies that initially made them successful do not guarantee them future success. Furthermore, they mentioned that political, economic, technological and socio-cultural changes cause great changes in the environment and make it difficult for small businesses to remain competitive. As the result of changing environment, the owners/managers must ensure that they adapt and have plans, therefore strategic planning is important to them. Small business cannot survive harsh environment without proper strategic planning (Mattheeusen & Spontak, 2018). In addition, they mentioned that strategic planning is important to the management process of any organisation.

In a country like South Africa that is developing, strategic planning is more important to small businesses, especially since they face many challenges and complicated environmental changes (Sandada, Pooe & Dhurup, 2016). The dynamic environment requires small businesses to be more strategic in their everyday business approach (Van Scheers & Makhitha, 2016). This research seeks to provide new empirical evidence and practical aspects of the impact of strategic planning on the profitability of small businesses in the City of Tshwane. The research involves those aspects that relate to the formulation and implementation of strategic plans to ensure the growth and profitability of the business. This research identifies and provides insights into the relationship between strategic planning and the impact on the profitability and sustainability of small businesses. It targets new and existing small business owners/managers and provides guidance and possible solutions in the strategic planning and operational areas of small business.

1.5 OBJECTIVES OF THE STUDY

A research objective is what the research seeks to achieve by the end of the thesis (Hofstee, 2006). The study objectives are divided into primary and secondary objectives, as outlined below:

1.5.1 Primary objectives

The primary objective of the study was to empirically investigate whether small businesses in the City of Tshwane are involved in strategic planning and if so, to determine the impact of strategic planning on profitability.

1.5.2 Secondary objectives

To fulfil the primary objective of this study, the following secondary objectives were:

- To determine if small businesses have strategic plans or are involved in strategic planning activities;
- To identify the challenges and understanding of strategic planning by small business owners/managers;

- To determine the relationship between strategic planning practices and impacts on the financial performance of small businesses; and
- To propose solutions for addressing the challenges of adopting strategic planning practices by small business owners/managers.

1.6 RESEARCH QUESTIONS

The following research questions were proposed to fulfil the objectives of this study:

- What strategic planning activities are undertaken by small businesses in the City of Tshwane?
- What challenges are faced by small businesses in developing and understanding strategic plans?
- What is the impact of strategic planning on the financial performance of small businesses?
- What are the perceptions of small business owners/managers regarding the value and importance of strategic planning?

1.7 RESEARCH HYPOTHESES

A hypothesis is a tentative explanation that accounts for a set of facts and can be tested for further investigation (Pandey & Pandey, 2015). A quantitative research design allows the study to test those hypotheses (Kumar, 2011). The study aimed to carry out an empirical investigation of the impact of strategic planning on profitability of small businesses. The following are the research hypotheses tested in this study:

H01: Age and gender have a significant relationship between strategic planning and business performance in small businesses.

H02: Gender and qualifications have a correlation between strategic planning and the growth of small businesses.

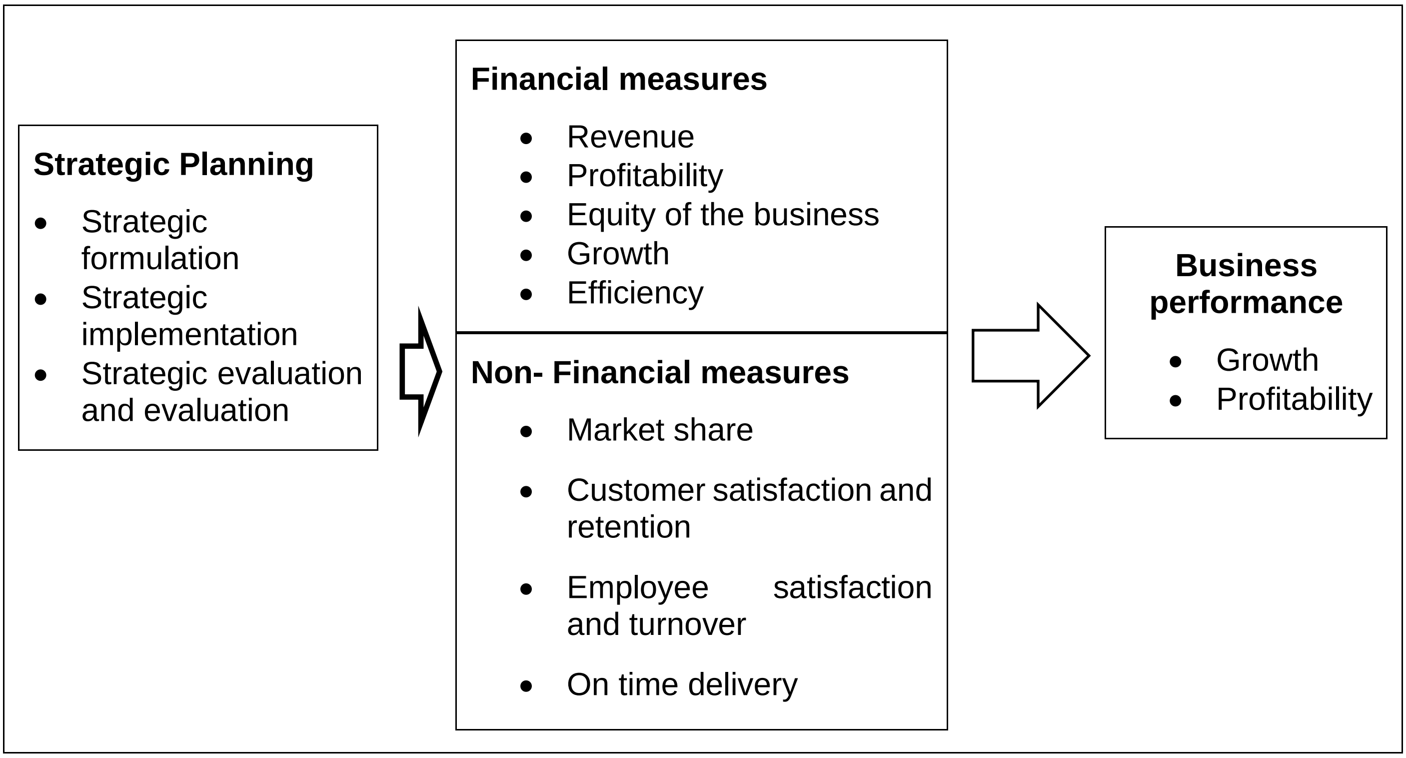
H03: Gender and race have a significant relationship between strategic planning and profitability among small businesses.

H04: Age and race a significant relationship between strategic planning and the perceived success of small businesses.

H05: Qualifications and race a significant relationship between strategic planning and the perceived success of small businesses.

1.8 A CONCEPTUAL FRAMEWORK FOR STRATEGIC PLANNING, PROFITABILITY AND GROWTH

Figure 1. 1: Framework for strategic planning, profitability and growth



Source: Asibesiga (2015), Mazzarol and Reoud (2019) and modified by author

The figure above outlines a framework for understanding the process of strategic planning, growth and profitability. The conceptual framework is for understanding the relationship between strategic planning, growth and profitability. The framework developed is built around strategic planning and growth. Growth is measured in terms of turnover, employees, assets/equity, market share and profitability (Mazzarol and Reoud, 2019).

Empirical research into strategic planning in small businesses shows that in a rapidly changing and competitive business environment, small businesses require strategic plans that help them to determine the strategic direction to take to sustain the business (Njoroge & Nkirina, 2018). Strategic planning and practices of small businesses recently gained research attention although there may be no formal strategic planning procedures and it is done in an informal manner (Prijadi & Desiana, 2017). Sandada *et al.* (2016) found that there is an increase in strategic planning adoption although it is implemented differently in different sectors.

Understanding the business strategy in a small business or enterprise may be regarded as a prerequisite that may influence performance and profitability (Anyieni, 2013). Charles, Ojera and David (2015) conclude that small businesses that neglect planning cannot achieve their full performance, growth and profitability. Literature shows that small businesses must actively strategize to compete within the industry and survive in the future (Abosede *et al.,* 2016).

According to Duygulu, Ozeren, Işildar and Appolloni (2016), survival, growth and profit are the most significant elements that reflect the sustainability of small businesses. According to Hove and Banjo (2018), Maduekwe and Kamala (2016), Moos and Sambo (2018), and Snider (2015), SMME owners/managers must understand both non-financial and financial factors that have influenced business success. Financial factors that influence small business success include cash flow, profits and return on invested capital. Non-financial factors include diversity, human capital, customer services, products, competition, business identity and reputation, management structures and growth potential.

1.9 LITERATURE REVIEW

A literature review is defined as the procedure or framework, and techniques for scrutinising and assessing the previous study that has been conducted for a new study (Fink, 2019). A literature review is an organised version of materials that have been published on a specific subject or topic and includes studies completed by scholars, consultants, practitioners and researchers (Galvan & Galvan, 2017). This study focuses considerably on the impact of strategic planning on the growth and profitability of small businesses in the City of Tshwane. This section focuses on the published work of scholars who have researched the importance of strategic planning and profitability in small businesses in South Africa. Relevant academic work was carried out and increased based on the growing importance of small businesses due to their contribution to the growth of the economy of the country (Nkwinika & Munzhedzi, 2016).

However, despite strategic planning benefits, there is little evidence of empirical research conducted on strategic planning within the small business domain (Sandada, 2015). Kihia (2017) also concurs that despite the importance and contribution of small businesses, research in strategic planning remains limited. Gure and Karugu (2018) suggested that future studies be done on the constraints and to gain more knowledge and alignment of strategic planning, as well the impact on success and performance. Otieno, Namusonge and Mugambi (2017) found that strategic management variables had a positive and significant impact on the performance of small businesses and proposed more research on the strategic planning process, components and the relationship with the financial performance (profitability) of small businesses.

Literature shows evidence that most small business owners/managers and directors do not engage in strategic planning and this can pose a challenge (Ates & Bititci, 2009; Abosede *et al*., 2016). However, the most significant challenge that contributes to the high failure rate of small businesses is the inability to use business strategy and strategic management practices (Abesiga, 2015). Van Scheers and Makhitha (2016) point out that those small business owners/managers do not draw up plans for their business, although there is substantial evidence that strategic marketing planning improves business performance. Without a clearly defined strategy, small businesses do not have a suitable basis for creating and sustaining a competitive edge in the market (Malakoti-Negad, 2016). Many small businesses fail to develop their plans, and those that develop plans also fail to implement or use them as benchmarking tools (Wang, Walker & Redmond, 2007).

Mattheeusen and Spontak (2018) state that small businesses, like any medium and large business, need to determine their strategies. Johnson, Scholes and Whittington (2014) emphasise that strategic planning should include the following: (a) core values of the business, and (b) survival strategies. Cadden and Lueder (2014) and Lum (2017) state that the major concern of small businesses includes the following:

- Sales growth: larger sales lead to the growth of the business. Small businesses need to envisage the process and patterns to maximise their profits using the current set of business activities.
- Cost-benefit analysis: small businesses need to undertake a cost-benefit analysis across the value chain for financial decisions and long-term investment.
- Good cash flows and balance sheet: SMMEs/small business owners/managers must focus on managing both their cash flow and balance sheet. Lack of attention to cash flow and the productivity of investments injected into the business can be fatal.

1.9.1 Strategic planning

Literature on strategic planning continues to grow. Barney and Hesterly (2015) describe strategic planning as the rational process through which the management develops strategies to address dynamic and complex environmental factors. Strategic planning is traditionally concerned with the control, size, resource utilisation and achievement of a dominant position (Faulkner, 2016). Thompson, Bounds and Goldman (2012) mentioned that the scope and complexity of strategic planning are still problematic and there is no overarching generic core body of knowledge. There are several competing and exclusive schools of thought about the concept and context of strategic planning. The difficulties prevent a conclusive diagnosis of strategic planning as an aid to organisational effectiveness. Nonetheless, Hill, Jones and Schilling (2016) point out that strategic planning is seen as an effective component of the strategic management process. They further elaborate strategy as the plan of action that comprises of vision, goals and strategies of the organisation to remain within the industry. According to David and David (2016), a strategy can be described as an organisation’s action plans that can be used to outperform market competitors. Thompson, Peteraf, Gamble and Strickland (2018) affirm that management must design a strategy to compete successfully, grow the business and increase financial performance by attracting and retaining customers for the organisation. According to Grant and Jordan (2012), the strategic planning process must align the organisation's resources and competence with the external environment that is constantly changing to meet its objectives. The strategic planning process includes “comprehending an organisation’s strategic position, making strategic decisions for the future and putting the strategy into action" (Ritson, 2017: 26).

David and David (2016) refer to strategic planning as a theory and practice for developing, executing and reviewing cross-sectional decisions that will allow an enterprise to reach its goals. According to Mital, Pearce and Robinson (2018), strategic planning includes monitoring the relationship between the enterprise and its external environment and strategic integration by adjusting the organisation's strategy to its culture, leadership, organisational structure and governance. Various authors compared strategic planning with strategic making and stated that it involves two fundamental tasks, namely strategy thinking and strategy making (McCarthy, 2016; Verreynne, Meyer & Liesch, 2016). Furthermore, there is a shared view that strategy development requires strategic, theoretical and creative thinking skills aimed at making decisions after considering environmental factors.

The literature demonstrates that strategic planning is important, either for small or big organisations. It provides a roadmap for both unseen future and decisions making Louw & Venter, 2019). David and David (2016) regard strategy planning as the long-term practice in which the organisation makes choices to take the business forward for the next few years or decades. In addition, when developing a strategy, the organisation needs to consider the current market, future directions and resources needed to overcome the challenges. In addition, Gomera (2016) added that strategic planning includes creating a strategy and a purpose, setting long-term goals, proposing alternative strategies and evaluating specific strategies to be pursued. Additionally, Thompson *et al.* (2018) mention that strategic planning decisions commit organisations for extended periods to a particular product, resources, markets and technologies for longer periods, as is not an ones-off opportunity. Strategies determine the organisation’s long-term competitive advantage. According to Louw and Venter (2019), a realistic strategy is strategically aligned or combines strategies to the internal strengths and external opportunities.

Opoku (2016) found that the adoption of effective and good strategic planning practices increases the customer base, and sustainability, expands output, reduces waste operations and increases employee commitment to the business. Johnson *et al.* (2014) attest to this view by stating that adopting and implementing good strategic planning is critical for a firm's performance and profitability. Furthermore, strategic planning, practices and implementation are important for small businesses to compete globally, face technological changes and increase dynamic market competition (Grant & Jordan, 2015). Even if many small businesses owners/managers do not formulate strategic planning and practices, it can be seen as a primary determinant for the sustainability and competitiveness of small businesses (Gomera *et al.*, 2018). David and David (2017) and Gomera (2016) state that the strategic planning process includes the following activities:

- Scanning and analysis of the environment involve all variables or factors, internal and external to the organization. This process is meant to understand the organisation's strategic position.
- Formulation of mission and vision is an important part of strategic planning. The process determines the exact type of business and the direction it is taking.
- Formulation of long-term objectives relates to competitive market positioning, market share and profitability.
- Deciding on various types of strategy: In this regard, decisions and choices on generic strategies, cooperate strategies and functional strategies are made.

1.10 STRATEGIC PLANNING THEORETICAL FRAMEWORK

Porter (1990, 2008, Porter, Kim and Maurborgne, 2011) state that various theories focus on strategic management, like Porter's five forces model for competitive analysis model, Porter's generic model of strategies, value chain analysis and resource-based theory. Van Scheers and Makhitha (2016) stress that higher-performing small businesses are more aware of strategic planning tools. In this research and for empirical investigation of strategic planning on the profitability of small businesses, Porter's fives forces model or industry analysis, Political, Economic, Social, Technological, Environmental and Legal Factors (PESTEL) model and value chain analysis are the three main theories that were used to achieve the study's objectives.

1.10.1 Porter Five Forces Model or Industry Analysis

Porter's five forces model provides an overall framework that helps to analyse the level of competition within the industry. It is a useful strategy for new business or when a business enters a certain industry (Louw & Venter, 2019; Porter, Kim and Mauborgne, 2011). Nouri and Soltani (2017) mention that the overall framework is important as it assists the organisation with the strategy for the allocation of resources. According to the framework, the competitiveness of the business does not only come from industry competitors (Faulkner, 2016). The competition depends on Porter's fives forces; the threat of new entrants; the bargaining power of suppliers; the bargaining power of buyers; the threat of substitute products or services; and competitive rivalry within the industry (Grant & Jordan, 2015). All five forces are linked to each other to create competition within the industry. The collective powers of these five forces determine the profit potential of the business and its attractiveness (Stead & Stead, 2017). Otieno, Namusonge and Mugambi (2017) cite that if these five forces are intense, they affect the returns on investment earnings within the business, if the forces are mild, the company has a room of higher returns on investments.

In this research, the empirical investigation of competitive rivalry within the industry addresses the majority of research objectives. The small business industry is a fiercely concentrated sector with many competitors. In addition, if the rivalry is more intense, barriers to exit are high, which forces the company to remain within the industry even though the profit margins are declining (Hill & Jones, 2016).

1.10.2 PESTEL Model

PESTEL analysis is a suitable framework for a business to monitor and analyse macro-environmental factors that may have a profound impact on business performance (Thompson *et al.,* 2018). In addition, a comprehensive macro-environment evaluation and analysis allow the owners/managers to develop a better understanding of the opportunities and threats they face and assist them in developing a realistic vision of future competitiveness and provide more useful guidance for strategic planning (Stacey & Mowles, 2016). Wheelen *et al.,* (2018) maintain that the main areas of the external environment and macro-environments of the business are the following: political, economic, social, technological, environmental and legal factors. PESTEL model is often used in collaboration with other business analysis tools, Porter's five forces and the SWOT analysis to provide a clear understanding of the environment in relation to both external and internal factors (Dagnino & Cinici, 2016; Petrova, 2017).

The business and environment in which it operates is not a closed system, as they affect one another (Ayoubi, Mehrabanfar & Banaitis, 2018). According to Mital *et al.* (2018), an external environmental assessment focuses its efforts on recognising and analysing developments beyond the single business, as well as defining important opportunities and threats to the enterprise that could have a major impact on the strategic planning of the business. The external analysis allows owners/managers to formulate potential plans to exploit opportunities and reduce the impacts of threats (Faulkner, 2016; Bohari, Kadir & Cheng, 2014).

External environmental factors are identified as opportunities or threats to competitiveness, performance, profitability and sustainable growth of the business. Internal environmental forces represent an business's inherent competitive weakness and strengths (Louw & Venter, 2019). Hill and Jones (2016) note that a holistic view of the internal and external environment within the enterprise is necessary for the business to understand the current and being able to predict the future to respond to external challenges. In a competitive environment, the business position is based on relative competitive positioning as compared to the competitors.

1.11 LIMITATIONS OF THE STUDY

The study has the possibility the following limitations:

- The study focuses on small business owners/managers and directors in the City of Tshwane. There is a possible limitation of owners/managers not revealing the details of their strategic planning and practices, specifically if it is not part of their formal business process.

- The other possible limitation is limited participation by small business owners/managers and directors, although there is a large population. The primary data for this study will be collected from small business owners/managers.
- The cost of research may include the collection of data from participants, transport costs for delivering questionnaires and collections.
- The response rates from participants may pose a limitation as the small business owners/managers and directors might not have time to respond or either not be interested in participating or be too busy with their daily business activities or operations.
- There is the likelihood that selected small businesses may under-represent the population size. Therefore, great care needs to be taken during the collection of data and interpretation of research findings.

1.12 EXPECTED CONTRIBUTION TO EXISTING KNOWLEDGE

The purpose of this study was to add to the empirical body of knowledge on strategic planning in small businesses. This research aimed to contribute to small businesses by providing a piece of new information and insight on strategic planning and implementation strategies by small business owners/managers to sustain their business, and increase performance and profitability. The study provides empirical investigation and understanding of strategic planning practices in small businesses about how it affects performance, and profitability and offers much-needed strategies to sustain the business.

This study is of the utmost importance to small business research. Small business owners/managers may benefit from the research findings on strategic planning and its impact on growth and profitability and it may allow them to assess their competitive strategies to sustain their businesses for the longer term. They may be informed or updated on the importance of strategic planning practices to increase the performance of the business. Developing strategic plans is important to the success of small businesses if done the right way and implemented correctly. Improvements in the strategic planning processes of small businesses may have an impact on the sustainability of new and existing businesses. The research attempted to highlight the strategic planning and practice endeavours of small businesses. This research may be beneficial to academics and researchers in the field of strategic management in carrying out further studies in South Africa.

1.13 OUTLINE OF CHAPTERS

Chapter 1: It lays the foundations for the dissertation (theoretical background). It covers the introduction, background, research problem and hypotheses, followed by the study objectives (justification). Lastly, the chapter covers study limitations, contributions and outline of chapters.

Chapter 2: Literature review: It starts with the introduction and reviews existing relevant literature, both international and local, on strategic planning, roles of management in the strategic planning process, benefits of strategic planning, and risks (dysfunctional aspects) of strategic planning. The chapter covers four strategic planning theoretical frameworks that are applicable to this study.

Chapter 3: The chapter is a continuation of the literature review. It covers the common challenges for small businesses and the reasons for small businesses not doing strategic planning. The role and importance of strategic planning in small businesses on performance and profitability are discussed. This chapter looks at both local and international studies and literature related to small business performance, especially the aspects related to profitability. It also shows the links between the research problems, and the wider body of knowledge and draws conclusions.

Chapter 4: The chapter covers the research methods, the study design and the target population for this study. The chapter also discusses the method of sampling, pilot study, validity and reliability of the research instrument. It discusses the methodology used to collect data, data analysis and ethical considerations.

Chapter 5: This chapter provides an overview of the results of analyses, findings of the research and responses from the distributed questionnaires. The results of the study are on respondents' opinions and statistical data analysis findings are presented. The statistical instrument used to analyse data and organise data is outlined thoroughly in tables, figures and interpretations**.** The chapter covers the findings from literature and research. Literature and research findings are covered in this chapter.

Chapter 6: This is the last chapter of the dissertation. The results are interpreted in light of questions and discussed in conjunction with the research findings from the literature. Research limitations, interpretation and implications for further research are presented. The conclusions and recommendations are drawn from the results of research findings, and possible solutions provided to the problem. The study objectives are evaluated, and recommendations for future research are provided.

1.14 CHAPTER SUMMARY

This chapter justifies the importance of the study. The chapter introduced the background of the study, problem statement and research objectives that are aligned to the research topic. The research hypothesis, and research questions were outlined, together with the preliminary literature review, limitations and contributions of the study concluded the chapter.

CHAPTER TWO: THEORETICAL UNDERPINNINGS OF STRATEGIC PLANNING PROCESSES

2.1 INTRODUCTION

This chapter reviews the existing literature on strategic planning both global and local. It discusses the definitions of strategy, strategic management and strategic planning. It further reviews strategic planning practices focusing on global perspectives. The roles of management in the strategic planning process, benefits of strategic planning, risks or dysfunctional aspects of strategic planning are the components that form part of the discussion. The chapter concludes with a discussion of the strategic planning theoretical frameworks that are important in analysing the business strategy in the small business sector.

2.2 DEVELOPMENT OF STRATEGIC PLANNING CONCEPT

Strategy originates from the military field and for the longest time it has been adopted by large corporations in preparing for plans (Faulkner, 2016; Louw & Venter, 2019; Mintzberg *et al*. 1998; Ritson, 2017). After World War II, the business environment became more complex characterised by instability, uncertainty and significant changes, as many companies were entering the market and the competition increased. Furthermore, policy development and the integration of functional areas were not enough to address the changes and difficult needs of the business (Rothaermel, 2018). As businesses grew and management increased along with the uncertain environment, basic business planning became deficient as they concentrated only on operational control. Strategic planning develops and increases the responsiveness of the business to the competition and markets (Petrova, 2017). Strategic management gives the business a competitive advantage and a sustainable future by managing all resources within the enterprise. The evolution of strategic management incorporated strategy formulation, implementation, control and evaluation (Booth, 2021). In addition, it emphasises strategic planning (Thompson, Peteraf & Gamble, 2018) as the initial phase of strategic management. Wheelen *et al.* (2018) mention that General Electric (GE) 1980 initial started with long-range planning after they abandon strategic business unit (SBU) planning that transformed into strategic planning which was coordinated through management operations. GE's long-range planning by then was focusing on company growth and profitability. GE was the pioneer of strategic planning; they lead the transformation of strategic planning to strategic management (Ocasio and Joseph, 2008). In early 1960s, the strategic planning was focusing on planning growth, especially diversification and portfolio and dominant theme was corporate planning. In late 1970s and early 1980s, strategic planning focus was on selecting industries and markets, positioning for market leadership. During late 1980s and early 1990s, strategic planning was focusing on competitive advantage and dynamic aspects of strategy. Since 2000, strategic planning was focusing mainly on reconciling size with flexibility and responsiveness. Additionally, companies always revised strategic planning to address dynamic strategic changes and to ensure continued strategic relevance up to today (Baylis *et al*., 2021; Grant, 2021).

2.2.1 Defining strategy, strategic management, strategic planning and performance management

Pearce and Robison (2014) mention that strategy involves the development of plans to manage the competitive environment and meet the target of the business. In addition, a strategy was also defined as the identification of business goals and plans to attain those goals (Hasan, 2021). Hough, Thompson, Strickland and Gamble (2011) and Rothaermel (2018) mention that historian Alfred Chandler (1962) in his seminal book defined strategy as the management's commitment to follow a particular decision, initiatives to grow the business, attracting and retaining customers to compete successfully. Furthermore, they mention that this related to carrying out business operations, improving the market, allocation of resources and improving financial performance of the organization.

Denousse (2020) consider that strategy is mostly about competitive advantage, with the main objective of strategic planning to assist the business to gain a competitive advantage over its competitors, it implies that the business will try to change its competitive strength. Strategy is the first and the most important responsibility of a business leader (Hacioglu, Dincer & Alayoglu, 2017). According to David, David and David (2020) and Thompson *et al (*2018), strategy has the following key elements:

- *Sustainability* - Strategic decisions must be sustained over a longer period if the business wants to survive for the long term.
- *Competitive Advantage -* The objective of the strategy is to outperform the competition. Achieving a sustainable competitive advantage is of utmost importance.
- *Alignment with the environment* - Business strategy must be aligned with the internal and external environment for both threats and opportunities.
- *Process development to deliver the strategy -* Business processes must be developed to undertake the activities to outsmart the competition.
- *Adding Value - a s*trategy must bring value to all stakeholders of the organisation (Davies, 2000; Grant & Jordan, 2015; Mintzberg, 1987). As for small businesses, to remain competitive, they must adopt strategic planning processes.

This study adopted Johnson, Scholes and Whittington's (2014)'s definition because it pointed out that the strategic management process contains "the understanding of the strategic position, making strategic decisions and turning strategy into practice for the future of the business which applies to small business performance and profitability. This includes environmental scanning (both external and internal), strategy formulation, implementation, evaluation and control. Strategic management includes two main activities - strategy formulation and implementation (Rao, 2016).

Strategic planning is described as a process that guides the management and business owner through strategic development and strategic implementation. It should be constant, quantifiable, and flexible enough to adapt to changes and challenges (Mital *et al.*, 2018; Tarigan and Siagian, 2021). Hill *et al., (*2016) outline strategic planning as the process whereby the business owners/managers analyse the business environment both external and internal to determine the business competencies to formulate strategic guidelines to accomplish its goals and objectives. Furthermore, it is elaborated as the process or methodology where there is suitability of business resources and is maintained to transforming the opportunities in the market.

Ouche, Oima and Oginda (2016) mention that strategic performance relates to financial performance and the company's strengths in market positioning, competitive viability and potential business opportunities. Business success refers to the effectiveness and efficiency of the enterprise’s tasks in the provision of goods and services to achieve selected goals. Business performance is measured by increased sales, return on investment (profits), financial stability and employment changes (Barnes, 2019; Chimucheka, 2013). Business growth is a stage in which the business has reached the point in where it has to expand and is looking for new ways to earn more profit (Faulkner, 2016). Profitability refers to the business capacity to earn its profits or return on investment from its standard chain of operations (Razmus & Laguna, 2018). The framework of small business is clearly defined by National Small Business Act 102 of 1996, which classifies enterprises according to the annual turnover, gross asset value (fixed property excluded) and number of employees. The objective of strategic planning is to maximise business profits and to reduce the strength of its competition (Grant, 2021).

2.3 STRATEGIC MANAGEMENT PRACTICES AND PROCESS

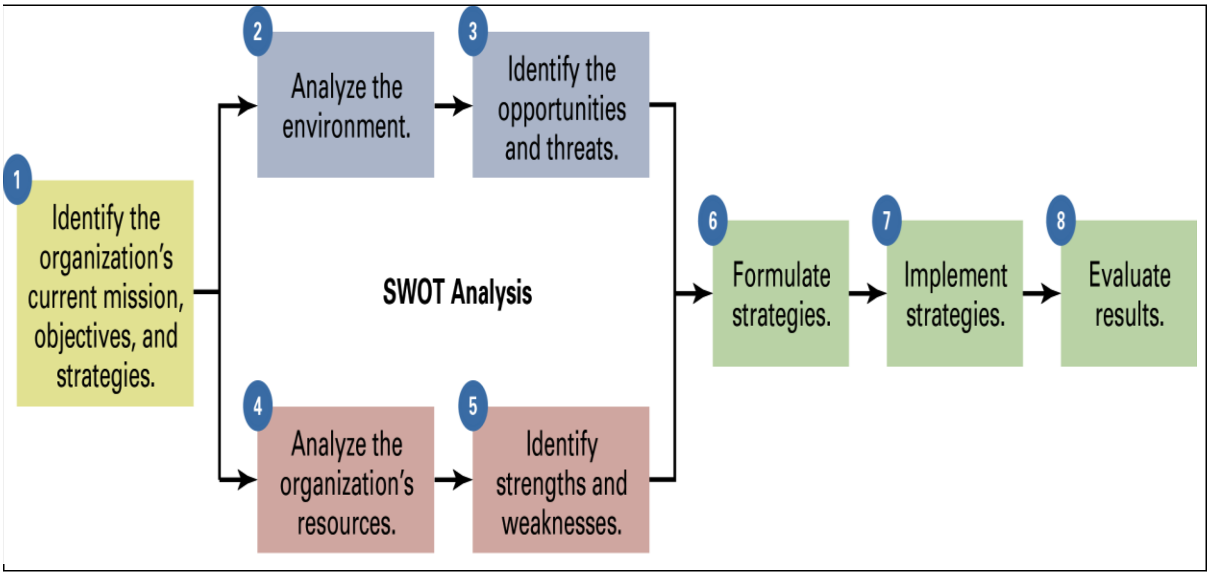
David and David (2017) and Thompson, Peteraf, Gamble and Strickland (2018) define strategic management as the process whereby all the business resources and functions are coordinated and integrated to implement the formulated strategies that are aligned to the environmental conditions, to achieve the long-term objectives of an business and adding value for stakeholders to gain competitive advantage. Louw and Venter (2019) indicate that strategic management is primarily concerned with the overall strategy choice and effectiveness in a highly competitive and turbulent environment. According to The Institute of Cost Accountants of India (2014), strategic management is applicable to small and large corporations as both of them face competition. The relationship between business strategy and business model must generate enough revenue to cover costs and to make profit (Thompson *et al.*, 2018). The latter scholars further state that strategic management also integrates management, productions and operations, and marketing (Valeri, 2021).

Globally, strategic management practice is important to business owners/managers especially when they encounter complicated environmental changes and other factors like political and cultural (Louw & Venter, 2019). According to Hill *et al.* (2016) and Wheelen *et al.* (2018), the four stages of strategic management are as follows:

- Environmental scanning and analysis;
- Strategy formulation or development;
- Strategy implementation or execution; and
- Strategy control and evaluation.

Below Figure: 2.1 outlines the process of drafting and implementing a business strategy.

Figure 2. 2: Strategy-Making, Strategy-Executing Process



Source: Hough *et al (*2011)

Mccarthy (2016) highlights that strategy formulation and implementation process differ from company profile and environment both internal and external. Large corporations use sophisticated methods for detailed strategic management planning models wherein small business formality of strategic planning is very low and use simpler models. Many academics who examine strategy formulation and implementation find that there are discrepancies between the anticipated and actual outcomes of company strategy (Keding, 2021). Small business does not concentrate on planning phases as compared to larger corporation in similar industry (Sandada *et al.*, 2016).

According to David and David (2016), the management process for crafting and executing business strategy have the following phases:

- *Developing a strategic vision* is the direction where the business is heading at a specific time in the future.
- *Setting objectives* outline the performance expectation and deliverables for the business.
- *Crafting strategy* to move forward with the key strategic objectives of the organization identified by management. The primary concern of formulating competitive plans and marketing strategies for business is to have a competitive edge, capabilities and competencies. Businesses have three levels of strategy - business strategy for the organisation as a whole, functional strategy for each business unit and operating strategy.
- *Implementing and executing* the chosen strategy effectively and productively.

2.4 STRATEGIC PLANNING AND PROCESS

Strategic planning gives a framework that can ensure small business owners/managers take strategic decisions concerning the business's future and increasing financial performance (Clovis, 2018; Knott & Thnarudee, 2018). Mital *et al.* (2018) and Stead and Stead (2017) allude that strategic planning guides investments decision and assists with the allocation of resources in important areas of the business. Furthermore, it provides a method for businesses to forecast on business challenges and to prepare for them when they arise.
Ansah (2016) as cited by Schendel and Hofer (1979), indicates that the main idea of strategic planning is coordinating the activities of the business and utilising limited resources within the business environment to achieve current and future objectives. In addition, the process gives the reassurance that limited resources of the enterprises (time and capital) are directed to the strategic objectives. Strategic planning is essential for decisions making to avoid taking decisions in a vacuum that may affect the competitors, customers, suppliers and employees and strategic plans must be more flexible and constantly change with environmental changes (Tarigan and Siagian, 2021; Thomas, 2021).

Kidombo (2014) and Sosiawani (2017) found that strategic planning in large businesses depends on three strategic dimensions, namely, mission and vision, formal strategic planning, evaluation and control to improve their performance, decision-making and competitiveness. According to Mabhungu (2017), strategic planning in small businesses starts with product development, market penetration, customer satisfaction and being more profitable than competitors. Strategic plans should be done through the analysis of the existing business resources (human, financial, technical and materials) (Johnson *et al.,* 2014; Mthabela, 2015; Van Scheers & Makhitha, 2016; Ritson, 2017).

The effectiveness of the strategic planning process lies within strategy formulation (Gică, 2011). As Stead and Stead (2017) point out, the degree of the relevance of the strategy formulated determines the level of business performance and success. According to Johnson et al. (2014) and Mccarthy (2016), well-developed strategic plans must include the following:

- Assessing the business environment and good understanding of operations, market and profitability.
- Establishing the business objectives and goals. These goals and objectives must be realistic and achievable within a specific period.
- Understanding the environment of the business to make the right decisions and changes according to the strategic plans and set goals.
- Setting the performance targets of the business.
- Develop detailed plans of activities, allocating resources in line with the strategic directions consistently, and manage the various business units as an investment portfolio to achieve the objectives of the business.
- Developing actions plans and communicating the strategy to business units that are supportive to the business.
- Re-evaluating mission, strategic objectives and goals.

The level of strategic planning and effective usage determines the growth potential and performance of the business. The success of strategy plans depends on suitability between the external and internal environment and successful implementation throughout the business (Durmaz & Düşün, 2016; Hill *et al.*, 2016).

2.4.1 Roles of management in the strategic planning process

According to Thompson *et al.* (2018), the role of management is to set the objectives and convert them into the strategic vision and mission of the business to performance outcomes and targets they want to achieve. The role of management in strategic planning has been analysed by different scholars in different fields which focused on the relationship with business performance and investigating the strategic planning process for small businesses (Hacioglu *et al.*, 2017; Knott & Thnarudee, 2018).

Across the globe, the functions of business management both in small and large businesses entails planning, organising, directing or leading and controlling business resources before other managerial functions (Valeri, 2021; Jackson, 2016). Management takes decisions and activities that determines the business performance (Thompson *et al.*, 2018). Overall, these functions need to be carried out by the business owners/managers, which encompass all activities within all businesses units (Fatoki, 2014; Nkombe, 2013).

The latest economic turmoil around the globe, which have an impact on business performance has forced small business owners/managers to develop innovative strategies to increase performance (Charles, Ojera & Oima, 2015). According to Hacioglu *et al.* (2017), the global crisis has forced businesses to redefine their strategic and operational activities globally. To increase business performance, strategic planning must cover the critical factors following business effectiveness, performance management, asset management, culture, risk management, finance, innovation and sustainability. In small businesses, strategic planning is an important function for owners/managers to ensures maximum contribution of resources to grow and increase the performance of the business (Mabhungu; 2017).

2.4.2 Benefits of strategic planning

Louw and Venter (2019) indicate that some of the benefits of strategic planning involve directing human behaviour and establishing working relationships and helping to shape relationships between workers and customers. Furthermore, various authors

(Grant & Jordan, 2015;) highlighted the below-mentioned benefits associated with strategic planning:

- Improvement of sales and profits.
- Higher profits, proper planning, utilisation of resources and increased production.
- Better coordination through various business structures, including the clear control and ownership of certain strategies by employees.
- Displaying discipline, a sense of responsibility and effective time management for employees and management of the organisation.
- Provide a framework in which each employee can see and understand the current phase of the strategic process. It promotes proactive thinking and thus breaks down resistance to change.

2.4.3 Risks or dysfunctional aspects of strategic planning

Several scholars and authors discovered the following potential risks associated with strategic planning and suggested that these should be avoided (Faulkner, 2016; Rothaermel, 2018; Strickland, Thompson & Peteraf, 2018). The below-identified risks are applicable to both small businesses and large enterprises:

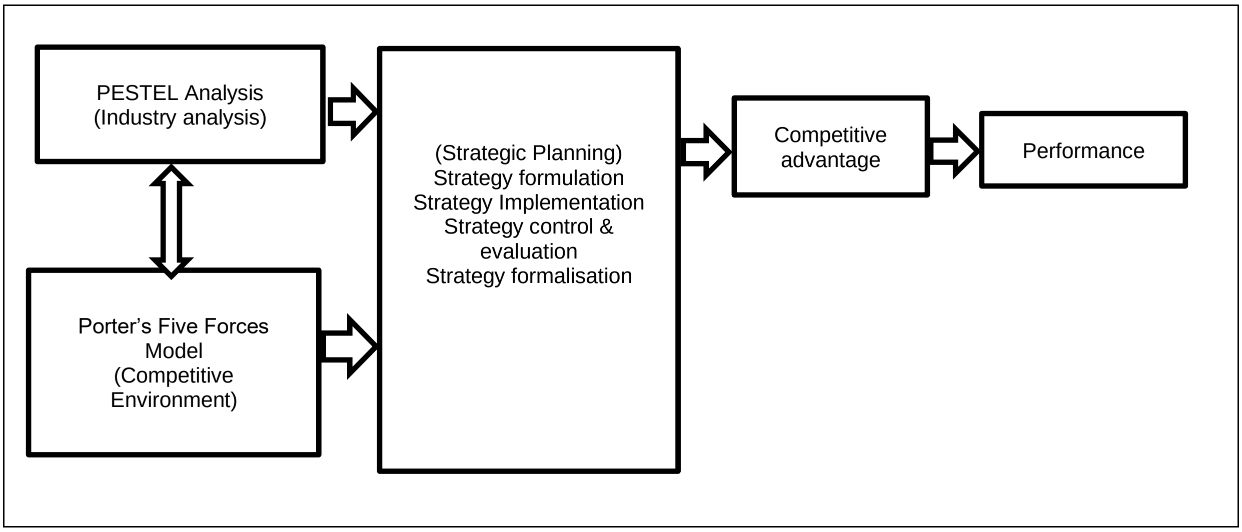
- Owners/managers become over-confident and so concentrate on their current business performance that they do not see strategic planning as relevant. Instead of approaching the business future proactively, they approach it reactively.
- Time is wasted battling conflicts during strategic planning and there is no time to focus on strategic planning. It occurs in many businesses where there is a lack of coherence and business process, which means that management spends most of the time resolving problems.
- No specific objectives and measurable outcomes are followed by unrealistic expectations from employees and owners/managers.

2.5 STRATEGIC PLANNING THEORETICAL FRAMEWORK

Strategic planning techniques are useful frameworks that assist the business to develop a long-term strategy and utilise resources and opportunities in the marketplace to achieve competitive advantage (Mccarthy, 2016). There are various conceptual frameworks for analysing the business environment and strategic planning which include PESTEL analysis, Porter's five forces model, SWOT analysis and value chain analysis. Unfortunately, traditional models and tools for strategic planning were designed to address the needs of businesses not paying attention to addressing growth and profitability (Faulkner, 2016; Kalkan & Bozkurt, 2013). Due to the rapid changes in the business environment and industry becoming more competitive, information from the external environment becomes more useful for long-term plans. The industry has become more competitive, small business owners/managers need to identify the competitor's behaviours and actions, especially their strategies. Based on the understanding of external environmental analysis, small business needs to update their core competencies (Hattingh, De Waal & Parsons, 2018).

In this study, a conceptual framework for analysing the business environment and strategic planning in small businesses which includes PESTEL analysis and the Porter's Five Forces model was used as they provide a good overview of environment and industry performance. Figure 2.2 outlines the strategic planning framework.

Figure 2. 3: Strategic Planning Theoretical Framework



Source: Gomera (2016)

2.5.1 PESTEL analysis

PESTEL is described as the strategic framework for understanding the external environment of the business which assists in strategic planning and is part of strategic analysis (Wheelen *et al.*, 2018). To formulate a strategy, small business owners/managers must use PESTEL analysis to understand the overall business environment (Grant & Jordan, 2015; Hunger & Wheelen, 2011). To determine a competitive advantage, a business must monitor external environmental factors as they have impact on business performance (Njoroge & Nkirina, 2018). These external environmental factors are threats or opportunities arising from external environment and influence the long-term decisions making and businesses has no control over them (The Institute of Cost Accounts of India, 2014; Rothaermel, 2018). Macro environment analysis and evaluation help business owners/managers to have a better understanding of threats and opportunities they may encounter and can assist in developing a vision for the future business competitive environment and, secondly provides strategic planning direction for development of strategy (Johnson, Scholes & Whittington, 2008). Thompson *et al.* (2018) mention that scanning of business macro-environment for strategic planning can be summarised by the PESTEL analysis, which includes the following factors:

- **Political-Legal**

Political factors include government legislation and legal issues that determine the laws and regulations of the country where businesses operate. The government regulates political factors and changes in politics can have a significant impact on the business environment. These factors which should be considered by the business are; tax policies, labour laws, environmental laws, political stability, trade barriers and tariffs (Ritson, 2017). All these factors have an impact on strategic planning and strategies to be adopted by small businesses. They help businesses to decide on strategic plans they should take and implement to overcome political challenges (Thompson, Peteraf & Gamble, 2018).

- **Economic environment**

The economic environment includes macro-level factors that are linked to the materials, production, income distribution and information that have an impact on business and decision-making consumers (Wheelen *et al.*, 2018). While the business is considering the external business environment, it should also take into consideration the following economical factors:

- Distribution of income and consumer spending patterns;
- The growth rates of the economy and current economic conditions of the country; and
- Inflation rate and capital market behaviour.

Because economic conditions changes have an impact on business operations, in its strategic planning activity, the firm should consider the purchasing power of the potential customers (Louw & Venter, 2013).

- **Social-cultural factors**

Social factors that affect the business include the demographic, cultural aspects, morals, values and customs of the society in the business external environment (Louw & Venter, 2019). The social-cultural environment mainly affects the strategic planning process of the business when formulating a mission, setting objectives and decision-making about products and markets (Petrova, 2017).

- **Technology environment**

Technological changes play a crucial role in shaping industry, and business operations and in gaining a competitive advantage. Technology innovations can increase the productivity and performance of business operations to offer quality products or services. Technological factors include research and development, artificial intelligence and speed of technology changes and benefits. Technological factors can lower barriers to entry for other businesses, reduces the time of production and influence the decision of outsourcing some resources. As for small business, technology has an impact on final products as they change sourcing of raw materials, production and distribution. Technology brings changes to the productivity of businesses when used correctly. Hence, small businesses by adopting the latest technology development, they can grow, survive and increase their performance.

- **Legal factors**

Legal factors are laws and regulations that affect business operations. Every business operates within the framework of law and has to respect and do business within them. In recent years, the are many legal changes that have had an impact on business such as labour laws, consumer protection, import/export procedures, patents, intellectual property law, and copyright that can affect business operations from a legislative perspective. Legal factors have the power to control and influence the operations of the business. The business must analyse those factors and develop a strategy for these legal challenges. Business owners/managers regardless of experience still have to face hard times in succeeding in a business within the adverse macro environment. Owners/managers must analyse the external environment before any investment, as the main intention of any company is to become more profitable and to improve customer satisfaction.

Bushe (2019) mentions that PESTEL analysis is considered a useful tool to identify relevant political, legal factors economic, social, technological, environmental, and provide an overview of the environment and industry in which the business operates. Ritson (2017) states that PESTEL is important to assess the market conditions, positions of business and other macro-environment factors that may have a direct impact on the business operations.

2.5.2 Porter’s Five Forces Model or Industry Analysis

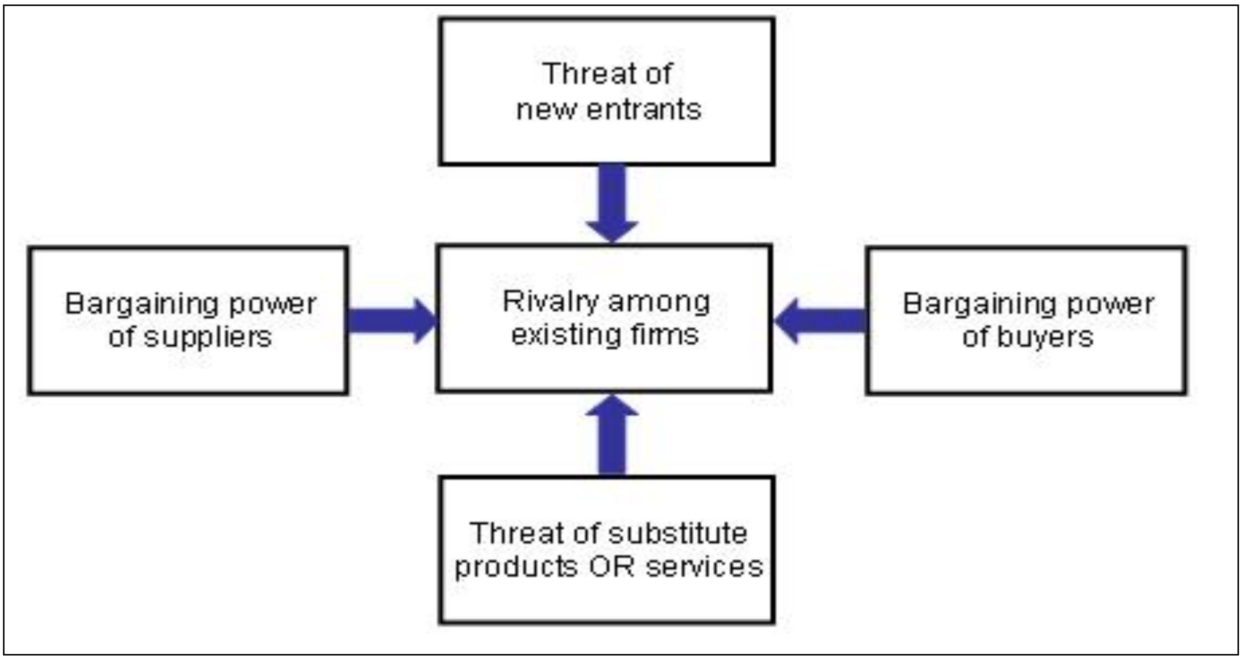
Porter’s five forces is one of the strategic planning analysing tools used to analyse the external environment and industry competition within the industry that influences and shapes profit potentials (Haleem & Jehangir, 2017). Porter’s five forces model is a strategic tool that was previously used to assess the attractiveness and profit potential of different businesses. However, it can be used to get an understanding of the competitiveness of the industry and to identify potential strategies for profitability (Grundy, 2006; Johnson *et al.*, 2008). Phillips and Moutinho (2018) point out that the model is useful to identify forces within the industry that have an impact on profitability and can change the strategy accordingly. Understanding the industry competitive forces and other core forces, small business owners/managers must comprehend the current industry attractiveness and profitability before the establishment of the business in the industry (Madadipouya, 2015). This model helps also to analyse the market, which is also helpful to identify the core competencies and weaknesses of the business (Hunger & Wheelen, 2011).

David and David (2017) mentioned that Porter's framework is based on understanding that company plans are structured to address the opportunities and threats in the external environment, specific strategic plans should be based on an understanding of structures and changes in the industry. Furthermore, it can assist to analyse the strengths and weaknesses of a business position and the impact on long-term profitability. According to Louw & Venter (2019), understanding the structure of the industry and competitive forces is crucial for strategic decision-making. Grant and Jordan (2015) assert that Porter's five forces do not focus on industry direct competitors only, it also focuses on the economic environment and competitive structure of the industry. The following are Porter's five forces:

- Rivalry among competitors;
- Bargaining power of supplier;
- Bargaining power of customers (buyers);
- Threats of substitute products or services; and
- Threats of new entrants

Overall, these five forces are linked to each other and changes in the other have an impact on another, either decreasing or increasing the attractiveness and profitability of the industry as outlined by figure 2:3 below (Porter, 2008; Porter, Kim and Mauborgne 2011; Stead & Stead, 2017).

Figure 2. 4: Porter's five forces model



Source: Porter (2010)

Haleem and Jehangir (2017), Johnson *et al.* (2014), Mccarthy (2016), Porter, Kim and Maurborgne (2011) discuss Porter's five forces model that shapes the competition and determines the profitability of the industry as follows:

- **Rivalry among existing firms (competition in the industry)**

A high number of rivalry existing between businesses makes difficult for them to generate high profits. The level of competition between competitors within the sector refers to the amount of pressure the businesses can put to limit the profits of each other. If the competition is fierce, the industry competitors will compete with each other for market share and profit. As a result, it will reduce the industry potential profits for all businesses within the industry. The intensity of rivalry is the main force that shapes the industry competition and influence the ability of an existing business to achieve growth and profitability. Because the SMEs industry is still in its early stages, there will be fierce competition from new and existing small businesses.

- **Bargaining power of suppliers**

Suppliers with their bargaining power are the major contributor to competition in every industry. The cost of raw materials and other business inputs are influenced by suppliers. It forces the small business to analyse the power of suppliers on control of prices and their increases, which in turn affect business profitability. In addition, the stronger the power of suppliers, the more difficulties for small businesses to make a profit because the suppliers can determine and influence the terms and conditions on which the business must be conducted. When analysing the industry's structural environment, one of the forces to consider is supplier power. A lower supplier's power makes the industry more attractive and increases buyer potential. On the other hand, a high level of supplier power makes the industry less attractive and reduces the buyer's profits. The supplier has an influence on prices that in turn determines the profitability of the sector.

- **Bargaining power of customers (buyers)**

When the buyers have more bargaining powers in the sector, they can force the price to go down and it reduces the profits of the seller. The bargaining power of consumers refers to the pressure they can bring to the business to offer high-quality products, reasonable prices and customer services. All this implies cost to the seller and decreases the profits. When the business is conducting an industry analysis of the bargaining power of buyers, owners/managers must conduct it from the perspective of the seller side. Large corporate chains have significant purchasing power and can control price and terms of trade with suppliers, which creates barriers and challenges for emerging small businesses. The bargaining power of buyers influences competitions conditions and the ability of the seller to achieve profits. Consumers have more power when there are many sellers in the market; it becomes easier for them to change from one product or service to another hence it affects the growth potential of small businesses.

- **The threat of new entrants**

Threats of new entrants refer to the possibility of a new competitor or invasion by new entrants in the market. Therefore, a profitable sector will attract new entrants to the industry. The effect of new entrants has an impact on the competition conditions and profits of the existing businesses. New entrants entering the industry may decrease or threaten sales and profits of the existing businesses and this can cause price adjustment or changes. A high threat of new entrants makes the industry to be more competitive and reduces existing enterprises' profits potential. However, a low entrant makes the industry to be less competitive and increase the profit of the existing businesses. Existing businesses can block the market by negotiating exclusive agreements to prevent new competitors or small business from entering the industry.

- **The threat of substitute products and services**

It measures how easily the consumers can switch from one product to another that offers the same satisfaction. The availability of substitute products or services in the market can affect the business profitability because the consumer can choose to purchase the substitute products or services. On the other hand, because there are no substitute products or services, the industry becomes less competitive and current enterprises' profits increases. Furthermore, the availability of substitute products or services makes the industry to be more competitive and decreases the profits of the business. This implies that small businesses must conduct industry analyses to identify products or services that are less competitive to maximise profits.

Every author of strategic management mentioned Porter's five forces model as the most suitable method for a business to analyse the environment in which they operate. Wheelen *et al.* (2015) point out that from the strategic side, competitors are the crucial components of the microenvironment. The strategic goal of the business is to find an industry position and to guard against these forces and influence them to its favour. The business must analyse each force, hence strategic planning is important so that they must be able to cope with the strength of the competitive forces. Knowledge of these forces provides a framework for guiding strategic planning. It highlights the strengths and weaknesses of the business, position, areas of strategic changes and the trends in the industry.

2.6 CHAPTER SUMMARY

A business can have strategic plans in place but small business owners/managers must understand and implement strategic plans as they have an impact on business performance. Therefore, it is essential to conduct industry analysis, PESTEL analysis, Porter's five forces model and SWOT analysis when formulating any strategic plans. Small businesses must keep themselves abreast with business changes and strategically think and they have to adopt strategic analysing tools and techniques that will improve their performance. It will give small business owners/managers a better understanding of how to proceed with the strategic planning process. Given the increase in the number of new businesses and tough circumstances, unstable foundation to build new initiatives or grow business should be avoided. Strategy requires the owners/managers' ideas and their involvement in strategic planning to make the firm grow and improve performance. Without strategic planning, the business may encounter many challenges. Therefore, small businesses must consider strategic planning to improve performance and long-term success.

CHAPTER 3: AN OVERVIEW OF THE PERFORMANCE OF SMALL BUSINESSES IN SOUTH AFRICA

3.1 INTRODUCTION

The chapter discusses the overall performance of small businesses in South Africa, provides an overview of strategic planning in small businesses, and outlines and describes the factors affecting the growth performance of the small businesses (small business strategies). The chapter also discusses strategic planning: performance and its effectiveness in small businesses.

3.2 CHALLENGES OF SMALL BUSINESS IN SOUTH AFRICA

As stated by Dzomonda and Masocha (2018) and Tembe (2018), research shows that South African enterprises predominantly operate in the micro and survival categories. Furthermore, they indicated that business development and performance are poor and they typically fail within the year of formation. As compared to other African countries, the rate of entrepreneurship in South Africa is extremely low, stressing the need for further intervention to improve the entrepreneurial landscape (Bruwer, Coetzee and Meiring, 2017; Maziti *et al.*, 2018). Thus, small businesses in South Africa have severe sustainability challenges which are underpinned by ineffective and lack of adequate control systems (Mthimkhulu & Aziakpono, 2018).

The number of small businesses owned and managed around South Africa is limited as compared to other developing nations (Tembe, 2018; Sambo & Chiloane-Tsoka, 2015). However, the business environment still poses institutional challenges and a lack of strategic resources for SMEs in certain African countries. It includes restricted access to finance, limited education and training, market and network information, unfriendly regulatory systems, access to funding, unpredictable business conditions and limited managerial skills (Chipfupa, 2017; Govuzela & Mafini, 2019; Mccarthy, 2016). According to Ducheck (2018) entrepreneurs are confronted with many challenges that threaten business survival are financial crises, technological innovation, competitors in the field, digitalisation and globalisation. Other studies on small businesses added some factors that contributed to failures including reactive and fire-fighting mindset, informal strategies and lack of strategic planning practices (Abesiga, 2015; Majama & Magang, 2017; Radzi, Nor & Ali, 2017; Tseka, 2018). Small business owners/managers conduct strategic planning, although this is not the way the literature suggests, that illustrates strategic plan-as-practice and the appropriate method for small businesses (Roberts, 2018; Sami, 2016). Hence, the biggest challenge of small businesses is to expand into medium-sized and large businesses (Barnes, 2019; Bushe, 2019; Kalane, 2015; Ngcobo & Sukdeo, 2015).

Despite many contributions such as financial assistance, mentorship and coaching, incubation programmes, technical and business training skills, marketing support and assistance to access markets, small businesses experience high failure rates and low levels of performance (Hove & Banjo, 2018; Sitharam & Hoque, 2016). Tonui and Ngahu (2016) mention that small businesses in Africa (Kenya) faced stiff competition from large businesses, which forced them to close down before break-even and limiting their growth. Alemayehu and Van Vuuren (2017) argue that despite the growth of research in small business environments, they focus on drivers of growth and neglecting the strategies of growth. However, the greatest challenge encountered by small businesses is streamlining business process to remain competitive (Malakoti-Negad, 2016). Owners/managers are unable to maintain the constant technological change and the process in recent years (Popescu, Ceptureanu & Ceptureanu, 2017). Kebede and Simesh (2015), Neneh and Van Zyl (2014) and Visser, Chodokufa, Amadi-Echendu and Phillips (2016) point out internal and external factors that affect the growth intentions of entrepreneurs. Social, institutional, changes in the market and competitive condition are the main external factors that have impact on growth. Internal factors are those factors that the business has some control, such as resources (such as information and human resources), management and business culture, confidence, and entrepreneurship characteristics.

While small businesses aim to achieve growth and profitability within the framework of existing processes and structures, they start to experience challenges including the management of cash flow, improving market share and sales, and enhancing customer services (Petković, Jäger & Sašić, 2016). Small businesses are exposed to a higher risk of uncertainty and capital risk as compared to large-scale businesses, often small businesses do not prepare for their future properly through strategic thinking and planning (Snider, 2015). Karadag (2015) argues that small business owners/managers who do not think and act strategically put their businesses at risk in today's highly competitive global environment.

3.2.1 The most common reasons for small business failure

Various authors such as Kazimoto (2014), Herrington and Kew (2015), Mthabela (2015), Joshi (2016) and Bushe (2019) identified the following key factors that contribute to business failure and are linked to a lack of strategic planning:

- **Lack of management competence or experience**

Previous research found that the main reason for small business failure is mainly due to poor management and planning (Agbenyegah, 2013). Business internal resources need to be balanced to meet the needs of the environment where the business operates. Limited industry experience can contribute to poor management of an enterprise and its assets (Boubala, 2010). The composition of the business sector where the business operates has a direct impact on performance and results (Agwu & Emeti, 2014). Small business failures are linked to inadequate management consisting of either inexperience or incompetence in management (Kalane, 2015). According to Maloka (2013), most entrepreneurs lack skills during the start-up phase of a new enterprise and can cause a business to fail. Business failures are often due to limited skills and knowledge in entrepreneurial strategic planning, such as risk-taking and innovation and should not be underestimated as the key ingredients of small business growth and profitability (Maziti *et al*., 2018).

- **Poor business planning**

In South Africa, the failure of small businesses is caused primarily by a general lack of business management. and planning skills. A proper business plan can assist in identifying a business mission, cost structure, external influences, strengths and weaknesses (Anyieni, 2013; BER Research, 2016). A comprehensive business plan must include financial, marketing plans and operating strategies (Wiese, 2014). Uncontrolled business growth may also cause businesses to fail if is not handled properly, but proper business growth must be in place. Successful business growth requires a good team of management, flexible business, and proper systems and controls (Lekhanya, 2016).

- **Poor system of control**

Neneh and Van Zyl (2017) allude that while establishing business targets, it is also important to have controls or systems to measure the performance. Small business owners/managers can use metrics and monitors to keep track of their operations. Enterprise cannot control external factors that are affecting business, such as customers and competitors, but it needs to acclimatise to internal business activities (Wang, 2014). A lack of proper control over internal activities may result in business failure. Controls can be developed to assess the company's overall performance (Jogunola, 2013).

3.3 NOT ENGAGING IN STRATEGIC PLANNING.

According to Mital *et al.* (2018) and Grant and Jordan (2015), most small business owners/managers still see strategic planning as a strategy used by large corporations and seek to circumvent it by claiming is not for them. Consequently, they are more concerned with expenses and income than with growth and profit. Mital *et al.* (2018) mention that organisations should incorporate strategic planning for long-term growth and even survival.

Majama and Magang (2017) argue that due to a lack of strategic planning practices, certain small businesses often struggle even when they have all resources. In addition, they found that small business owners/managers recognise the value of strategic planning and its contribution, but they do not know where to start the process and implement it. Bushe (2019) and Mohutsiwa (2012) state that small businesses which do not plan properly cannot proactively deal with external environment opportunities and threats and are expected to fail.

In recent years, there has been a radical change in how businesses are conducted and their interaction with consumers. The application of sound management principles is crucial to small business success, particularly in such changing and demanding business environment (Durmaz & Düşün, 2016). Because of poor management and planning, businesses fail at the start-up stage as the aspiring entrepreneurs have failed to develop effective strategic plans (Abosede *et al*., 2016). Hence, the majority of small businesses do not engage in strategic planning and lack a long-term vision for the business (Thompson, Bounds & Goldman, 2012).

According to Mital *et al.* (2018), the major challenges that are affecting businesses are lack of resources and the inability to implement strategic management practices. Many small businesses faced greater challenges of uncertainty and lack of capital when they do not correctly prepare for the future through strategic thinking and planning. Several researchers such as Hathway (2013), Jackson (2016), Lum (2017), and Thompson *et al.* (2012) state that small business owners/managers do not undertake strategic planning and implementation for the following reasons:

- Lack of time;
- Lack of knowledge of strategic management practices and processes;
- Lack of skills and experience to start the process of strategic planning;
- Lack of confidence between internal stakeholders and sharing of business information;
- External and internal circumstances affecting preparations implementation;
- Owners and management attitudes towards strategic planning;
- The ineffective organisational system; and
- Human factors can cause plans to fail.

These factors are identified by several scholars namely: businesses fail because of a lack of managerial skills, management and leadership mistakes, and 90% of them fail because of a lack of skills and experience (Kalane, 2015; Lekhanya, 2016; Mukata & Swanepoel, 2017). Despite the ongoing empirical evidence in the literature, small business failures remain relatively high (SBP Alert, 2013). Maziti *et al.* (2018) report that SMEs have poor growth and performance in South Africa. However, the most significant factors leading to poor business performance and growth are poor planning, market and customers, business operations, financing and the external environment. According to Neneh and Van Zyl (2014), most small business owners/managers and directors have no desire or concern to bring business performance to the next level. Hove and Banjo (2018) recommend that small business owners/managers or executives need to understand strategic planning practices to increase business performance. Charles, Ojera and Oima (2015) find that strategic planning can be seen as too imposing as some businesses operate with a sustainability background and have achieved over the years. According to David and David (2017), strategic planning can be perceived as time-consuming, cumbersome and unnecessary.

3.4 CONTRIBUTION AND IMPORTANCE OF SMALL BUSINESSES

Small businesses make up the largest business sector and their importance is well-recognised around the world (Ayandibu & Houghton, 2017b; Bosma & Kelley, 2019; Tembe, 2018). Small businesses are key drivers of economic growth and long-term sustainability in the country and are the largest contributors to employment opportunities (Ayandibu & Houghton, 2017; Obi et al., 2018; Van Scheers, 2018). Small businesses can help to solve the continent’s most pressing challenges by providing much-needed jobs, and driving innovation, goods and services (Agwu & Emeti, 2014; Al-Tit, Omri & Euchi, 2019). Small businesses contributed approximately half of the GDP and 60-70% of employment (Bosma & Kelley, 2019; Majama & Magang, 2017; Owich, 2017; Tseka, 2018). Bushe (2019) and Tembe (2018) mention that small businesses are important drivers of South African economy and strategic planning can improve their sustainability and performance.

3.5 CHALLENGES OF SMALL BUSINESSES IN STRATEGIC PLANNING PRACTICES

3.5.1 Strategy formulation

Donkor, Donkor and Kwarteng (2018), Gopaul (2019) and Smith and Chimucheka (2014) indicate that one major reason for small business failure is poor management practices including deficiencies in the strategic decision-making process. Alenzy

(2018) mentions that globally, small businesses have a high failure rate, and the main cause is inadequate strategic management capabilities. Other studies have proven that there is a lack of understanding among SMEs owners/managers regarding the business risks from both internal and external sources, including the risks arising from business ventures or activities (Smit & Watkins, 2012; Wiid & Cant, 2018). Abesiga (2015) and Mosoti and Kamau (2014) mention that strategic planning in small businesses has generally been informal, unstructured, unstructured, and incomprehensive accompanied by inadequate information collected from informal sources. According to Roberts (2018) and Thompson, Bounds and Goldman (2012), small businesses conduct strategic planning processes primarily in an informal manner and have no evidence of documented strategies. Bellamy, Amoo, Mervyn and Hiddlestone-Mumford (2019) and Jackson (2016) argue that some business owners/managers spend time on planning at the expense of executing plans and performing various activities within the enterprise with minimal l application of strategic management tools and techniques.

Anyieni (2013) and Ayodele (2018) point out that strategic planning is rare or non-existent in many small businesses as they tend to pay attention to short-term operating priorities rather than long-term strategies, and decision-making is reactive rather than proactive. Mohutsiwa (2012) argues that South African small businesses and managers are not involved in strategic planning. Ayodele (2018) points out that small businesses do not carry out proper strategic planning in their business activities. Gure and Karugu (2018) argue that formal strategic planning might not be relevant for small businesses due to the high level of formality as it can suppress innovation and creativity. Kazinguvu (2016) found that small businesses are highly focused on profits and current business strategies instead of focusing on developing new strategies. Barnes (2019) argues that business owners/managers without clear divisions of duties depend on luck rather than strategy. In addition, neglecting strategic planning will affect business growth and performance improvement.

3.5.2 Strategy implementation

Hongbo, Lucien, Raphael and Boris (2018) established that planning activities are well applied in small businesses, however, owners/managers emphasise that resources would be required to implement those strategies. Panic (2019) and Yusoff, Jia, Azizan and Ramin (2016) point out that strategic planning is underdeveloped, practised amongst small business owners/managers and many strategies are formulated as short-term goals or localised for the current function. Nijkamp (2016) and Popescu, Ceptureanu and Ceptureanu (2017) added that inadequate procedures, lack of coordination, inadequate resources, lack of control systems and environmental ignorance are major challenges for the implementation of strategic planning in small enterprises. Nijkamp (2016) argues that strategy formulation and implementation does not continuously guarantee superior business performance. Opoku (2016) concludes that the challenges to implementing strategic planning are the resource allocations that are not linked to the business strategy, the ability to manage change effectively, top managers who do not support the implementation of the strategy, and the implementations of strategies that are not properly managed.

Haseeb, Lis, Haouas and Mihardjo (2019) mention that SMEs located in Malaysia are struggling with various technological and performance problems. Kutscha (2016) explains that the latest developments in technology and changes in consumer demand behaviour reduce the life span of existing business strategies in small businesses. Kebede Simesh (2015) and Masood, Soomro and Ali (2018) mention that successful adaptation of business to changes such as technological change, customer expectations, supplier relationship, regulatory environment and increased competition are required for successful strategic implementation.

Georgievski (2016), Jackson (2016) and Majama and Magang (2017) conclude that majority of small business owners/managers have limited knowledge of the strategic planning process. In addition, they narrow their perspective to day-to-day operations, rather than focusing on well-balanced long-term and short-term planning that will promote business growth. Njeru (2015) and Nyariki (2013) found that Kenya's SMEs do not follow strategic management practices because of resource constraints. Zaidi, Zawawi, Nordin and Ahnuar (2018) mention that the critical element of strategic implementation is to provide appropriate training to employees who have a direct influence on profit and growth. Business strategizing activities must be directly linked to the implementation of the plan, which is a critical part of strategic management practices (Sami, 2016).

3.6 BUSINESS PLANNING AND PERFORMANCE IN SMALL BUSINESSES.

According to Ayandibu and Houghton (2017) and Hove-Sibanda, Sibanda and Pooe, (2017), the small business performance includes sales growth, profitability, employee satisfaction and retention, employee productivity, cost reduction, return on investment, customer satisfaction and retention, and new product development, innovation and owners/mangers evaluation against their competitors. According to Synman, Kennon, Schutte and Von Leipzig (2013), factors that determine small business growth and continuity include increased economies of scale, market share, profitability and development of new business opportunities.

Maduekwe and Kamala (2016), and Tembe (2018) point out that business performance is primarily measured by financial performance and entrepreneurs satisfaction indicators, such as growth in sales, profitability and stock prices. Business performance is recognised based on the financial (sales) and non-financial. Financial performance is measured based on growth, profitability, sales revenue, return on investments, and product benefit. While, non-financial performance is measured by customer satisfaction, job satisfaction, employee development and participation, and effective business internal process (Agwu, 2018; Issau & Soni, 2019; Maduekwe & Kamala, 2016). To remain in operation, business needs a favourable financial position and favourable financial performance (Bruwer, 2018). Panic (2019) indicates that strategic planning would lead to increased financial performance of small businesses.

Bellamy, Amoo, Meryvn and Hiddlestone-Mumford (2019) and Pearce and Robison (2014) mention that only a few small businesses use and develop formal plans and planning tools. Lack of a strategic business plan and information among small business owners/managers leads to outdated management practices with the majority of them having no aspirations of growth (Kalkan & Bozkurt, 2013; Woodruff, 2018). Struwig, Krüger and Nuwagaba (2019) mention that small businesses have poor business processes from the internal business perspective and do not have appropriate business strategies that focus on their business growth strategies. According to Ayandibu and Houghton (2017) and Belov (2018), good quality financial planning is important for business success, as it offers owners/managers the opportunity to successfully address challenges such as cash flow, and reduced transaction costs and effective management.

Findings from Brinckmann and Kim (2015) reveal that business-planning activity is still a challenge in some business owners/managers and others do not have formal strategic plans for their operations. According to Abbrey, Bagah and Wulifan (2015) and Chiloane-Tsoka and Boya (2014), a small scale business needs to understand strategic management and have proper business planning that serves as a road map that will assist them to increase performance and survival. Besides the survival rates, strategic planning can also increase profitability and turnover growth (Kraus *et al.*, 2008). Jackson (2016) found that businesses with formal written business plans have a strong network, quality control systems and the ability to drive changes between employees and business that contributes to business growth. Skokan, Pawliczek and Piszczur (2013) notice that an enterprise with a limited concise strategic plan has achieved just 40% performance relative to those without a written business plan.

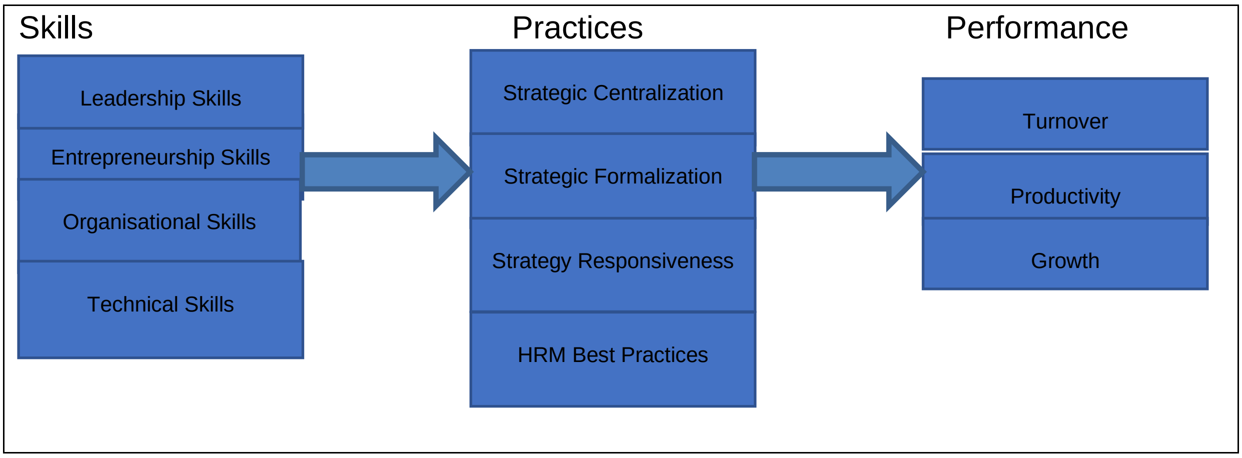
Planning is often defined as a cyclical activity in small business literature and is usually associated with two phases of business development; the start-up phase and the growth phase (Mccarthy, 2016; Wijetunge & Pushpakumari, 2014). According to Panic (2019), planning, both formal or informal is essential to the success and growth of small businesses. Gumel (2019) has established a strong relationship between transitional growth and formal planning. In addition, the impact of the planning process has been used to communicate the vision, mission and objectives of the company to both external and internal stakeholders. Wijesinghe (2012) mentions that business planning activity is important for understanding business environments and decision-making. Hosseininia and Ramezani (2016), Nyoni and Bonga (2018) and Onyenego (2018) identified the following important factors affecting sustainability of small businesses: networking, customer satisfaction, leadership and business operation strategies, social factors, customer orientation, marketing strategies and environmental factors. Khan, Li, Safdar and Khan (2019) and Nteka (2018) suggested that owners/managers of new enterprises must build successful new entrepreneurial strategies, and strengthen networking with external structures (financial institutions, governments and other enterprises) to acquire resources to improve performance.

3.7 STRATEGIC LEADERSHIP AND BUSINESS PERFORMANCE IN SMALL BUSINESS

Nyaoga and Magutu (2016) and Rungani and Potgieter (2018) mention that small business owners/managers must understand and follow the correct management functions (planning, controlling, recruitment, directing and organising) and be implemented by each department to increase business performance. According to Hayton (2015) and Moos and Sambo (2018) a large number of SMEs have issues in terms of growth and performance due to underdeveloped leadership, management skills and general failure to adopt best management practices. According to Muriithi, Louw and Radloff (2018), the effectiveness of leadership is important for the survival and performance of the business. Small business owners/managers need leadership and entrepreneurship skills to be effective and successful (Esmer & Dayi, 2018). Bambale, Girei and Barwa (2017) suggest that leadership styles influence employee performance positively, depending on the leadership style adopted by the leaders.

Ahmad and Ahmad (2018) empirically reviewed multiple skills (technical, managerial, business and entrepreneur) and performance and find that they are positively correlated. Small business owners/managers are directly responsible for the management of business operations (Smit & Watkins, 2012). Literature reveals that there is a linkage between financial performance and overall levels of business together with management practices, entrepreneurial competence and commitment in micro and small-scale enterprises (Nieuwoudt, Henning & Jordaan, 2017; Nteka, 2018; Omsa, Ridwan & Jayadi, 2017; Salazar-Elena & Guimon, 2019). Dedication and commitment of owners/managers are the two crucial factors that every entrepreneur should have for the enterprise to succeed in the market (Bat, 2018; Muriithi *et al.*, 2018; Pepaj, 2018). According to Amer (2017), Smith and Chimucheka (2014), Wiese (2014), and Sambo and Chiloane-Tsoka (2015), small business management needs owners/managers to use the combination of education, experience, management and leadership skills to achieve business success. Okanga and Drotski (2016) and Pucci, Nosi and Zanni (2017) confirm that systematic management have an impact on the performance of new ventures and existing businesses. Figure 3:2 below shows the linkage between skill, strategic planning and firm performance

Figure 3. 2: Framework of skills, practices and firm performance.



Source: (Hayton, 2015; Omolara, 2018)

According to Bushe (2019) and Synman, Kennon, Schutte and Van Leipzig (2013), managerial competence, strategic planning skills and management of resources are the factors that determine business growth. The strategic planning level is determined by management, financial, environment and organisational factors (Haseeb *et al.*, 2019). Tarigan (2016) states that strategic leadership has a strong relationship with competitive positioning. In addition, Tarigan (2016) suggests that leaders within organisations need to improve their strategic leadership skills to enhance the success of business. Gandy (2015) articulates that small businesses need to start planning to increase their footprint and profitability, which typically involves acquiring new skills, recruiting new staff and additional resources of the businesses.

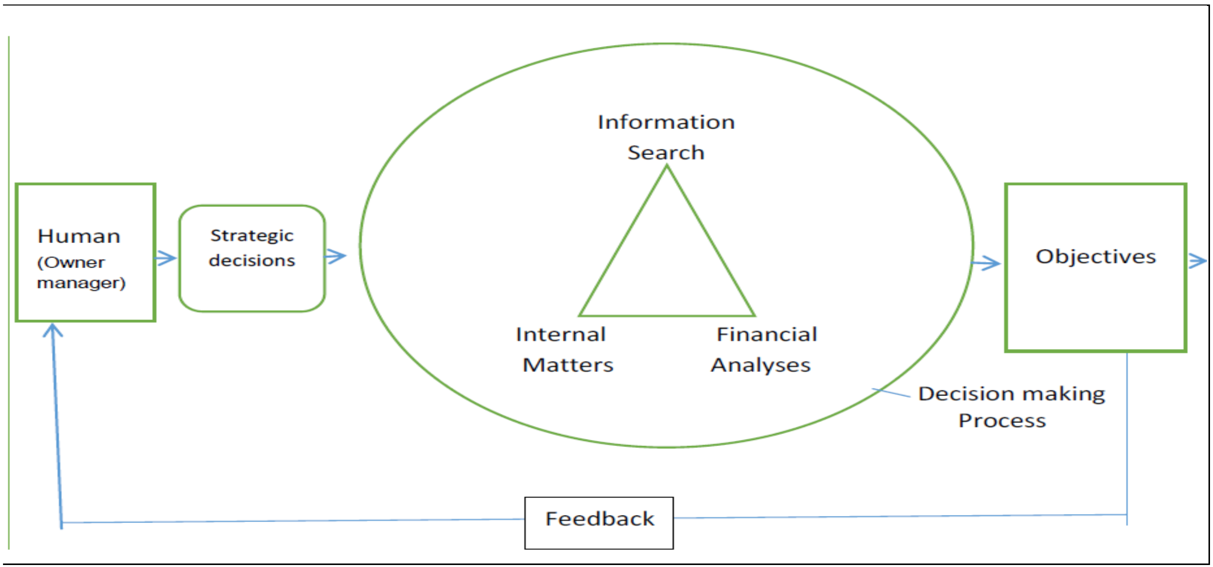
Bambale, Girei and Barwa (2017) argue that the relationship between the manager's characteristics and the strategic planning process has not been well documented. Wani (2018) mentions that considering the rapid changes in the external environment, owners/managers need to develop their skills to stay focused on overall business strategies. Previous research studies suggested a strong relationship between performance and managerial capabilities/skills (Abosede *et al.*, 2016; Ahmad & Ahmad, 2018). While Moyeen (2008) and Sandada (2015) through multiple regression analyses between personal characteristics, business and environmental characteristics and strategic planning, discovered that strategic planning and performance have a moderate relationship. However, empirical review studies reported inconsistent results or findings on the relationship or link between strategic planning and business growth (Khan & Khalique, 2014; Mccarthy, 2016; Wijetunge & Pushpakumari, 2014).

Lear (2012) notes that the existence of a strategic leader contributes to a short-and long-term objective that ultimately determines the performance of business, especially when these leaders concentrate on developing the resources, skills and competencies of their organization to gain a competitive advantage. O'Regan, Kling and Ghobadian (2012) state that strategic direction affects short-term and long-term performance results.

Muriithi, Louw and Radloff (2018) and Nijkamp (2016) mention that one critical element for business performance and survival depend on leadership characteristics, effectiveness and strategic thinking. Popescu, Ceptureanu and Ceptureanu (2017) argue that the level of business performance depends on management competence and expertise exercised by the entrepreneurs or managers. Ladzani, Smith and Pretorius (2012) show the need to educate small business owners/managers on the use of proper management measuring tools to strengthen leadership roles and strategic planning to increase management performance. Chipfupa (2017) reports the importance of taking human attitudes and actions for the development of new strategies and strategic planning processes to increase sustainability and growth in small businesses.

According to Agwu and Emeti (2014) and Mazzarol, Reboud and Soutar (2009), small business owners'/managers' characteristics need to be understood when considering growth. Entrepreneurial characteristics such as vision, originality, courage and risk-taking, taking opportunities, innovation-driven, productive and strategic are important for business growth and performance (Bat, 2018; Esmer & Dayi, 2018; Nteka, 2018). Figure 3.3 below shows the link between strategic decisions and objectives by owners/managers.

Figure 3. 3: Model of Decision-Making



Source: (Kengne, 2015)

Wijesinghe (2012) notes that management is a complex process that affects business performance by deciding how resources can be used effectively and efficiently. Kengne (2015) indicates that strategic decision-making in financial management is a very complicated problem for small business owners/managers in South Africa. Also, Smith and Chimucheka (2014) state that management functions within the enterprise entail the following factors:

- strategic thinking and identifying opportunities;
- business planning and establishment;
- growth of the business; and
- resource allocation.

3.7.1 Management, training and strategic planning skills in small business

According to Ansah (2016) and Ngwenya and Zondi (2019), strengthening business understanding and knowledge, skills such as risk-taking, identification of opportunities, strategic thinking, confidence, agility, leadership, creativity, networking, resource leveraging are important. The application of strategic planning concepts could lead to additional knowledge for small business owners and sustainable businesses (Barnes, 2019). Snider (2015), Wiid and Cant (2018) and Woodruff (2018) found that small business owners/managers need more financial and management training to grow and increase business performance. Mwatange (2017) recommends that training should be provided to SMEs to learn and understand the art of financial administration. Kengne (2015) identified a lack of theoretical knowledge in owners/managers relating to the collection of information and analysing for effective strategic decisions. Agwu (2018) and Kidombo (2014) point out that education and training have a major impact on business planning and strategic planning. Ndeisieh (2018) and Pepaj (2018) established that education empowers small business owners/managers with the understanding of strategies to sustain their businesses. Chiloane-Tsoka and Boya (2014), Davids (2012), Gandy (2015), and Ndeisieh (2018) mention that business management practices and entrepreneurial skills in small businesses are the most critical factors for profitability and sustainability beyond 5 years. Ndungu and Karugu (2018) recommend that managers adopt entrepreneurial skills and technology in order to optimise the financial profits of product development. Amer (2017) found that education, industry and the role of business had a strong relationship and impact in the years of business operation and the profitability of the current year, profitability over the past five years and the difference in the number of employees since its inception.

Visser, Chodukufa, Amadi-Echendu and Phillips (2016) report that the ratio of conceptual and technical skills between small business owners in the City of Tshwane differs. Additionally, they recommend that much effort must be placed into practice to balance technical and conceptual skills for business development and growth. David (2012) and Mbumbo and Benedict (2015) mention that small business owners/managers need to develop their day-to-day business management skills and make effective decisions. According to Bushe (2019), training must be provided as it improves management skills and leads to better firm performance. Enterprises that have programs for skills development had more favourable performance in a number of areas including sales, profitability, employee relationships, efficiency, productivity and competitiveness (Shalley, Hitt & Zhou, 2015). Mafundu and Mafini (2019) and Opoku (2016) mention that small businesses need to assess the skills and capabilities of employees and reconsider the allocation of resources to various business units for the long-term goals and sustainability and to increase the performance of the enterprise.

Abosede, Obasan and Alese (2016), Kebede and Simesh (2015) and Xaba and Urban, 2016) conclude that the owners/managers' motivation, strategic planning, strategic choice, market information, innovativeness, education and ownership correlate with business growth and performance. Mccloud (2020) and Ying, Hassan and Ahmad (2019) mention that small business owners'/managers' understanding is required to manage a business and growth. Although they have technical product-specific skills, they lack sales, cash flow management and business management. According to Maziti, Chinyamurindi and Marange (2018), owners/managers of businesses play a crucial role in the change of management strategies, which means that they can influence performance and growth. Murphy, Kelliher and Harrington (2019) noticed that owners/managers can hinder business growth depending on learning orientation, planning perspective and delegations of tasks. Vargas (2015) argues that organisational learning and leadership style are key strategies for small medium-sized companies to achieve high performance and competitiveness in innovation.

3.7.2 Strategic Planning, innovation and business performance

According to Furawo and Scheepers (2018) and Xaba and Urban (2016), business failure is often associated with a lack of entrepreneurship skills and knowledge such as innovation and risk-taking that are important for the growth of small businesses. Neneh and Van Zyl (2017) found a moderate level of proactiveness, innovation and a low risk-taking tendency in small businesses. Neneh (2016) argued that innovativeness and proactiveness have no significant positive influence on small business performance. Contextual performance in the context of strategic leadership behaviours, innovation and technology capabilities promotes the growth and success of business because of a relationship with strategic implementation (Palladan, Abdulkadir & Chong, 2016).

Lum (2017) established that small business development, survival, performance and innovation had a strong relationship. Small business owners/managers can use growth strategies to assist them to manage innovation and the external environment (Pepaj, 2018; Struwig *et al.*, 2019). Sosiawani (2017) confirmed the moderating impact of innovation and the relationship in the implementation of strategies between strategic planning and SMEs’ performance.

Hove-Sibanda, Sibanda and Pooe (2017) and Stovall (2018) recommend that to be successful, small business owners/managers must adopt a corporate culture that values strategic planning while encouraging innovation and taking decisions cautiously, consistently and organised while being reactive. Furawo and Scheepers (2018) found that there is a relationship between development and integrated technical knowledge and production-oriented innovative performance. According to Govuzela and Mafini (2019), Ombongi and Long (2018) and Salazar-Elena and Guimon (2019), the adoption of good business practices namely technological flexibility, creativity, learning and internal alignment can contribute positively towards organisational agility and financial performance in small businesses. Therefore, strategic planning is a critical determinant of performance throughout all business settings and improves economic performance and capital performance and economic performance and innovation (Ayandibu & Houghton, 2017; Mosoti & Kamau, 2014). Namada and Bagire (2016) point out that owners/managers of small businesses must carefully assess the strengths of their competitors and be able to change their strategies within the sector.

Chimucheka, Dodd and Chinyamurindi (2018) and Sambo and Chiloane-Tsoka (2015) conclude that technology has a positive impact on the performance of SMMEs in South Africa. They further recommend the adoption of technology to improve the sector. Ayoubi, Mehrabanfar and Banaitis (2018), Gure and Karugu (2018) and Isaboke (2018) mention that small businesses need to adopt strategies to compete fairly due to changes in government policies, technology, market trends, consumer satisfaction and dynamic environmental forces.

3.7.3 Entrepreneurial orientation, growth and performance in small business

Lum (2017) found that small business owners are relying on entrepreneurial orientation to turn their experience and expertise into a new small business. Dzomonda and Masocha (2018), Issau and Soni (2019), Mamun and Fazal (2018), and Neneh and Van Zyl (2017) established that the is a correlation between entrepreneurial orientation and small business growth and performance (employment, market share and profitability). Nwachukwu, Chládková and Žufan (2017) argue based on empirical studies, that the relationship between entrepreneurial orientation and business performance is unclear and inconclusive. Neneh (2016) points out that risk-taking, competitive aggressiveness, and self-determination have a beneficial effect on the performance of small businesses. Turyakira (2018) argues that small business owners/managers must not disregard or neglect good business practices. Furthermore, small businesses have been the most affected by lack of funding, strategic information and appropriate partnerships good practice. Rungani and Potgieter (2018) agreed that it is crucial to encourage successful small businesses to share their best business practices with other businesses that are struggling. It improves the knowledge base, success and performance rate.

3.8 THE STRATEGIC PLANNING PROCESS AND PERFORMANCE IN SMALL BUSINESS

3.8.1 Strategic approach

According to Alenzy (2018), the success of small businesses is influenced by strategic planning, particularly in developing countries. Agwu (2018) said that businesses that do not follow proper planning practices and tools do not grow due to poor planning processes. Gomera, Chinyamurindi and Mishi (2018) mentioned that for small businesses in South Africa to survive and succeed, it lies in the ability to follow strategic planning practices. Small businesses struggle based on owner/manager's lack of sufficient business-related knowledge (Mukata & Swanepoel, 2017). According to Jackson (2016), to boost productivity, decision-making owners/managers must implement strategic planning practices to increase competitiveness. Grant and Jordan 2015) alluded that the use of industry analysis is crucial for successful strategic planning. In addition, establishing a strategic plan enables business owners to make a proper analysis of the potential of a proposed enterprise. According to Ayoubi, Mehrabanfar and Banaitis (2018), Mattheeusen and Spontak (2018) and Ndeisieh (2018), successful strategic planning must be focusing on the business core capability, resources and the environment where it competes. Small and medium-sized businesses must develop strategies and plans that include competitive factors, market growth and performance goals (Maziriri, 2018; Synman *et al.*, 2013). To realise the vision, mission and strategic plans of the organisation, focus and alignment of the strategic planning process remain important ensuing the efficiency and improved performance (Nzuki, 2017). Williams, Manley, Aaron and Daniel (2018) identified a comprehensive strategic approach as key determinant of enterprise financial performance. Nwachukwu (2018) also emphasise that small business owners/managers must develop a comprehensive strategic approach that focuses on macro-environment factors that affect business performance for growth and sustainability.

Isaboke (2018) recommends that for small and medium-sized businesses to expand in scale, be profitable and compete favourably, Michael Porter’s generic strategies should be implemented for competitive advantage. Abosede, Obasan and Alese (2016) and Azad and Celik (2018) reveal that choosing the right effective generic strategies is crucial to improving organisational performance and ensuring long-term profitability. Alemayehu and Van Vuuren (2017) point out that small businesses that pursue a combination strategy perform well in terms of profitability, employment growth and turnover growth. However, the development of competitive strategy along with the resources of the enterprise is the driving forces of performance and competitive advantage (Rua, França & Ortiz, 2018). Namada and Bagire (2016) agree that the sustainability of small-scale enterprises depends on their ability to establish strategic plans that will allow them to have a competitive advantage over competitors.

3.8.2 Strategic thinking

According to Johnson, Scholes and Whittington (2014) and Nzuki (2017), the strategic planning process creates a systematic way to recognise strategic thinking (opportunities), strategic formulation (making decisions), and strategic reformulation (improving business performance). Gure and Karugu (2018) and Isaboke (2018) mention that performance management and improvement are the core values of strategic management, and a lot of strategic thinking is directed toward identifying and evaluating performance.

Many small business owners/managers do not have business plans, strategic planning and systematic decision-making although these are important for small business performance and survival (Mosoti & Kamau, 2014). Ayodele (2018) noticed that sound planning is necessary for decision-making, as decisions are taken based on the rule of thumb by many small business owners/managers. Vargo and Seville (2011) also emphasise that the ability of small business owners/managers to think strategically during a crisis is crucial for long-term survival. Maziti, Chinyamurindi and Marange (2018) mention that strategic thinking nonetheless leads to creative solutions and new business concepts. In addition, the role of strategic thinking within the business involves innovation, survival strategies, and developing products and services. Muriithi, Louw and Radloff (2018) established that strategic thinking determines the effectiveness of leadership. Hoogendoorn, Van Der Zwan and Thurik (2019) argue that for an entrepreneur to be successful, critical skills to be considered include professionalism, identifying new opportunities, strategic thinking and planning, and communication and management skills.

Strategic thinking has become necessary for business owners in a time of global competition, technological changes and increasingly competitive markets (Mungania, Karanja & Okwang'a, 2015). Mccarthy (2016) argues that the contradiction between strategic thinking and implementation is alarming given the company's internal dynamics. Bruwer, Cotzee and Meiring (2017), Heikkilä, Bouwman and Heikkilä (2018) and Struwig, Kruger and Nuwagaba (2019) also emphasise that small businesses in South Africa should focus on internal practices, develop, and implement relevant strategies to ensure growth and improve the performance and sustainability.

3.8.3 Strategic planning and decision-making process

Straková (2018) reveals that strategic planning and decision-making in small businesses are not based on modern management practice, particularly strategic management being applied through the transfer of experience from managers, practical personal insights and intuition. Kengne (2015) indicates that most African small business owners/managers are unfamiliar with strategic planning and they rely mainly on day-to-day decision-making for survival. According to Majama and Magang (2017), strategic planning offers guidance and forms the basis for business decision-making. Mccarthy (2016) found little evidence linking planning with the characteristics of the decision-maker within the enterprise. Elbanna and Elsharnouby (2017) reveal that formal planning has a strong correlation with the decision-making of managers.

According to Mohutsiwa (2012) and Popescu, Ceptureanu and Ceptureanu (2017), small business owners/managers focus mainly on short-term strategic decisions rather than long-term plans. Furthermore, their decision-making is reactive rather than proactive. The use of strategic planning in small businesses has increased as compared to large enterprises and the concept of decision-making regardless of size (Opoku, 2016). Strategic planning combines an organisation's analyses, decisions and actions to create better performance and sustain competitive advantage (Duygulu *et al.*, 2016).

Čalopa (2017) finds that the attitudes of small business owners/managers towards strategic planning do not influence financial decision-making. Zunckel and Nyide (2019) argue that capital structure decision-making is driven by the attitudes of small business owners/managers. Jackson (2016) cited Hang and Wang (2012) that for small businesses to be successful, it depends on the ability to decide on strategic decisions. Bush (2016) mentions that small business owners' decisions have positive significant implications on the sustainability of small businesses. Tinashe (2018) contend that owners/managers when making business decisions, must incorporate strategic planning as the decisions taken to have an impact on business success or failure. Ansah (2016) states that formal strategic planning provides owners/managers with a framework for decision-making that provides a long-term view of the business and offers objective standards for measuring performance. Georgievski (2016) alludes that small businesses must strive for strategic planning and performance systems that will support and add value to the decision-making process. Turyak[i]ira (2018) states that investors use business values and practices in decision-making. Strategies provide the framework for plans by channelling operating decisions (Omolade & Tony, 2014).

3.9 SCOPE OF STRATEGIC PLANNING IN SMALL BUSINESSES

Strategic planning as an independent variable has four stages including, environmental scanning, strategy formulation, strategy implementation and evaluation. Strategy performance is a dependent variable. Strategic performance as an independent variable often involves four points; internal business process, customers, financial, learning and growth (Aziz & Rahman, 2019; Murphy *et al.*, 2019). Shah, Yasir, Majid, Yasir and Javed (2020) established that strategic orientation has a direct and positive relationship with small and medium enterprise performance. Strategic planning involves owners/managers in formulating and executing of strategic objectives and strategies (Nkulu, 2012). Omsa, Ridwan and Jayadi (2018) allude that strategic and policy experts must encourage businesses, especially small businesses, to apply strategic planning practices to compete. Small business owners/managers' traditional business management style tended to overlook strategic planning processes in general.

In anticipation of future challenges and opportunities, small business owners/managers are encouraged to have a solid strategic plan, conduct environmental scanning that includes competitive strategies and plans, and increase stakeholder involvement approaches (Brezinova & Prusova, 2014; Tinashe, 2018; Turner & Endres, 2017). To survive and succeed in a competitive environment created by globalisation, small businesses need to establish a strategy (Sami, 2016). Donkor, Donkor and Kwarteng (2018) point out that effective implementation of strategic planning practices leads to the growth of small business performance.

Jogunola (2013) points out that many scholars listed inadequate implementation of the strategy that cripples an enterprise because the needed strategic planning and processes are wasted. Ouche, Oima and Oginda (2016) established that strategic planning practices integration within small businesses is very low and could be responsible for annual turnover deficits in recent years. In addition, they found that there is a linear relationship between strategic planning components and annual income turnover. Williams, Manley, Aaron and Daniel (2018) find that strategic planning, financial ratio analysis and holistic strategic approach are positively correlated with business performance. Bellamy, Amoo, Mervyn, Hiddlestone-Mumford (2019) point out that consistent strategic approaches and implementation appear to have a positive impact on success when measured by growth.

Barnes (2019) suggests that for business growth and survival, owners/managers incorporate talent-based strategies. According to Sajilan and Tehseen (2015), the survival and growth of a business correlate with the business drive, vision, management, and ambition of business owners/managers. Evidence has shown a strong relationship between strategic planning and the performance of the business (Nyariki, 2013). Knott and Thnarudee (2018) argue that no consistent findings exist as to how strategic planning contributes to performance. They also point out that there are some fundamental reasons why businesses need strategic planning.

Small, Smidt and Joseph (2017) highlight the importance of monitoring business performance when analysing the effects of business strategies, especially growth, cash management and sustainability. All these researches share the same sentiment that small businesses are important to the economy. Although small business contributes a lot of economic growth of the country, the success and survival is closely associated with performance and growth. Furthermore, they mentioned that growth has been used to measure the success of the business (Omolara, 2018). Razmus and Laguna (2018) suggest that growth is the most suitable indicator of the performance of surviving small businesses and achieving financial goals.

Guy (2019) and Snider (2015) mention the survival rates of start-ups business is disappointing within the first 5 years. Barnes (2019) attests that small business owners/managers have been experiencing challenges in sustaining their businesses for more than 5 years. Fatoki (2018) suggested that owners/managers must take steps that will assist them in developing good management strategies that will improve resilience to ensure l performance and sustainability.

Findings from Bush (2016), Bushe (2019) and Sithataram and Hoque (2016) indicate that many small business owners/managers feel that strategic planning is either not necessary or too complicated to implement. When doing strategic planning, small business owners/managers in their majority neglect activities such as mission fulfilment, human resource and market share targets they believe is something that benefits big businesses (Agwu, 2018).

Nkulu (2012) reports that small business owners/managers are using strategic planning ineffectively or scarcely, and found a lack or absence of strategic planning use. Kutscha (2016) mentions that small businesses are increasingly unaware of the concept of business strategy and pay little attention to developments in business strategies. According to Mungania, Karanja and Okwang'a (2015), Wang, Walker and Redmond (2007), Wani (2018), and Sambo and Chiloane-Tsoka (2015), there are several factors encountered by small business owners/managers in their strategic planning practices ranging from lack of time and information, resource management, education and skills and high cost of training.

3.10 EFFECTIVE STRATEGIC PLANNING PRACTICES BY SMALL BUSINESSES

According to Abosede, Obasan and Alese (2016), when small business owners/managers do formal planning, the scope of strategic planning will affect the growth of the company and provide a basis for growing the company's finance and profitability. Georgievski (2016) explains that a well-implemented performance management system provides information that helps owners/managers to make decisions based on internal information previously obtained. Ates and Bititci (2009) recommend that owners/managers of small businesses must work to make strategic plans happen through sharing with dedicated workers, continuous investments, and internal and external communication. Kraus, Reiche and Reschke (2007) argue that small businesses need to strategically plan less because they are more flexible and they can respond more easily to changes in the external environment. Williams, Manley, Aaron and Daniel (2018) find that the impact of strategic planning on small business performance was unclear.

To improve the management and operational performance of small businesses and eventually be more competitive and profitable, owners/managers need to understand and adopt strategies of price leadership (Pucci *et al.*, 2017; Wiese, 2014). Duygulu, Ozeren, Isildar and Appolloni (2016) and Sorooshian (2017) find that there is a clear correlation between strategic planning and enterprise performance (sales, costs, profit and production targets), and improvement of quality services.

Sandada (2015) and Waliang'i (2015) also confirm that formal strategic planning appears to have an impact on the growth and performance of small businesses than environmental scanning, mission and vision. Bellamy, Amoo, Meryvn (2019) and Habwe (2018) conclude that the mission and objectives, environmental scanning and strategic management had an impact on financial performance. Furthermore, they found that mission and objectives were important determinants of financial performance. Duygulu, Ozeren, Isuldar and Appolloni (2016) emphasise that an effective strategy formulation should be a focus on the relationship between business mission statements and the performance of the small business to provide direction and purpose for business. Ali and Qun (2019) found that small businesses are gradually adopting strategic management practices. Njeru (2015) and Nyariki (2013) found that high performing small businesses have implemented strategic planning practices.

According to Didonet, Fearne and Simmons (2020), a well-managed and implemented strategic planning process will lead to better growth and performance. Davids (2012) suggests that businesses should constantly redefine their markets, restructure their operations and change their business strategies. Omsa, Ridwan and Jayadi (2017) found that strategic planning had a positive and strong impact on the volume of sales, break-even points and profits. Kuswatuka and Zimuto (2019) indicate that owners and managers of small businesses need to conduct strategic planning earlier and then review their business strategy to achieve success and performance.

Shalley, Hitt and Zhou (2015)) stress that small businesses need to be competitive with the changing business environment by carefully selecting the market and developing strategies as well as planning. In addition, they concluded that there is a relationship between business performance (longevity) and the business environment in which small business operates. Opoku (2016) found that strategic management practices have been placed in practice to conduct business, analyse daily operations against long-term plans, evaluate competitor strategies and identify sustainability. Agwu (2018) discovered that the implementation of strategic management strategies had an impact on profit margins and growth in sales volumes of small businesses in Nigeria. Anyieni (2013) and Yusoff, Jia, Azizan and Ramin (2016) also found that strategy planning interrelation with business operation and success has a positive impact on performance. Recent studies in the hospitality sector in the United Kingdom showed that business success is positively associated with strategic planning thoroughness, complexity, engagement and formality (Omolara, 2018).

According to Abosede, Obasan and Alese (2016), in all business sectors studied, conventional strategic management process together with strategic planning was associated with higher performance. Recent studies indicate that a relationship exists between strategy, business performance and governance (David & David, 2017; Gomera *et al.*, 2018). According to Brezinova and Prusova (2014), Pucci, Nosi and Zanni (2017) and Snider (2015), business owners/managers who adopt strategic planning strategies and practices improve their profitability, reduce costs, make informed decisions, employee satisfaction and increase customer satisfaction.

3.11 STRATEGIC PLANNING, GROWTH AND PERFORMANCE OF SMALL BUSINESSES

In today's dynamic environment and high competition across the world, the need for strategic planning is generally acknowledged for profit maximisation and successful operation by various businesses (Donkor *et al.*, 2018; Khan & Khalique, 2014). Didonet, Fearne and Simmons (2020) and Mazzarol, Reboud and Soutar (2009) suggest that business owners/managers should concentrate or focus on maximising profits to achieve business growth. In the current economic conditions, small businesses are being encouraged to adopt business strategies that allow them to address strategic and security risks facing their enterprise (Ansah, 2016). Wani (2018) mentions that small businesses need strategic planning to analyse and adjust the performance of the business instead of following their daily routine. Ayandibu and Houghton (2017a) mention that small businesses must do strategic planning to assess the business position and competition.

Chereau and Meschi (2018) and Wijesinghe (2012) suggest that strategic planning tools and methods can be utilised by organisations to gain a competitive advantage within the industry, maintain survival and ensure continued growth, irrespective of the size and current state of business. Kalkan and Bozkurt (2013) and Qehaja and Ismajli, (2018) recommend that SMEs should use strategic tools and methods to completely benefit from strategic planning's positive impacts on the performance of the firm.

Guy (2019) and Sitharam and Hoque (2016) recommend that business owners/managers be encouraged to adopt new strategies that will improve the management of the business environment, and encourage effective strategic planning and personal development. Abosede, Obasan and Alese (2016) and Louw and Venter (2019) recommend that small business owners/managers must develop and implement business strategies that will assist and improve understanding of business and the environment to promote proper planning and forecasting of factors affecting financial performance. However, Neneh and Van Zyl (2013) mention that it is important for small businesses to adopt and implement business practices to achieve optimal performance that will enhance their success and profitability.

Agyapong, Osei and Akomea (2015), Ogunmokun and Tang (2012) and Pepaj, (2018) established that business owners/managers with marketing strategies and competitive strategies had a better strategic planning process, brand building and firm performance. Lora (2020) finds that there is a positive relationship between the competitive marketing advantage of small businesses and productivity, performance-based sales, profits, growth, sales revenue, value-added goods, and market share of products and services. Abeh (2017), Ndeisieh (2018) and Pangemanan and Walukow (2018) propose that small enterprises must be able to develop marketing strategies, innovate, manage and control costs, and diversify products through extensive training and investment strategies for business growth. According to Kuswatuka and Zimuto (2019), strategic planning is essential to building business sustainability and gaining both short-term profit and long-term market leadership. Kabui, Machuki, Yabs and Njihia (2018) assert that small businesses with a high level of performance have written down strategic planning which includes their business mission, marketing objectives, products/services and distribution as compared to a business with a low level of performance. Strategic planning was found to have a profound impact on long-term profitability and growth based on creativity and an effective management approach (Ali & Qun, 2019; Monye & Ibegbulem, 2018; Otieno *et al.*, 2017).

It is understood that small businesses in developed and emerging economies have formally embraced strategic planning (Abosede *et al.*, 2016). Lora (2020) emphasises that small business owners/managers need to be familiar with strategic planning practices, procedures and methods that may be useful for business performance. Strategic planning effectiveness can be measured by the degree to which it affects and have an impact on the performance of the business, which in turn affects profitability (Monye & Ibegbulem, 2018; Nijkamp, 2016; Owolabi & Makinde, 2012). However, Mosoti and Kamau (2014) mention that the performance of a business depends on the implementation of strategic planning practices. Charles, Ojera and

David (2015) conclude that continued exposure of small enterprises to formal strategic planning practising would address the challenges of small enterprise failure. Furthermore, they recommend the formalisation of strategic management practices in small business development programmes.

3.12 ROLE OF STRATEGIC PLANNING ON SMALL BUSINESSES GROWTH AND PROFITABILITY

Small business environments and entrepreneurial landscapes require strategic planning to gain a competitive advantage and to improve performance (Rambaruth, Adam and Krishna, 2021; Sandada, 2015). Grant and Jordan (2015) mention that small businesses and large companies operate in a similar space, and although they operate at different levels, strategic planning is required to assess the environment. Bohari, Kadir and Cheng (2014) mention that the application of relevant strategic planning can ensure small businesses survive in the intense market conditions, especially through external environment scanning and can make a contribution to the economy. Previous studies have found that small businesses that do strategic planning outperform their competitors and have a competitive advantage (Charles, Ojera & David, 2015; Mattheeusen & Spontak, 2018; Straková, 2018; Omsa, Ridwan, & Jayadi, 2018; Kihia, 2017; Majama & Magang, 2017; Dubihlela & Sandada, 2014).

Strategic planning can assist management to understand the long-term direction of business and assists in developing effective strategies to reach those goals; establish business priorities, build on teamwork and expertise, tackle rapidly changing environment, improve performance and solve business problems (Fred & Forest, 2017; Mital, Pearce & Robinson, 2018). Gomera (2016) found that strategic planning allows small businesses to identify areas of competencies to leverage their profits.

As for the small business sector, strategic planning is highly required to change the strategy to suit the environment (Kihia, 2017). According to Hove and Banjo (2018), proper planning helps small businesses to accommodate business challenges and risks to reduce uncertainty. Planning encourages management to be proactive and also helps to minimise the risk and precautionary steps that need to be taken in addressing them (Sandada *et al.*, 2016). In their research, Chimucheka acknowledges that, in the current economic environment, small businesses need relatively good planning. Sandada *et al.* (2016) find that small business owners/managers, generally do not undertake strategic planning and proactive decision-making and are core determinants of small business success and growth. According to Mattheeusen and Spontak (2018), strategic planning is very important for small businesses in this period of technological changes, global competition and an increasingly dynamic market.

As stated in literature reviews, strategic planning is typically more common for well-performing small businesses (Abosede *et al.,* 2016). According to Gure and Karugu (2018), research on strategic planning in small businesses has shown improved performance within these businesses. Omsa *et al.* (2018) state that doing strategic planning can create a long-term competitive edge, better performance and business success. During strategic planning, management must consider the business objectives and goals that must be achieved within a specific timeframe, as well as the necessary resources and activities to be carried out to achieve objectives and goals as efficiently as possible.

Thompson, Bounds and Goldman (2012) assert that businesses that are involved in strategic planning achieve higher returns on assets and growth, high sales, and higher profit margins. Thompson *et al.* (2012) indicate that businesses that have formal strategic planning and implementation improve their performance, and allocation of resources, are more competitive and able to respond to unpredictable markets. In addition, Wheelen *et al.* (2015) mention the following benefits of strategic planning:

- **Immediate benefits**

An introduction of effective strategic planning encourages business owners/managers to carefully analyse the internal and external environment (Grant & Jordan, 2015). Barney and Hesterly (2015) mention that strategic planning provides the overall framework of business operations and the deployment of organisational resources. According to David and David (2016), understanding and execution of strategic planning also promote better decision-making and more realistic business goals and objectives.

- **Short-term benefits**

Strategic planning guides the decision-making for effective strategies through coordination and shared purpose (Grant & Jordan, 2015). According to Durmaz and Düşün (2016), implementation of strategic planning has several effects: improvement of resources and internal business communication. David (2016) stresses strategic planning adds value to business investors and allows the company to succeed in the market effectively. Strategic planning addresses both strategic and operational issues and translates them into objectives, actions, policies and process strategies (David, David, & David, 2020)

- **Long-term benefits**

The objective of the strategy is to obtain long-term goals and a competitive advantage over its competitor. In addition, strategic formulation and implementation can increase performance (Louw & Venter, 2019). David and David (2017) note that strategic planning focuses on integrating management, production and operations, marketing and finance, research and development to increase operational effectiveness and performance.

3.13 CHAPTER SUMMARY

Based on a review of the literature, to survive and increase business performance, small business owners/managers need to understand the dynamics of the industry and competition to develop strategic plans to gain a competitive advantage. Small business owners/managers must embrace the idea of strategic planning regardless of the size of their business and line of operations as it can assist to address business risks, challenges and the development of new strategies. The growth of technology and innovation offers prospects for small businesses to grow and enable them to contribute to the economy. Additionally, emerging small businesses can use technology and innovation to outmanoeuvre the competition and stay relevant. In conclusion, small business managers/owners can see how they can visualize business strategy, and subsequently, cultivate an effective strategic making process and add technological initiatives, which can improve sales and profitability within the business.

CHAPTER FOUR: RESEARCH METHODOLOGY

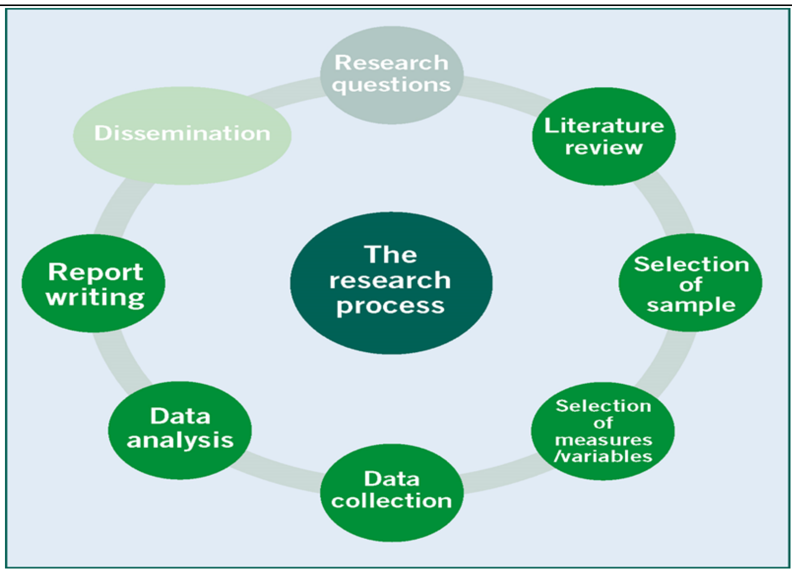
4.1 INTRODUCTION

The previous chapter presented a summary of the literature review on an empirical investigation of strategic planning in small businesses in the City of Tshwane: a framework for profitability and growth. The research methodology/approach used in this study is discussed in this chapter and the research approach used to collect and analyse data. The discussion in this chapter covers the research design, research instrument, population size and sampling method. The reliability and validity of the study are going to be discussed and the statistical data method used in data analysis.

4.2 RESEARCH METHODOLOGY

According to Kumar (2017) and O'Leary and Hunt (2016), research methodology is a structured, linear series of steps from the start of the research, starting from problem identification, generation and testing of hypothesis and testing and drawing new conclusions. This definition relates well to views by other scholars that are summarised in the form of Figure 4.1. It covers sampling strategies, population size and statistical techniques for analysing data (Edmonds & Kennedy, 2017; Sekaran, 2016).

Figure 4. 1: Research Process



Source: (Saunders, Lewis & Thornhill, 2016)

4.3 THE RESEARCH PARADIGM: POSITIVISM

According to Cassell, Cunliffe and Grandy (2018), a research paradigm refers to the theoretical framework underpinning the research process. The framework offers a guiding structure and a set of appropriate tools to help the researcher get responses to research questions or address the hypothesis of the study (O'Gorman & MacIntosh, 2015).

In business research, various research methodologies are differentiated between empirical (positivist, deductive, and empiricist) approaches that are usually associated with quantitative methodology whereas subjectivist (social construction, inductive and interpretive) approaches are associated with qualitative methodology (Eisend & Kuss, 2019; Saunders, Lewis & Thornhill, 2019).

Kumar (2017) and Saunders *et al.* (2016) state that two basic research paradigms are positivistic and phenomenological. According to Cohen *et al.* (2018) and Kura (2012), positivism is all about variables that include several assumptions about the social environment and how it should be examined. Moreover, the positivism paradigm state that the theoretical proposition must be related to one another. The positivist seeks through deduction to determine the validity of the approach and is associated with quantitative research (Malhotra, Nunan & Birks, 2017; Saunders & Thornhill, 2011). Sahay (2016) states that where cause and effect or relationships are being studied, researchers usually use positivism philosophy. Furthermore, it involves large quantitative data and statistical hypothesis testing. Patten and Newhart (2018) allude that positivistic methods of data collection such as surveys give positive results and rely on data collected systematically and methodically. It is possible to generalise the findings by applying statistical techniques to those data (Burns, Veeck and Bush, 2017).

4.4 RESEARCH APPROACH

Collis and Hussey (2015) define the research method as the part of the study that describes the approach used to carry out the research. The research method is the systematic approach adopted in data collection and interpretation to obtain information (Greener & Martelli, 2015).

Saunders, Lewis and Thornhill (2017) mention that it is important to choose the correct research design for a study at the outset. Furthermore, the research can be approached in the following ways:

- Qualitative or quantitative
- Applied or basic
- Deductive or inductive

Saunders *et al*. (2016) indicate that there are two research methods, qualitative and quantitative. They further maintain that the quantitative method is more to be considered reliable, findings can be actionable and recommended, while the qualitative method lacks vigour, resulting in indecisive findings. The quantitative method was used to obtain information from small business owners/managers to determine if they are engaging in strategic planning and if so, to determine the impact of strategic planning on growth and profitability. Descriptive design using cross-sectional design was used, as it provides information that allows the identification of the correlation between variables (Saunders *et al.*, 2019).

4.4.1 Deductive approach

Deductive moves from general theory or hypotheses to specific situations and is built from general broad theories (Collis & Hussey, 2015). Hypothesis and theory are developed in a deductive approach and the hypothesis is tested by research strategy (Saunders *et al.*, 2016; Walliman, 2017). The theory will allow the examination of the specific results or research outcome, which will confirm the changes to the theory (Matthews & Ross, 2014). The deductive approach moves from a general theory to an analysis of how it holds in a particular situation (Patten & Newhart, 2018). Since the data was collected from primary sources, the descriptive approach was used to determine the relationship between strategic planning practices and their impact on small business financial performance.

Quantitative research is regarded as a deductive approach (Almalki, 2016). The deductive approach highlights the scientific methods of moving from theory to practice and also explains the relationship between variables, collection of quantitative data, use of data validation controls and a highly structured approach (Bryman & Bell, 2016). To generalise the results, a researcher must choose an appropriate sample size (Saunders, Lewis & Thornhill, 2009). This method was used in this research to gain an understanding of the research problems and to determine the position of small businesses that have strategic plans or are involved in any strategic planning activities.

4.4.2 Quantitative research

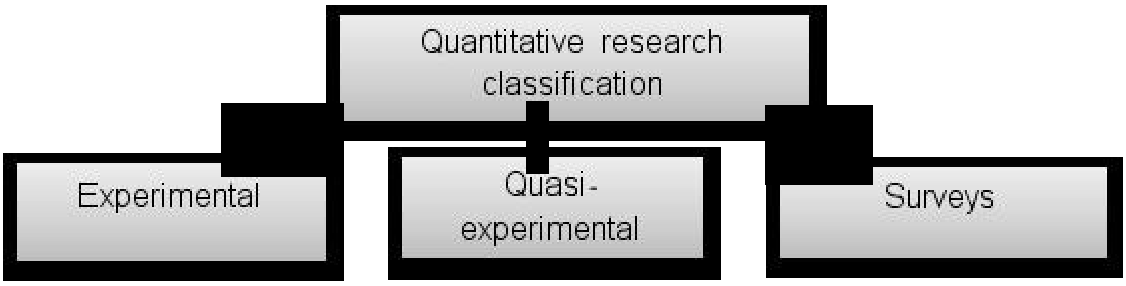
Quantitative research is aimed at testing existing theories to determine the evidence or facts and also focusing on the description of reality (Maison, 2019; Sekaran, Uma and Bougie, 2016). Quantitative research demonstrates the relationships between two variables and quantifies or predicts the outcomes. Furthermore, quantitative research is mainly concerned with the systematic empirical research of quantitative phenomena and their range (Saunders *et al.*, 2019). Patten and Newhart (2018) and Saunders, Lewis and Thornhill (2016) discuss quantitative research as a systematic investigation that uses mathematical techniques or statistical tools, which usually begins with the collection of data and then moves to statistical analysis. They also pointed out that quantitative research has been designed to ensure the credibility, generalisation and dependability of research findings. Quantitative research focuses on statistical data collection, analysis and testing of a predetermined hypothesis (Boncz, 2015; Creswell & Creswell, 2018; Pandey & Pandey, 2015). According to Bell (2014) and Dagnino and Cinici (2016), it focuses on measuring the scale, range and frequency of phenomena. Quantitative methods tend to involve pre-defining variables, and then quantifying observations of those variables (Okoli & Schabram, 2010). Findings of quantitative research design are generally in the form of graphs, statistical data, tables and percentages (Hague *et al.*, 2016). Salkind (2012) states that quantitative research:

- It entails examining social phenomena through numerical measurement and statistical analyses of measurements.;
- Views reality as consisting of phenomena that can be observed and measured; and

- Encourages replication and places a high value on objectivity and reliability of findings.

Quantitative research has three classifications, namely; experimental, quasi-experimental and surveys (Figure 4:2 below) (Saunders *et al.*, 2019; Walliman, 2017).

Figure 4. 2: Classifications of Quantitative Strategies



Source: Saunders *et al* (2019)

Greener and Martelli (2015) indicate that quantitative research is generally associated with experiments and surveys. Additionally, they mentioned that quantitative research is considered to be the best business research method of study and data collection. The quantitative research method utilise formalised structured research questions with predetermined response options and it can be used with a large number of respondents (Burns *et al.*, 2017; Shukla, 2014a). The purpose of using quantitative research is to get an understanding of the perceptions and attitudes of small business owners and managers if they have strategic plans or are involved in any strategic planning activities.

4.5 RESEARCH DESIGN

Greener and Martelli (2015) and Saunders, Lewis and Thornhill (2016) state that research design entails a detailed logical framework that can be used to collect data and information from research participants for analysis, to conclude the research problems. It provides a conceptual framework that allows the researcher to address specific research questions while applying sound scientific inquiry principles, which include data collection and analysis (Bryman & Bell, 2016; Edmonds & Kennedy, 2017). It includes various research methods and techniques to conduct research to address the research problem efficiently (Creswell & Creswell, 2018; Sekaran & Bougie, 2016). According to Rajasekhar (2016) and Sahay (2016), properly designed research should ensure that the information gathered is consistent and coherent with the research objectives, and questions and that appropriate method are used to collect data. A proper research design ensures the least bias in the data collected and increases confidence in the information analysed for the research (Pandey & Pandey, 2015; Patten & Newhart, 2018).

Quantitative research design has several research approaches. Casual-comparative research, correlation research, explanatory research, and descriptive and exploratory research are the most common types of research design. (Saunders *et al.*, 2016). Descriptive, correlation and explanatory design were used in this research. This study adopted a survey for rapid data collection and the understanding of the study population.

4.5.1 Descriptive design

The descriptive study includes an in-depth analysis, a description of phenomena or populations and classifications being studied (Bell, 2014; Leedy *et al.*, 2016). Descriptive research entails examining a particular situation to determine whether any general theories can emerge from it and whether specific situations have borne out an existing theory (Cooper & Schindler, 2014; Igwenagu, 2016; Neuman, 2017). Descriptive research design employs a range of scientific methods and strategies to collect data and develop information structures that will describe the predominant characteristics of a specific target population (Salkind, 2013; Terrell, 2012).

It is a suitable choice for understanding trends in a specific field or the frequency of a particular event (Walliman, 2017). Descriptive research is suitable where the researcher does not have any knowledge or information on the research problem and a primary collection of information is required to develop a hypothesis (Deshmukh & Chakur, 2015). Descriptive research can be used to classify random variables and correlations (Malthora *et al*., 2017). The descriptive design does not need internal validity to explain the population characteristics (Zikmund *et al.*, 2013). According to

Salkind (2013), descriptive research is used for the calculation of data frequencies averages and statistics data. Information obtained by descriptive research is more valuable and important for decision-making since the data is collected from a large population and can be used to inform other studies (Hague *et al.*, 2016). The advantages of using descriptive design are:

- Descriptive research collects a large amount of data for the study.
- With the assistance of this research, detailed data can be provided for future references and studies.
- More focused research can be developed by using the study limitations as a tool.
- The descriptive design provides a general overview of the study that helps to identify useful suggestions for which variables are worth exploring (Burns *et al.*, 2017; Esser & Vliegenthart, 2017).

4.5.2 Correlational Research

According to Cooper and Schindler (2014) and Patten and Newhart (2018), a research study that investigates the relationship between two or more variables is also called a correlation study. Greener and Martelli (2015) refer to correlation design as the analysis in which the main purpose is to discover the relationship between the variables by using correlation metrics, such as correlation coefficient (r), which attempts to quantify relationship power. Furthermore, a correlation between two variables can occur occasionally as caused by external sources. According to Hart (2018) and Saunders *et al*. (2017), the cross-sectional quantitative design allows assessing frequency by using a multi-section of the population and provides an overview of the current conditions of the existing challenges and suggests improvement at a particular moment.

Correlational research is conducted to determine the relationship between two variables to determine to affects each other and to analyse the changes that occurred (Howitt & Cramer, 2017; Walliman, 2017). To conclude that there is a correlation between two variables simply implies that they must be related. It helps to understand the trend pattern relations between two variables and how they influence each other (Sekaran, 2016). Correlational research uses a numerical index as a measure of the frequency of the relationship called the correlation coefficient (Salkind, 2013). Correlation means to the degree the two variables differ explicitly (positive correlation) or vice versa (negative correlation) and the researcher observe and record the extent of their covariation (Ary, Jacobs, Sorensen & Razaveih, 2010; Cohen *et al.*, 2018).

In general, correlation research combined with other research tools allows the researcher to draw substantial or stable conclusions since the data collected by correlation can draw firm conclusions (Walliman, 2017). Quantitative is often used to combine the correlation between two variables through statistical methods of analysis (Esser & Vliegenthart, 2017). Hence, correlation design was used in this research to determine the relationship between strategic planning and perceived small business performance.

4.5.3 Explanatory design

Sekaran (2016) states that explanatory design attempts to establish the relationship between variables or connectedness and to describe the relationship between phenomenon components. The basic purpose of this research is to study the problem closely, collect data on phenomena, and clarify the connection between variables through an observational and deductive method, frequently including statistical analyses (Apuke, 2017; Saunders *et al.*, 2019).

Saunders *et al.* (2016) mention that an explanatory design goes beyond describing the characteristics, and it aims to show the relationships, links and patterns as to why something occurs. It was used in this research to show the relationship between the challenges experienced in adopting strategic plans, and practices, and evaluate the importance or value of small business strategic planning.

4.5.4 Surveys

The survey is a positivist research design wherein a sample of a population is chosen and researched to derive conclusions about the entire population (Saunders *et al.*, 2016). Quantitative research is more detailed in its research methodology, particularly on research and surveys, because it expands on existing theories (Saunders *et al.*, 2019). Bryman and Bell (2018) mention that a survey is the most commonly used method for data collection. Surveys are the most important instrument in quantitative research techniques for explaining particular aspects of a population (Creswell & Creswell, 2018; Sekaran & Bougie, 2016). Tools such as survey questionnaires, and sampling techniques are used to conduct quantitative research and the findings of these methods are presented in numerical data. To conduct quantitative research, methods like survey questionnaires and sampling procedures are used and results from these methods are represented in numerical form (Crano, Brewer & Lac, 2015). Surveys normally outline a population's attitudes, beliefs, and behaviours (Patten & Newhart, 2018). A survey can accommodate large population sample sizes and therefore it increases the generalisability of results (Malhotra *et al.*, 2017).

According to Saunders, Lewis and Thornhill (2016), surveys have two types, namely; longitudinal and cross-sectional surveys that can be used in data collection. A cross-sectional survey was used to obtain information or to collect data. The survey normally uses a structured questionnaire to gain insights, views and attitudes and is designed to get specific information from research participants (Igwenagu, 2016; O'Leary & Hunt, 2016). A researcher can test various variables at the same time in a survey. In addition, a well-designed survey can accommodate a large sample size and thus improve the generalisability of research findings (Cohen *et al.*, 2018; Kumar, 2017; Saunders *et al.*, 2019). Surveys allow the researcher to summarise the characteristics of different groups, or calculate their attitudes and opinions toward a particular issue (Neuman, 2017).

4.6 TARGET POPULATION

Hair, Celsi, Money, Samouel and Page (2015) and Sekaran (2016) define the target population as representatives of a population who are homogenous and have certain similar characteristics. Generally, population refers to the total collection of items, objects, or people from whom a sample is drawn Walliman (2017) describes the population as a whole set of items, components and peoples that can be used to obtain information through measurements or observations of certain to obtain information for research purposes. The researcher needs the population to be able to generalise results (Patten & Newhart, 2018). The target population in this study was small businesses in the City of Tshwane, and participants were owners/managers of these enterprises. The study focused on the City of Tshwane because of the cost of the research, time of gathering data would be difficult if the study expanded to other cities or provinces. Lastly, the city has enough population size to generalise the study findings. The population size obtained from the City of Tshwane Municipality was 446 small businesses and recommended sample size is 169 participants based on the Raosoft Sample size calculator discussed below in section 4.7.2.

4.7 SAMPLING

It is the process of choosing a portion of a representative part of the whole population for surveys (Collis & Hussey, 2015). Bryman (2016) defines sampling as the procedure where a population sample is chosen and their relationships, attitudes and behaviours are studied. Sampling is a method for selecting a population or individuals representing a large population or community for research purposes (Burns *et al.*, 2017; Hague *et al.*, 2016). Saunders, Lewis and Thornhill (2016) relate sampling to subsets (members, people, organisations and events) through which a sample of the whole population will be selected to generalise the study findings. Sampling includes selecting a subset of populations for research within a given structure to estimate the characteristics of the whole population (Galvan & Galvan, 2017). In business research, sampling is widely used to gather information about the population (Saunders *et al.*, 2009). According to Howitt and Cramer (2017) and Pandey and Pandey (2015), sampling has two categories: non-probability and probability. Probability sampling has been used to determine the sample and is discussed in the next section.

4.7.1 Probability sampling techniques

Sample design is a well-defined strategy for collecting any data to get a population sample size (Pandey & Pandey, 2015). In the probability method, the study participants are chosen randomly from the population, and each participant in the sample is chosen equally (King, 2014; Walliman, 2017). According to Mohajan (2017a) , the entire sample population does have an equal chance to be selected, there is no unfairness or pre-determination throughout the selection procedure. Research participants are selected to determine the best possible representation of the population (Maison, 2019). The main characteristic of probability sampling is that there is a known likelihood of each member or element of the population being chosen in the sample (Hair *et al.*, 2015; Waters, 2011).

Random sampling has different types: purposive and simple random sampling. Quantitative research normally uses probability sampling that includes cluster, stratified, systematic and simple random sampling (Bernard, 2014; Howitt & Cramer, 2017). Simple random was used in this study. Elements of the population were randomly chosen without any formal underlying process, which ensured that each member of a population has an equal opportunity to be chosen (Saunders *et al.*, 2016). It varies from other sampling methods, whereby research participants are chosen on impulse. In simple random sampling, every member of the population has an equal and independent chance of being chosen for the sample (Saunders *et al.*, 2019; Zikmund *et al.*, 2013).

4.7.2 Sample Size

Sampling size is an important part of any study or investigation to make population inferences about the population (Neuman, 2017; Nguyen & Ho, 2015). Sekaran and Bougie (2016) describe sample size as the representation of a population selected to draw objectives and relevant conclusions. In addition, they mentioned that a sample is used when the population is too big or inaccessible to allow the researcher to examine the whole population. As this study used quantitative research, the first and most important characteristic was the large sample to conduct research. The population sample size used in quantitative research represents the whole population (Saunders *et al.*, 2019)

Saunders, Lewis and Thornhill (2019) and Signh and Masuku (2014) state that when using quantitative research, various measures should be taken into account when deciding on the size of the sample:

- Variability of population characteristics (the higher the variability, the greater the sample required);

- The level of confidence required (the higher the confidence required, the larger the sample needed);
- Degree of reliability needed in the estimation of population characteristics (the greater reliable analysis, a higher sample is required); and
- The desired power of the study determines the sample size.

To calculate the desired sample size, the Raosoft sample size calculator was used. Raosoft sample size calculator is a computer software package that allows the researcher to define the size of an assumed sample margin of error, level of confidence, distribution of response and population size. With a marginal error of 5%, confidence level of 90% and response distribution of 50%. The size of the sample *n* and margin of error *E* is given by

$$x = Z(c/100)2r(100-r)$$

$$n = Nx/((N-1)E2+x)$$

$$E = Sqrt[N-n)x/n(N-1)]$$

Where:

N is the population size,

r is the fraction of responses in which you are interested in, and

Z(c/100) is the critical value for the level of confidence *c.*

The calculation was based on the nominal distribution of information. The sample size of the study was 144 participants which was made up of small business owners/managers selected using probability sampling in the City of Tshwane. The size of the population obtained from the City of Tshwane database was 446 small businesses. The Raosoft Sample Size calculator recommended sample size of 169 research participants. Accordingly, the data analysed in the next chapter was collected from 144 research participants around the City of Tshwane Municipality.

4.8 RESEARCH INSTRUMENT

Methods of data collection refer to the research technique used by researchers to collect data (Galvan & Galvan, 2017). According to Maison (2019), research questions are often decisive in quantitative research.

4.8.1 Research Questionnaire Construction

While it is frequently good to use existing research questionnaires that have been previously developed and widely utilised and have well established level of reliability and validity (Heale & Twycross, 2015). However, adapting an existing questionnaire for different study objectives sometimes can have a significant impact on reliability and validity (Shukla, 2014a). The researcher consider the uniqueness of the study, decided to create a new questionnaire to address the research questions and objectives. During the construction of the questionnaire the following issues were considered;

4.8.1.1 Categories of question

The questionnaire includes the following questions that enable the researcher to collect data;

- Socio-demographic questions- Participants are profiled by asking questions regarding gender, marital status, and age.
- Behavioural questions- To assess the respondent's values, attitudes, beliefs, views, and activities.
- Orientation questions- To familiarize participants with the research's main goals and to ensure that they comprehend the questionnaire
- Content related questions- To gather information for the study's main objective and content areas.

4.8.1.2 Number and content of questions

The study includes seventeen well-crafted questions that are relevant and have a clear goal of maximizing the response rate of participants.

4.8.1.3 Type of questions

A structured questionnaire with close-ended questions was prepared and contained questions related to the research problems and study objectives to collect primary data from research participants. The questionnaire was having the following list:

- Category - select the correct answer
- List = Choose answers that are applicable to the list provided
- Rating – Choosing value or score answers that are applicable to the business.

4.9 QUESTIONNAIRE

The questionnaire was designed correctly and administered as a survey instrument for data collection (Shukla, 2014b). Levels of measurement (Nominal, Ordinal, Interval and Ratio Scales) were used to create a structured questionnaire (Creswell & Creswell, 2018). A pre-tested structure questionnaire was validated and standardised for this study. Data were obtained using a formally structured survey questionnaire and carried out on a large population to generalise the findings. Quantitative research was carried out using structured research methods such as questionnaires and surveys, and structured research methods can provide in-depth information... The questionnaires were distributed randomly to research participants to get accurate opinions and participants were only required to complete the questionnaire. The research questionnaire used to collect data is attached in Appendix 2 of this dissertation.

4.10 PILOT STUDY

According to O’Leary (2013), a pilot study is undertaken to determine the effectiveness and trustworthiness of the research instrument. It includes the collection of data from a small sample. The importance of a pilot study is to identify areas that may require correction and revision (Cooper & Schindler, 2014). Saunders, Lewis and Thornhill (2019) point out that pilot testing is conducted to review both research instrument and data analysis methodologies to achieve the research objectives and statistical tools, computer programs, and sub-programs that have been selected. Piloting helps the researcher review the research questionnaire to minimise respondent errors during the collection of data (Sekaran, 2016). Apuke (2017) maintains that a pilot study is used to access the truthfulness and reliability of data gathered from participants.

The pilot study provides an opportunity to determine the suitability of data-collection methods and other procedures and, if necessary, make changes. It also allows for preliminary hypothesis testing that can provide some indication of its viability and suggest whether more refinement is required (Patten & Newhart, 2018; Ary *et al.*, 2010). The pilot involved the administration of the questionnaire on small business owners and managers around the City of Tshwane. The structured questionnaire was piloted prior to data collection to determine the reliability and validity of research questionnaires and the data collected were analysed. A pilot study was performed on twenty (20) small business owners/managers in the City of Tshwane. Some research participants were hesitant to answer the research questionnaire during the piloting period, more explanation was provided to make the data collection procedure easier. Some research participants showed a positive attitude about the study and offered referrals to other small businesses.

4.11 VALIDITY AND RELIABILITY

Validity and reliability are the two guidelines that can be used to access the trustworthiness and quality of research instruments, which apply, both to qualitative and quantitative research (Heale & Twycross, 2015).

4.11.1 Reliability

According to Mohajan (2017b), without measuring the reliability and validity of the study, research will be difficult to assess the impact of measurement errors on the theory that is being tested. Reliability refers to the consistency or appropriateness between multiple variable measurements in a quantitative study (Collis & Hussey, 2015; Malhotra *et al.*, 2017; Shukla, 2014b). According to Bernard (2014), in quantitative research, reliability relates to conformity, accuracy, dependability and repeatability of findings. Reliability measures the controllability, replicability, consistency and predictability of the research (Eisend & Kuss, 2019). The findings of the study are considered to be reliable if similar results obtained are the same but under different conditions (Mohajan, 2017b).

A reliable research instrument is crucial for the collection of consistent data (Sekaran, 2016). Reliability is important as it enhances the generalisability of the research findings (Saunders *et al.*, 2019). Sekaran and Bougie (2016) stipulate that Cronbach's Alpha is a reliability coefficient that indicates a positive correlation between the variables. Cronbach Alpha (α) has been used to test the reliability of a research instrument (internal consistency).

4.11.2 Validity

Validity refers to the degree to which a research instrument measures what is designed to measure (Malhotra *et al.*, 2017;). Validity has different types, namely, face, content, construct, statistically conclusion, criterion-related, internal and external validity and are measured by the coefficient of validity (Mohajan, 2017b). According to Heale and Twycross (2015), validity has been described as the degree to which the results of the study address the specified research questions accurately. Validity of study is used to measure the expected results and determine the truthfulness of the findings (Collis & Hussey, 2015). The integrity of the conclusions drawn from a piece of research is what validity is concerned with (Mohajan, 2017b). According to Bernard (2014), validity is concerned with the credibility of findings that have been produced from research. The results obtained from the research should be applicable to a whole population and not just limited to a small sample size (O'Leary & Hunt, 2016; Shukla, 2014b). Validity testing was carried out on the research questionnaire. The structured questionnaire was pre-tested, standardized and validated to limit errors. The research questionnaire was pre-tested on 20 small business owners and managers before data collection to ensure reliability.

4.12 DATA ANALYSIS

Data analysis refers to the process of analysing, processing, transforming and presentation of valuable information to draw conclusions and support decision-making (Creswell, 2014; O'Leary & Hunt, 2016). The quantitative data analysis gives more context and variables to the study by offering a numerical description of the questionnaires responses. In addition, quantitative analysis is more rational (Saunders *et al.*, 2016). Locharoenrat (2017) notes that the analysis of data is necessary to conclude the variables that are currently being invested.

Collection and analysis of data using quantitative methods involve studying the relationship between variables using descriptive and inferential statistics (Leedy *et al.*, 2016). Descriptive analysis entails measuring distribution, central tendencies and variation (Halter, 2017). Descriptive data analysis includes two univariate and bivariate methods of statistical analysis. The univariate descriptive analysis includes single variables distribution (Walliman, 2017). Bivariate or multivariate analysis entails the description of the distribution of more than one variable (Leedy *et al.*, 2016). Inferential data analysis is used to test hypotheses depending on the sample obtained from the population. It provides an inference or assumption based on a limited number of population representatives studied (Daniel & Cross, 2012; Halter, 2017). The aim of inferential statistical tests (t-tests, variance and multiple regression analysis) was to access the probability that the outcome might have occurred by chance unless the null hypothesis is valid (Saunders *et al.*, 2016).

Pearson's coefficient of correlation and regression are used for inferential analysis and to determine the correlation between two variables (Cohen *et al.*, 2018). Regression analysis is a method for analysing the relationship between one dependent variable and one or more independent variables (Dwyer, Gill & Seetaram, 2013; Lewis-Beck & Lewis-Beck, 2015). The general assumption is that dependent variables have a linear relationship to the independent variables (Deshmukh & Chakur, 2015; Tavakoli, 2012).

Bryman and Bell (2016) mentioned that quantitative data can be reduced to numerical data, starting from frequency of occurrence to the detailed presentation of graphs and charts. The collected data was cleaned to get rid of extreme outliers and incorrectly and incomplete filled questionnaires. The cleaned data were analysed using descriptive, inferential statistics and testing of the hypothesis was performed (Dwyer *et al*., 2013). The quantitative data collected was pre-arranged and analysed Statistical Package for Social Sciences (SPPS). The collected quantitative data was prearranged and analysed using the SPSS. Interpretations were done through statistical tools like percentages, histograms, bar charts and frequency distribution tables. In addition, inferential statistics like chi-square, cross-tabulation, one-way analysis (ANOVA), t-test and Pearson correlation were used for further analysis in this research (Halter, 2017)

Regression analysis is a statistical tool used to study the relationship between two variables, one of which is dependent and another dependent. This type of relationship is used to determine whether there is a relationship between the variables (Halter, 2018). It finds the straight-line equation representing the relationship between two numeric variables, and the dependent variable (Cohen *et al.*, 2018). In regression analysis, logistic regression (or logit regression) is estimating parameters of a logistic model (a form of binary regression).

Logistic regression is a statistical model that in its basic form uses a logistic function to model a binary dependent variable, although many more complex extensions exist. In this research, a binary logistic regression was developed and a theoretical binary logistic regression model that can be used to predict the probability of the availability of a strategic plan is presented.

$$\mathrm{In}\left[\frac{p}{1-p}\right]=\beta_i+\sum_i\beta_i C_i+\sum_j\beta_j ME_j+\sum_p\beta_p LSP_p+\sum_q\beta_q SSP_q+\sum_r\beta_r FSP_r+\sum_s\beta_s SFA_s$$
$$+\sum_t\beta_t SIA_t+\sum_u\beta_u SEC_u+\sum_v\beta_v FM_v+\sum_w\beta_w NFM_w+\sum_y\beta_y ISP_y+\sum_x\beta_x SPI_x+\alpha$$

Where

α = error term

β_i = coefficient of variable i

p = probability of strategic plan availability

$\frac{p}{1-p}$ = odds ratio, given the set of variables

C_i = Constraints variable i

ME_j = Macro-economic variable j

LSP_p = Long term planning variable p

SSP_q = Successful strategic planning variable q

FSP_r = Factors of lack of strategic planning variable r

SFA_s = Strategic formulation activities variable s

SIA_t = Strategic implementation activities variable t

SEC_u = Strategic evaluation and control variable u

SPI_x = Strategic planning impact variable x

FM_v = Financial measures variable v

NFM_w = Non-financial measures variable w

ISP_y = Strategic planning implementation variable y

The purpose of logistic regression

1. The logistic regression predicts group membership

- Since logistic regression calculates the probability of success over the probability of failure, the results of the analysis are in the form of an odds ratio.
- Logistic regression determines the impact of multiple independent variables presented simultaneously to predict membership of one or other of the two dependent variable categories.

2. The logistic regression also provides the relationships and strengths among the variables ## Assumptions of (Binary) Logistic Regression

- Logistic regression does not assume a linear relationship between the dependent and independent variables.
    - Logistic regression assumes linearity of independent variables and log odds of dependent variable.
- The independent variables need not be interval, nor normally distributed, nor linearly related, nor of equal variance within each group
    - Homoscedasticity is not required. The error terms (residuals) do not need to be normally distributed.
- The dependent variable in logistic regression is not measured on an interval or ratio scale.
    - The dependent variable must be a dichotomous (2 categories) for the binary logistic regression.

- The categories (groups) as a dependent variable must be mutually exclusive and exhaustive; a case can only be in one group and every case must be a member of one of the groups.
- Larger samples are needed than for linear regression because maximum coefficients using a ML method are large sample estimates. A minimum of 50 cases per predictor is recommended (Field, 2013).
- Hosmer, Lemeshow, and Sturdivant (2013) suggest a minimum sample of 10 observations per independent variable in the model, but caution that 20 observations per variable should be sought if possible.
- Leblanc and Fitzgerald (2000) suggest a minimum of 30 observations per independent variable.

4.13 ETHICAL CONSIDERATIONS

Bell (2014) defines ethical considerations in a research study as the standard guidelines that guide the researcher, and which must be adhered to throughout the entire research period. Ethical considerations relate to the rules of conduct and behaviour while conducting research (Cohen *et al.*, 2018; Kothari, 2017; Sekaran, 2016). Ethical issues are the concerns and challenges that may occur when conducting research, specifically not to create harmful conditions for research participants, humans and the study process (Collis & Hussey, 2015; O'Leary & Hunt, 2016). The researcher was mindful of the obligation of being sensitive and respectful to the participants in the research and their basic human rights, and fully endorsing the University of South Africa's Ethical Code before embarking on this research, ethical clearance approval was obtained from the Department of Business Management Ethics Committee. Permission and consent were obtained from the City of Tshwane Municipality and small businesses where the research was conducted.

The researcher adhered to the following ethical issues throughout the entire research:

- One of the researcher's ethics and duties is to ensure that the subject matter and participants that help in conducting the study and help to gather all the confidential and crucial information are protected (Saunders et al., 2016).

- Explaining the research purpose and objectives, as well as the procedures and methods to be followed upfront for each participant in the research.
- Informing the research participants that participation in research is voluntary, and they have the right to withdraw from the research anytime during data collection.
- Study participants' privacy was respected and information they share was treated with strict confidentiality.
- When administering research questionnaires and report writing, anonymity, self-determination and confidentiality were ensured.
- Protect and safeguard the research information collected and gathered through primary and secondary (Collis & Hussey, 2015; Patten & Newhart, 2018; Saunders *et al.*, 2016).

4.14 CHAPTER SUMMARY

The chapter addressed the research methodology used in this research. Research design and the rationale of the selected research methodology were discussed. In the discussions, descriptive, correlation and quantitative design were covered as they were being used in this research. The chapter covered theoretical aspects relating to research instrument, pilot study, data collection and analysis. The discussion indicates that data was collected through a structured questionnaire with closed-ended questions. The next chapter discusses the analysis, review and interpretation of the study findings.

CHAPTER FIVE: RESULTS PRESENTATION AND ANALYSIS

5.1 INTRODUCTION

The chapter focuses on the presentation of results and data analysis. The first part of the chapter presents the overall characteristics of the statistical data collected. The questionnaire's reliability and appropriateness are discussed. The analysis of factors that have an impact on strategic planning is covered in Section 5.4. Finally, in Section 5.5, the logistic regression models are presented in relation to a set of factors.

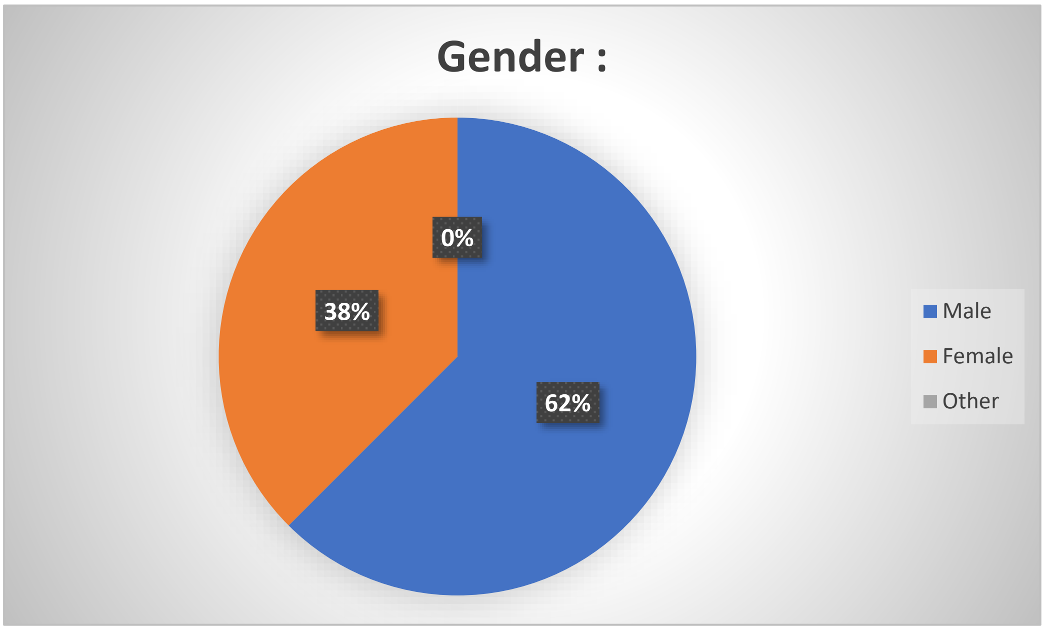
5.2 DESCRIPTIVE ANALYSIS OF PROFILES

Descriptive analysis of participant profiles is presented in this section. Tables, pie charts and graphs with supporting statistics are also presented.

5.2.1 Distribution in terms of Gender

Based on the SPSS Outputs, the total number of participants was 144 participants out of which 62.6% are males, 37.5% are females, and there is no other gender. This shows that, in the different categories of participants, males are dominating as shown in figure 5.1. There are several related previous studies where the participants were predominantly males and this did not influence the quality of the results in any way (Charles, Ojera & David, 2015; Mattheeusen & Spontak, 2018; Straková, 2018; Omsa, Ridwan, & Jayadi, 2018; Kihia, 2017; Majama & Magang, 2017).

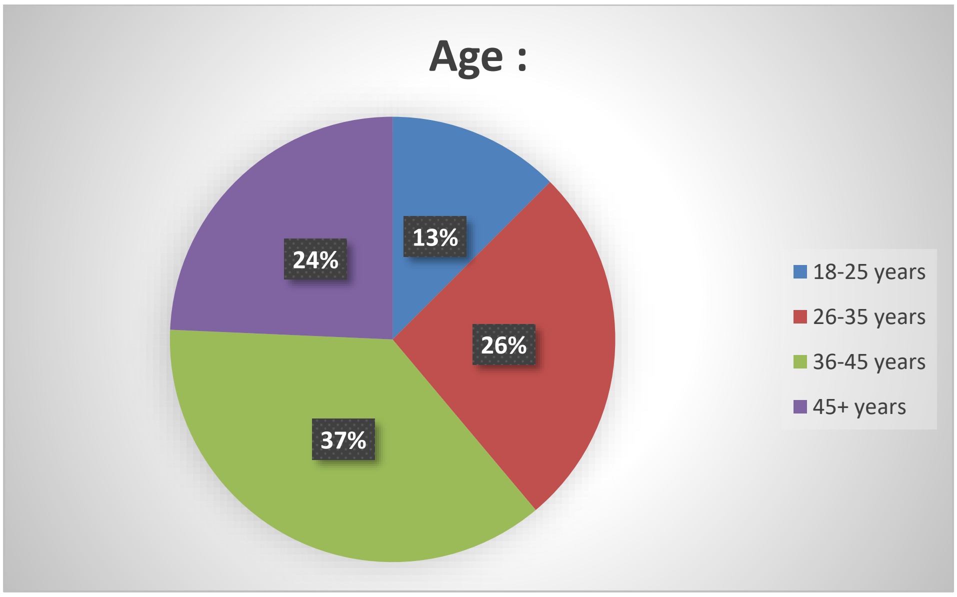
Figure 5. 1: Gender



5.2.2 Distribution in terms of age

The participants for this study were grouped into four age ranges from the lowest age of 18 to 46+ years. Figure 5.2 illustrates the findings.

Figure 5. 2: Age of participants



In the 18-25 age range, there were 12.5%, 26-35 years was 26.4%, 36-45 years was 36.8%, and 46+ years was 24.3%. The results in figure 5.2 show that all age ranges are well represented and that the 36-45 years dominated in their participation. Several related studies have not been clear about particular age ranges that dominate in such studies.

5.2.3 Distribution in terms of Race

The table below 5.1 shows the racial distribution of participants was 85.4% blacks, 8.3% whites, 0.7% coloureds and 5.6% Indians. The results show that most participants were black Africans. Contrary to the statistics provided by the Commission of Employment Equity Report (2019) relating to South Africa which reveals that whites are dominating in leadership positions; this study shows that blacks are dominating in the City of Tshwane. This is probably because of the nature of and techniques applied in the study.

Table 5. 1: Race of the participants

		Frequency	Percent	Cumulative %
Valid	Blacks	123	85.4	85.4
	Whites	12	8.3	93.8
	Coloureds	1	.7	94.4
	Indians	8	5.6	100.0
	Total	144	100.0	

Source: SPSS Output

5.2.4 Distribution in terms of qualifications

Table 5.2 shows that most participants completed Grade 12 and higher (85.4%) while 14.6% did not complete their matriculation. The results confirm that most participants have a matric/grade 12 that makes them applicable for this study which focuses on the strategic planning of small businesses.

Table 5. 2: Qualifications of participants

		Frequency	Percent	Cumulative %
Valid	Below Matric	21	14.6	14.6
	Grade 12	53	36.8	51.4
	Diploma	26	18.1	69.4
	Bachelor's	26	18.1	87.5
	Honour's	12	8.3	95.8
	Master's	4	2.8	98.6
	Doctorate	2	1.4	100.0
	Total	144	100.0	

Source: SPSS Output

5.2.5 Distribution in terms of business existence

The question sought to determine the years of business existence The results show that those businesses that have been in existence for 1-6 years in total dominated the study constituting a total of 59% of the participants. The remainder accounts for all those companies that have been in existence for less than a year are 17.4%, those aged 7-9 years with 7.6%, and those aged 10+ years with 16%. Table 5.3 shows the distribution in terms of the years that the business has been operating.

Table 5. 3: Years of business existence

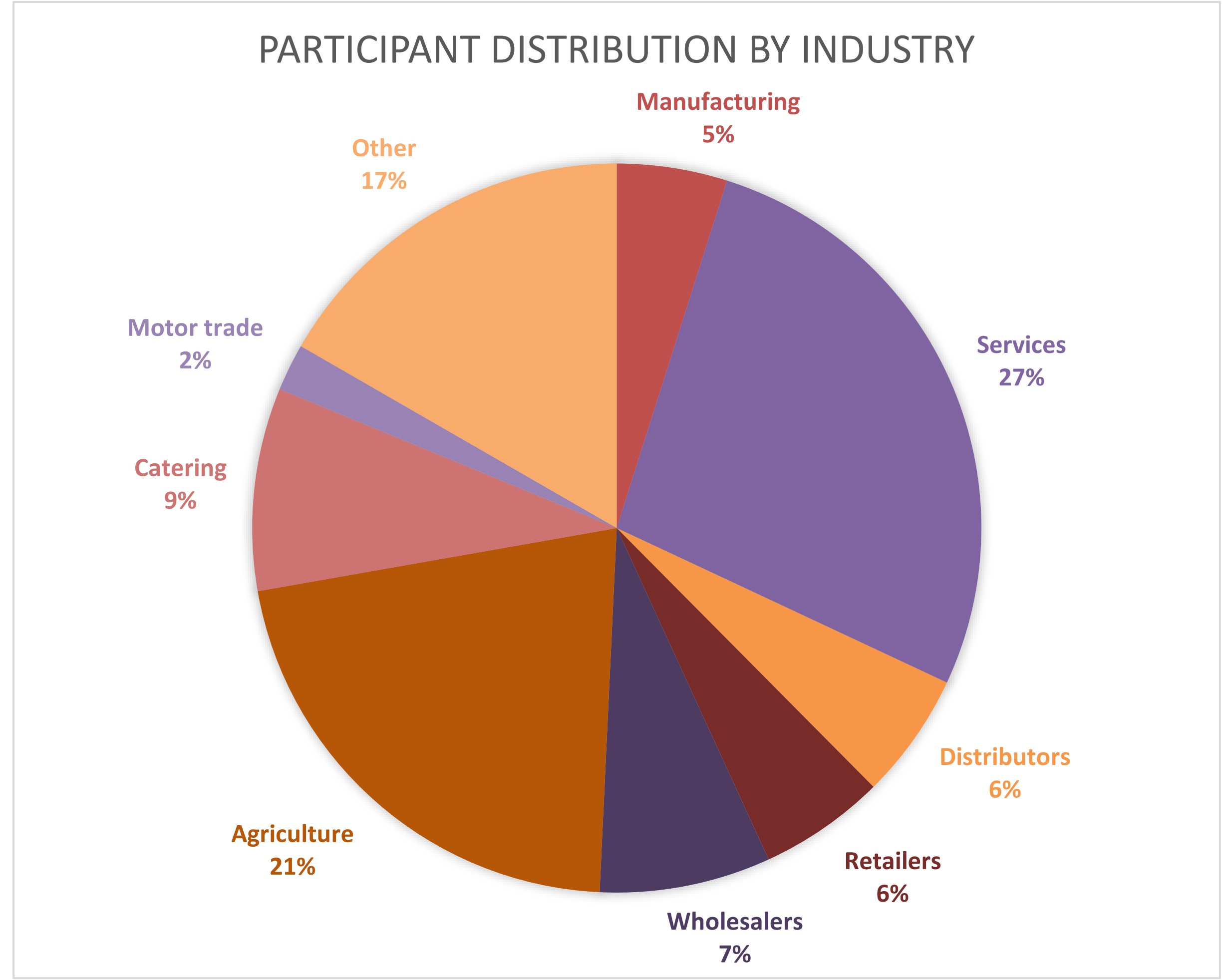
		Frequency	Percent	Cumulative %
Valid	Less than a year	25	17.4	17.4
	1-3 years	46	31.9	49.3
	4-6 years	39	27.1	76.4
	7-9 years	11	7.6	84.0
	10+ years	23	16.0	100.0
	Total	144	100.0	

Source: SPSS Output

5.2.6 Distribution in terms of industry/sector

Figure 5.3 shows that there are 5% participants from manufacturing industries, 27% from services, 6% from distributors, 7% from wholesalers, 6% from retailers, 21% from the agriculture industry, accommodation and catering 9%, from motor trade 2%, and those from other industries are 17%. The results show that there is a balanced distribution of participants across industries in terms of the management involved in strategic planning.

Figure 5. 3: Distribution by industry/sector



5.2.7 Distribution by the turnover of the business

The distribution of the business turnover is shown in table 5.4. In terms of the annual turnover, 27.8% of businesses have a turnover of less than R20 000, 27.1% have a turnover of R20 001 – R50 000, 19.4% have a turnover of R50 001 – R100 000, 13.9% have a turnover of R100 001 – R300 000, 4.2% have a turnover of R300 001-R500 000, and 7.6% have at least R500 001.

Table 5. 4: Turnover

		Frequency	Percent	Cumulative %
Valid	Less than 20000	40	27.8	27.8
	20001-50000	39	27.1	54.9
	50001-100000	28	19.4	74.3
	100001-300000	20	13.9	88.2
	300001-500000	6	4.2	92.4

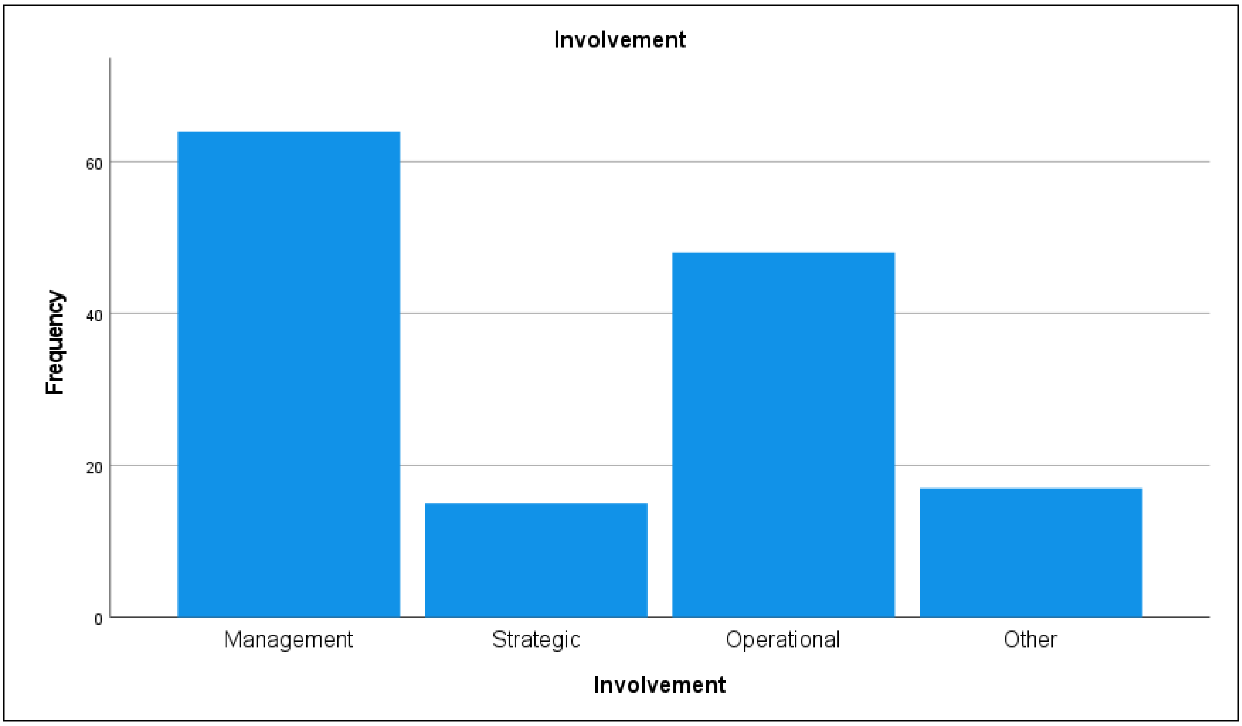
	Over 500001	11	7.6	100.0
	Total	144	100.0	

Source: SPSS Output

5.2.8 Distribution by roles participants are involved in the business

Figure 5.4 and Table 5.5 show the involvement of employees in the running of their respective businesses. Those involved in strategic planning and management were 64 (44.4%), strategic planning only were 15 (10.4%), strategic planning and operational activities were 48 (33.3%), and strategic planning and those involved in strategic planning activities and other related activities were 17 (11.8%).

Figure 5. 4: Level of involvement in the business



Source: SPSS Output

Table 5. 5: Involvement

		Frequency	Percent	Cumulative Percent
Valid	Management	64	44.4	44.4
	Strategic	15	10.4	54.9
	Operational	48	33.3	88.2
	Other	17	11.8	100.0
	Total	144	100.0	

Source: SPSS Output

In concluding this section, there were a total of 144 employees in management positions who participated in this study. Both males and females participated in the study, however, males dominated in terms of participation. Participants across all industries in which they are operating have a certain level of education and experience that qualify them to engage in strategic planning activities. Overall, the findings from the analysis of the profiles of the participants are not different from those found in previous related studies.

5.3 STATISTICAL CHARACTERISTICS OF DATA

In this section, statistical characteristics of respondents and cross-tabulations and Chi-square statistics to determine the level of the association are presented.

5.3.1 Gender and Age cross-tabulation

The table below 5.6 below presented the results of the gender and Age cross-tabulation as follows:

Table 5. 6: Cross-tabulations between Gender and Age

			Age					Total
			1	2	3	4	5	
Gender	1	Count	10	24	40	14	2	90
		% within Age	55.6%	66.7%	75.5%	40.0%	100.0%	62.5%
		% of Total	6.9%	16.7%	27.8%	9.7%	1.4%	62.5%
	2	Count	8	12	13	21	0	54
		% within Age	44.4%	33.3%	24.5%	60.0%	.0%	37.5%
		% of Total	5.6%	8.3%	9.0%	14.6%	.0%	37.5%
Total		Count	18	36	53	35	2	144
		% within Age	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	12.5%	25.0%	36.8%	24.3%	1.4%	100.0%

The majority of the respondents were in age group 3 (36-45 years) followed by age groups 2 (26-35 years), age group 4 (46 – 50 years), age group 1 (18 – 25 years), and age group 5 (51+ years). It is worth noting that the majority of the participants were gender 1 (Male). The dominant age group was 3 and the gender was 1 with 27.8% (n=40/144).

The Chi-square tests show that:

- The value of the test statistic was 13.202;
- The results presented as footnotes in the table relating to the expected cell count assumption (that is, the cell counts were bigger than 5), there were no cells with an expected cell count that was smaller than 5, which means that the assumption was met;
- Since the test statistic is based on gender and age cross-tabulation, the degrees of freedom (df) denoting the statistic was df=(R−1)∗(C−1)=(3−1)∗(2−1)=2∗1=2; and
- The corresponding p-value of the test statistic was p = 0.010.

Chi-square Tests

	Value	df	Asymp. Sig. (2-sided
Pearson Chi-Square	13.202[a]	4	.010
Likelihood Ratio	13.808	4	.008
Linear-by-Linear Association	.853	1	.356
N of Valid Cases	144		

a. 2 cells (20,0%) have expected count less than 5. The minimum expected count is75.

With the Chi-square statistic and its associated p-value =0.010, it can be concluded that there is no statistical evidence of an association between the age group and gender of the respondents. Therefore, the decision and conclusion are that:

- Given that the p-value is greater than the preferred significance level (*α* = 0.05), the decision is that we do not reject the null hypothesis. Instead, we conclude that there is insufficient statistical evidence to show an association between gender and age.
- In light of the results, it can be stated that there is no association between gender and age ($X^2(2)>=13.202$, $p = 0.010$).

5.3.2 Gender and Qualifications cross-tabulation

Based on table 5.7, 36.8% (n=53/144) of the respondents possess educational qualification 2 (Grade12/Matric) followed by qualifications 3 (Diploma) and 4 (Bachelor degree/ Advance Diploma) with 18.1% (n=26/144) respondents. The least being qualifications 6 (Master's degree) and 7 (Doctoral degree). The dominant gender was 1 (male) and qualification was 2 with 25% (n=36/144).

Table 5. 7: Cross-tabulation between Gender and Qualifications

			Qualifications							Total
			1	2	3	4	5	6	7	
Gender	1	Count	8	36	20	16	8	0	2	90
		% within Qualifications	38.1%	67.9%	76.9%	61.5%	66.7%	.0%	100.0%	62.5%
		% of Total	5.6%	25.0%	13.9%	11.1%	5.6%	.0%	1.4%	62.5%
	2	Count	13	17	6	10	4	4	0	54
		% within Qualifications	61.9%	32.1%	23.1%	38.5%	33.3%	100.0%	.0%	37.5%
		% of Total	9.0%	11.8%	4.2%	6.9%	2.8%	2.8%	.0%	37.5%
Total		Count	21	53	26	26	12	4	2	144
		% within Qualifications	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	14.6%	36.8%	18.1%	18.1%	8.3%	2.8%	1.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.275[a]	6	.012
Likelihood Ratio	18.098	6	.006
Linear-by-Linear Association	.203	1	.653
N of Valid Cases	144		

a. 5 cells (35,7%) have expected count less than 5. The minimum expected count is75.

Based on the Chi-square statistic and its associated p-value = 0.012, it is concluded that there is no statistical evidence of an association between gender and educational qualifications of respondents. With a Chi-square statistic and its associated p-value =0.012, it can be concluded that there is statistical evidence that there is no association between respondents' age group and qualifications. Thus, the decision and conclusion are that:

- Given that the *p*-value is greater than the preferred significance level ($\alpha = 0.05$), the decision is that we do not reject the null hypothesis. Instead, we can conclude that there is insufficient evidence to suggest that gender and educational qualifications are associated.
- In light of the results, it can be stated that there is no correlation between gender and educational qualifications: ($X^2(2)> =16.275$, $p = 0.012$).

5.3.3 Gender and Race cross-tabulation

From table 5.8, the dominant race was 1 (African) and gender was 1 (male) with 54.2% (n=78/144). In light of the Chi-square statistics, there is statistical evidence that shows an association between race and gender.

Table 5. 8: Cross-tabulation between Gender and Race

			Race				Total
			1	2	3	4	
Gender	1	Count	78	9	1	2	90
		% within Race	63.4%	75.0%	100.0%	25.0%	62.5%
		% of Total	54.2%	6.2%	.7%	1.4%	62.5%
	2	Count	45	3	0	6	54
		% within Race	36.6%	25.0%	.0%	75.0%	37.5%
		% of Total	31.2%	2.1%	.0%	4.2%	37.5%
Total		Count	123	12	1	8	144
		% within Race	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	85.4%	8.3%	.7%	5.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.244[a]	3	.100
Likelihood Ratio	6.486	3	.090
Linear-by-Linear Association	2.476	1	.116
N of Valid Cases	144		

4 cells (50,0%) have expected count less than 5. The minimum expected count is38.

The Pearson Chi-square statistic is 6.244. The Pearson Chi-square statistic in the footnote relates to the expected cell count assumption (that is, the expected cell counts are all more than 50): no cells had an expected count below 0.38. In this case, this assumption was met. The degrees of freedom (df) for the test statistic is:

$$df=(R-1)*(C-1)=(2-1)*(2-1)=0.10$$

Meanwhile, the p-value is below the chosen significance level α = 0.05. As a result, the null hypothesis rejected. The conclusion is that there is an association between gender and race. Based on the results, it can be stated that there is a significant association between gender and race ($X^2(1) = 6.244$, $p < 0.100$).

5.3.4 Age and Race cross-tabulation

From table 5.9, the dominant race was 1 (African) and the age group was 3 (36-45) with 34% (n=49/144). Based on Chi-square statistics, there is statistical evidence that shows a relationship between race and gender.

The Pearson Chi-square statistic is 16.436[a]. The Pearson Chi-square statistic in the footnote pertains to the expected cell count assumption (that is, the expected cell counts are all more than 5): no cells had an expected count below 0.010. In this case, this assumption was met. The degrees of freedom (df) for the test statistic is:

$$df=(R-1)*(C-1)=(2-1)*(2-1)=0.10$$

Meanwhile, the p-value is below the chosen significance level α = 0.05. As a result, the null hypothesis is rejected. The conclusion is that there is an association between gender and race. Based on these results, it can be stated that there is a significant association between gender and race ($X^2(1) = 16.436$, $p < .172$).

Table 5. 9: Cross-tabulation between Age and Race

			Race				Total
			1	2	3	4	
Age	1	Count	14	3	1	0	18
		% within Race	11.4%	25.0%	100.0%	.0%	12.5%
		% of Total	9.7%	2.1%	.7%	.0%	12.5%
	2	Count	32	2	0	2	36
		% within Race	26.0%	16.7%	.0%	25.0%	25.0%
		% of Total	22.2%	1.4%	.0%	1.4%	25.0%
	3	Count	49	2	0	2	53
		% within Race	39.8%	16.7%	.0%	25.0%	36.8%
		% of Total	34.0%	1.4%	.0%	1.4%	36.8%
	4	Count	26	5	0	4	35
		% within Race	21.1%	41.7%	.0%	50.0%	24.3%
		% of Total	18.1%	3.5%	.0%	2.8%	24.3%
	5	Count	2	0	0	0	2
		% within Race	1.6%	.0%	.0%	.0%	1.4%
		% of Total	1.4%	.0%	.0%	.0%	1.4%
Total		Count	123	12	1	8	144
		% within Race	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	85.4%	8.3%	.7%	5.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.436[a]	12	.172
Likelihood Ratio	14.195	12	.288
Linear-by-Linear Association	.760	1	.383
N of Valid Cases	144		

a. 16 cells (80,0%) have expected count less than 5. The minimum expected count is ,01.

5.3.5 Qualifications and Race

The dominant qualification was 2 (Matric/Grade12) and the race was 1 (African) with 28.5% (n = 41/144). Race 3 was the least with only one respondent.

The value of the Pearson Chi-square statistic is 15.581[a]. The Pearson Chi-square statistic in the footnote pertains to the expected cell count assumption (that is, the expected cell counts are all more than 5): no cells had an expected count below 0.010. In this case, this assumption was met. The degree of freedom (df) for the test statistic is:

$df=(R-1)*(C-1)=(2-1)*(2-1)=0.10$

Meanwhile, the p-value is below the chosen significance level α = 0.05. As a result, the null hypothesis is rejected. The conclusion is that there is an association between qualifications and race. Based on these results, it can be stated that there is no evidence that there is a significant association between qualification and race:
($X^2(1) = 15.581$, $p < .622$).

In short, the Chi-square statistic is 15.581 with an associated p-value of 0.622. Therefore, it can be concluded that there is insufficient statistical evidence to conclude that qualifications and race are related.

Table 5. 10: Cross-tabulation between Qualifications and Race

			Race				
			1	2	3	4	Total
Qualif	1	Count	16	3	0	2	21
		% within Race	13.0%	25.0%	.0%	25.0%	14.6%
		% of Total	11.1%	2.1%	.0%	1.4%	14.6%
	2	Count	41	5	1	6	53
		% within Race	33.3%	41.7%	100.0%	75.0%	36.8%
		% of Total	28.5%	3.5%	.7%	4.2%	36.8%
	3	Count	24	2	0	0	26
		% within Race	19.5%	16.7%	.0%	.0%	18.1%
		% of Total	16.7%	1.4%	.0%	.0%	18.1%
	4	Count	26	0	0	0	26
		% within Race	21.1%	.0%	.0%	.0%	18.1%
		% of Total	18.1%	.0%	.0%	.0%	18.1%
	5	Count	10	2	0	0	12
		% within Race	8.1%	16.7%	.0%	.0%	8.3%
		% of Total	6.9%	1.4%	.0%	.0%	8.3%
	6	Count	4	0	0	0	4
		% within Race	3.3%	.0%	.0%	.0%	2.8%
		% of Total	2.8%	.0%	.0%	.0%	2.8%
	7	Count	2	0	0	0	2
		% within Race	1.6%	.0%	.0%	.0%	1.4%
		% of Total	1.4%	.0%	.0%	.0%	1.4%
Total		Count	123	12	1	8	144
		% within Race	100.0%	100.0%	100.0%	100.0%	100.0%
		% of Total	85.4%	8.3%	.7%	5.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.581[a]	18	.622
Likelihood Ratio	21.159	18	.271
Linear-by-Linear Association	7.011	1	.008
N of Valid Cases	144		

a. 23 cells (82,1%) have expected count less than 5. The minimum expected count is ,01.

5.4 RELIABILITY TEST

Cronbach’s alpha is a measure of internal consistency. In other words, it measures how closely a set of variables as a group are related. It is a measure of scale reliability. According to Cronbach (1951), a loading above 0.6 is regarded as acceptable and indicates that the instrument is reliable. In table 5.11, the overall Cronbach's alpha is 0.908 which indicates a high level of internal consistency of the scale with this specific sample of the study. Table A1 in the appendices shows that all items have Cronbach alpha that is higher than 0.900.

Table 5. 11: Reliability Statistics

Cronbach's Alpha	N of Items
.908	115

Table A2 in the appendix shows the mean, standard deviation and number of respondents (N) who participated in the survey. Looking at the mean, we can conclude that the most three important variables that determine a strategic plan are “Industry”, “Techniques” and “Long Term Planning” with means of 4.80, 4.64 and 4.49, respectively. The variables “Minimizes Risks”, “Unexpected Changes” and “Optimise” do have the same mean of 4.50.

5.5 FACTOR ANALYSIS

Before factor analysis, it is necessary to determine the sampling adequacy and the correlation between the items.

5.5.1 Sampling Adequacy

The Kaiser-Meyer-Olkin (KMO) method measures sampling adequacy, determining whether or not the responses provided with the sample are adequate. Kaiser (1974) recommends values between 0.7 and 0.8 and referring to Table 5.13, the KMO measure is 0.798, and thus, the sample is adequate. This is in line with the recommendation by Ho (2006) who suggests that loading of at least 0.6 is acceptable.

The strength of the association between variables can also be determined using Bartlett's test. The null hypothesis that the correlation matrix is an identity matrix is tested here. An identity matrix is a matrix in which all of the diagonal elements are 1 and all off-diagonal elements are close to 0. Table 5.13 shows Bartlett’s Test of Sphericity’s p-value is 0.00 and this indicates that it is significant at 0.05 level to reject the null hypothesis. This indicates that the correlation matrix is not the same as the identity matrix.

Table 5. 12: KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.798
Bartlett's Test of Sphericity	Approx. Chi-Square	2361.600
	Df	143
	Sig.	.000

5.5.2 Factors Communalities

Table A3 of communalities shows how much of the variance has been taken into account for further analysis, and in this case, we consider the variables with a value greater than 0.6.

5.5.3 Factors Extracted

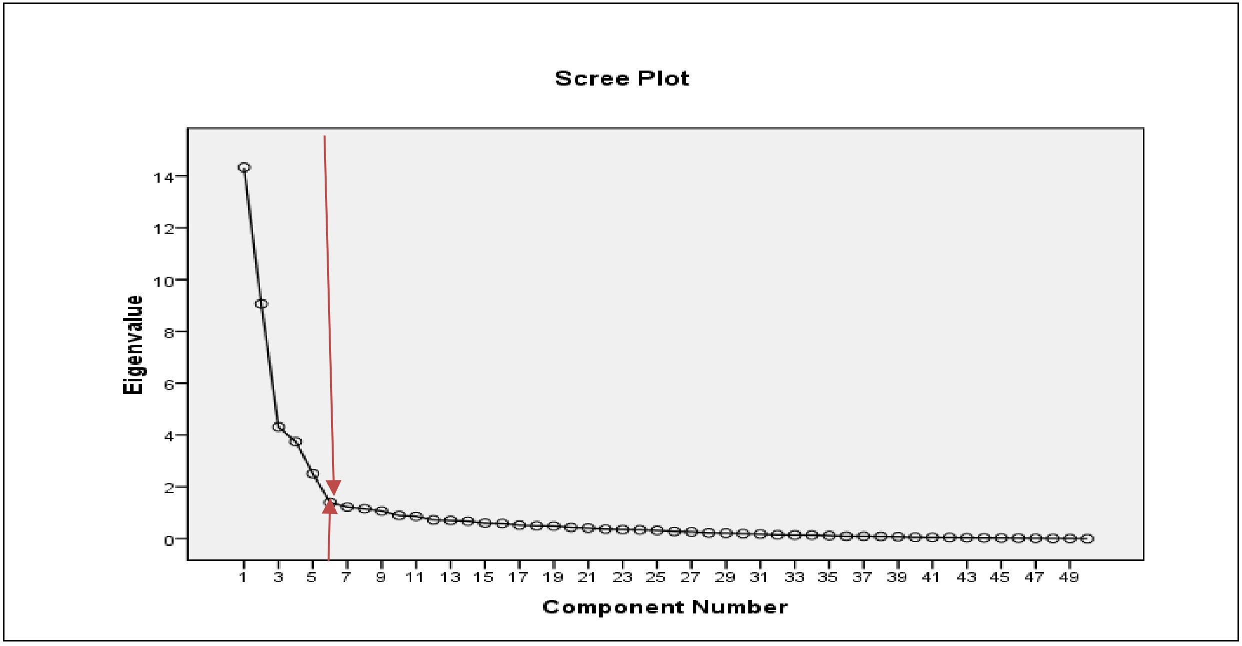
Table 5.13 shows all the factors extractable from the analysis along with their eigenvalues and five factors are considered. The extraction method used was principal component analysis factoring with Varimax rotation. For analysis and interpretation purposes, we are only concerned with Initial Eigen Values or Extracted Sums of Squared Loadings. In this case, 5 components contain 67.9% of the variation of the 50 original variables. Component 1 explains 28.6% of the variation, component 2 explains 18.1%, component 3 explains 8.6%, component 4 explains 7.5% and component 5 explains 5%. The remaining 45 components explain only 32.1%.

Table 5. 13: Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	14.324	28.648	28.648	14.324	28.648	28.648	9.992	19.985	19.985
2	9.055	18.111	46.758	9.055	18.111	46.758	7.097	14.194	34.179
3	4.310	8.620	55.378	4.310	8.620	55.378	6.323	12.646	46.825
4	3.741	7.483	62.861	3.741	7.483	62.861	5.523	11.046	57.872
5	2.503	5.006	67.867	2.503	5.006	67.867	4.998	9.996	67.867
6	1.393	2.787	70.654						
7	1.220	2.439	73.093						
8	1.152	2.305	75.398						
9	1.064	2.128	77.526						
10	.892	1.784	79.310						
11	.856	1.711	81.021						
12	.720	1.440	82.461						
13	.698	1.395	83.856						
14	.670	1.339	85.195						
15	.595	1.189	86.384						
16	.581	1.163	87.547						
17	.516	1.032	88.579						
18	.490	.980	89.559						
19	.480	.959	90.518						
20	.430	.859	91.378						
21	.406	.811	92.189						
22	.367	.735	92.924						
23	.347	.695	93.619						
24	.339	.678	94.297						
25	.316	.632	94.929						
26	.275	.550	95.479						
27	.259	.519	95.998						
28	.221	.442	96.440						
29	.211	.422	96.862						
30	.189	.379	97.241						
31	.177	.355	97.596						
32	.146	.293	97.889						
33	.138	.276	98.165						
34	.136	.272	98.437						
35	.116	.231	98.668						
36	.094	.187	98.855						
37	.093	.186	99.041						

38	.086	.172	99.213						
39	.076	.152	99.365						
40	.057	.115	99.480						
41	.053	.105	99.585						
42	.047	.094	99.679						
43	.038	.076	99.755						
44	.033	.066	99.821						
45	.030	.060	99.881						
46	.023	.046	99.927						
47	.017	.033	99.961						
48	.012	.023	99.984						
49	.008	.016	100.000						
50	4.548E-16	9.096E-16	100.000						
Extraction Method: Principal Component Analysis.									

The scree plot is a graph of the eigenvalues against all the factors and is useful for determining how many factors to retain, that is the point where the curve starts to flatten. In figure 5.4, it can be seen that the curve begins to flatten after factor 5. It is worth noting that eigenvalues of less than 1 were not considered but limited the number of factors to 5. The number of components was limited to 5 components due to the attainment of better results than 9 components. The point below 1 where the graph starts to flatten is called the point of inflexion, as shown on the graph.

Figure 5. 5: Factors Scree Plot



5.5.4 Factors Component Matrices

Table 5. 14: Rotated Component Matrix

	Component				
	1	2	3	4	5
Value Chain				.763	
Technological				.824	
SWOT				.786	
Forecasts				.816	
Industry Analysis				.763	
Informally					.819
Short term plans					.891
Unfamiliar					.908
Lack of Trust					.759
Lack of Time					.832
Not Aligned					.719
Ineffective Strategic Planning					.704
Strategic Activities	.651				
Implement Strategy	.667				
Business Objectives	.821				
Resources Allocated	.836				
Org Strategy	.743				
Strategy Implemented	.708				
Operating Plans	.837				
Strategy Links	.826				
Deploying Resources	.789				
Periodic Review	.801				
Clear Monitoring	.754				
Performance Targets	.779				
Expected Performance	.798				
Highest Performance	.740				
Decision Making		.679			
Incorporate Strategies		.776			
Operating Procedures		.798			
Increased Revenue		.730			
Operating		.874			
Profits		.812			
Return on Investment		.852			

Sales Growth		.670			
Cash Flows Improved		.622			
Market Share		.696			
Long-term Planning			.760		
Financial Investors			.752		
Sustainability			.690		
Future Forecast			.884		
Gap Analysis Innovations			.691		
Unexpected Changes			.721		
New Markets			.884		
Optimise			.721		

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 6 iterations.

The rotation reduces the number of factors with large loadings on the variables under investigation. The factor loadings for each variable are shown in the rotated component matrix, as well as the factor on which each variable is most heavily loaded. Based on the loadings, “implementation”, “evaluation and control” and “formulation factors” are loaded strongly on Component 1. The “performance factors” are strongly loaded in Component 2, while “planning factors” are strongly loaded in both Components 3. “Developing long-term plans factors” are strongly loaded in Component 4 while “lack of strategic planning factors” are strongly loaded in Component 5.

5.6 DISCUSSION OF FACTORS

5.6.1 Factor 1: Formulation, Implementation, Evaluation and Control

The results found the three stages in the strategic management process to be important for the growth and profitability of small businesses in the City of Tshwane. The importance of this factor has been stressed in the literature on strategic management. Strategy formulation has been found in several studies to be critical for the well-being of any organisation whether it is a large corporation or not (Hitt, Ireland & Hoskisson, 2016; Hubbard, Rice & Galvin, 2015). The literature identifies two types of strategies that businesses formulate namely corporate strategies and business or competitive strategies (Hubbard, Rice & Galvin, 2015). The former is the responsibility of top management in which they decide which lines of business to engage in while the latter sets the framework for success in a particular business. They are guided by the vision and mission of the business (Amason & Ward, 2020). Strategy formulation inspires small and large businesses alike to explore the prospects of change in the foreseeable future and then prepare for transformation. It encourages the business to plan its capital budgeting. Prior research (e.g. Dyer, Godfrey, Jensen & Bryce, 2017; Jenkins & Williamson, 2015) found that small businesses that do not have clear strategic plans force their decision-makers to maintain the status quo or such small businesses become purely reactive to external forces and become less effective in terms of their competitiveness. According to Amason and Ward (2020), most small businesses pay no attention to strategy formulation since they do not have the skills at that level.

This study found strategy implementation to be an important aspect that significantly contributes to the financial performance of businesses whether large or small. There are several reasons why businesses, large and small, engage in strategy execution, inter alia; to achieve their objectives, to determine loopholes in their organisations and structure, to take corrective action, and increase their capabilities (Karadag, 2015; Nickols, 2016). In light of the latter reasons, small businesses engage in strategy execution.

The literature is clear that all businesses engage in strategy evaluation and control for several reasons. Several researchers (e.g. D’Cruz, 2018; Ethiraj, Gambardella & Helfat, 2016) concur that strategy evaluation is an important tool for assessing how well a business is performed compared to its goals. It assists in reflecting on its accomplishments as well as its deficiencies. It is important for re-examining goals a business may be set at a different times under different situations (Johnsen, 2015).

5.6.2 Factor 2: Financial Performance

This study found financial performance as an important factor. This is confirmed in several prior research. For instance, several studies on small businesses recommend that small businesses must be involved in strategic planning to enhance their financial performance. In a study conducted almost 30 years back on the relationship between strategic planning and the performance of small businesses, Boyd (1991) found a positive relationship. It is concluded that while early studies found a positive relationship, later research revealed that the overall effect was insignificant. In another study that examined planning performance, Sarumpaet (2005) concludes that planning has a minimum effect on the performance of small businesses. In a review of 500 major manufacturing companies, most of Boyd's criticisms of planning-performance studies were addressed in a comprehensive study of corporate planning in 113 Fortune 500 manufacturing businesses (Capon et al., 1994), which was not included in Boyd's review. Table I shows Boyd's methodological criticisms and how each was dealt with in the Capon et al. (1994) study. This contributes to the findings of this omitted study by demonstrating that well-established strategic planning has a long-term impact on return on capital and firm survival.

5.6.3 Factor 3: Planning

This factor comprised 8 items, which emphasise the importance of strategic planning. As shown in the rotated matrix, the results show that small businesses engage in strategic planning since it guides long-term planning, attracts financial investors, and provides sustainability and a competitive edge. Moreover, it assists in collecting information about future forecasts, preparing for different market products and gap analysis, protecting against unexpected changes, assisting to create new market opportunities, and optimising the use of resources. The study findings relate well to the results of previous studies conducted by Soni (2020) and Kuan, Yang and Fei (2020). In terms of ranking, Gomera, Chinyamurindi and Mishi (2018) submit that it is important for the financial performance of the business, and guides in long term planning.

5.6.4 Factor 4: Developing long-term plans

This factor comprises 5 items. The items relate to the strategic planning activities that are important for the long-term sustainability and competitiveness of small businesses namely defining objectives correctly, performing forecasts for future sales performance, and conducting SWOT, industry, and value chain analyses. While this study found these activities to be important to small businesses but the literature, analysis shows that there are several other strategic planning activities that any type of business must engage in. For instance, de Castro Garrido, da Silva, Oliveira and dos Santos Oliveira (2016) acknowledge that developing the vision and mission statements at the outset is critical because it determines where the business intends to position itself. While this is critical according to the literature analysis and in practice, this study did not find it to be very important.

5.6.5 Factor 5: Lack of strategic planning

This last factor comprised 7 items relating to the factors responsible for lack of or ineffective strategic planning. The items are conducting strategic planning casually or informally, paying attention to short term planning only, they do not commit sufficient time to strategic planning, the lack of trust of strategic stakeholders responsible for decision-making, unfamiliar strategic planning practices, allocation of resources is not aligned with the strategy and ineffective strategic planning. Majama and Magang (2017) and van Scheers and Makhitha (2016) found the latter as the most common causes of lack of strategic planning. In terms of ranking, Kamariotou and Kitsios (2019) conducted a study involving Greek small businesses and found that most small businesses casually conducting strategic planning without proper documentation rank the highest. This is followed by paying attention to short-term plans and lack of trust.

In concluding the discussion, five factors were identified in this study as critical aspects of strategic planning. First, the results show that there are three main activities relating to the strategic management process namely strategy formulation, strategy implementation, and strategy evaluation and control. Each of these activities has specific activities that need to be executed in consultation with key stakeholders, based on previous experience and with exceptional skills in making meaningful forecasts. Second, the results show that strategic planning is important for financial performance. The financial health of any form and size of the business depends on the quality of its strategic plans and this is critical for small businesses. Whatever strategic activity of the business must translate into the financial performance of the business. Third, small businesses must understand the importance of engaging in strategic planning. Fourth, the factors describe the strategic planning activities small businesses must engage in. It is important to be clear about the strategic planning activities and how to prioritise them. Finally, small businesses need to have a good understanding of the reasons why some businesses do no strategic planning and then try to relate the findings to their businesses. The next section discusses the logistical regression model based on the latter factors.

5.7 LOGISTIC REGRESSION MODEL

Table 5.15 present a logistic regression model about a set of factors in this section.

Block 0: Beginning

The null model findings are presented as Block 0 results in this section. The result of Block 0 is for a model that only includes the intercept.

Table 5. 15: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 0	Constant	-.029	.169	.029	1	.866	.972

The Wald Chi-square tests null hypothesis that the constant equals 0. This hypothesis is accepted because the p-value is greater than the critical p-value of 0.05. Hence, it is concluded that the constant is 0 and the predicted odds of whether a business is involved in strategic planning activities is 0.972.

Table 5. 16: Variables not in the Equitation

		Score	df	Sig.
Step 0 Variables	Technological	4.062	1	.044**
	Define Objectives	.325	1	.568
	Forecasts	.168	1	.682
	Enough Time	1.478	1	.224
	Unfamiliar	2.262	1	.133
	Lack of Trust	6.504	1	.011**
	Strategic Activities	.012	1	.912
	Business Objectives	2.111	1	.146
	Resources Allocated	.002	1	.962
	Org Strategy	.071	1	.789
	Strategy Implemented	.089	1	.765
	Operating Plans	.038	1	.845
	Deploying Resources	.034	1	.854
	Periodic Review	.136	1	.712
	Clear Monitoring	.100	1	.752
	Operating	.207	1	.649
	Return on Investment	.669	1	.413
	Profitability	.579	1	.447
	Market Share	.003	1	.960
	Long Term Planning	1.596	1	.206
	Sustainability	.805	1	.370
	New Markets	.117	1	.732
Overall Statistics		34.223	22	.047**

Key: ***-1%, **-5% and *-10%

The score test in table 5.16 is used to predict whether or not an independent variable would be significant in the model. Looking at the p-values, it can be seen that 'Technological' and 'Lack of Trust' would be statistically significant at the 5% level. It is noted that the other variables are not significant. The overall statistic p = 0.047 shows the result of including all of the predictors into the model, and in this case, is significant at a 5% level.

Block 1: Method

Block 1 shows the results after the addition of the explanatory variables selected, thus it shows the overall test of the full model.

Table 5. 17: Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	46.655	22	.002
	Block	46.655	22	.002
	Model	46.655	22	.002

The Omnibus Tests of Model Coefficients table gives the result of the likelihood ratio test, which indicates whether the inclusion of this block of variables contributes significantly to model fit. In table 5.17, the p-value of the block is 0.002 and is less than 0.05 significance level, which means that the Block 1 model is a significant improvement to the Block 0 model.

Table 5. 18: Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	147.398[a]	.283	.378
a. Estimation terminated at iteration number 7 because parameter estimates changed by less than,001.			

In standard regression, the coefficient of determination R^2 value indicates how much variation in the dependent variable is explained by the model. There is a need to note that the coefficient of determination R^2 cannot be calculated for logistic regression but table 5.18 gives the values for two pseudo R^2values that try to measure something similar. From table 5.18, we can conclude that between 28.3% and 37.8% of the variation in business strategic planning activities can be explained by the model in Block 1.

Table 5. 19: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Technological	1.102	.343	10.317	1	.001***	3.012
	Define Objectives	.575	.324	3.147	1	.076*	1.777
	Forecasts	-.957	.387	6.104	1	.013**	.384
	Enough Time	-.441	.412	1.144	1	.285	.643
	Unfamiliar	.350	.396	.779	1	.377	1.419
	Lack of Trust	.214	.242	.779	1	.377	1.238
	Strategic Activities	-.793	.759	1.092	1	.296	.453
	Business Objectives	-2.795	.952	8.628	1	.003***	.061
	Resources Allocated	1.395	.901	2.400	1	.121	4.036
	Org Strategy	1.001	.960	1.087	1	.297	2.721
	Strategy Implemented	1.300	.903	2.072	1	.150	3.669
	Operating Plans	-1.022	.816	1.568	1	.210	.360
	Deploying Resources	2.491	1.078	5.337	1	.021**	12.079
	Periodic Review	-2.839	1.139	6.218	1	.013**	.058
	Clear Monitoring	2.258	1.125	4.027	1	.045**	9.567
	Operating	1.076	.570	3.565	1	.059*	2.934
	Return on Investment	-1.347	.488	7.621	1	.006***	.260
	Profitability	-.419	.303	1.915	1	.166	.658
	Market Share	.609	.398	2.342	1	.126	1.838
	Long-term Planning	1.081	.471	5.262	1	.022**	2.947
	Sustainability	-.528	.406	1.694	1	.193	.590
	New Markets	-.619	.454	1.854	1	.173	.539
	Constant	-4.430	2.620	2.858	1	.091*	.012

a. Variable(s) entered on step 1: Technological, Define Objectives, Forecasts, Enough Time, Unfamiliar, Lack of Trust, Strategic Activities, Business Objectives, Resources Allocated, Org Strategy, Strategy Implemented, Operating Plans, Deploying Resources, Periodic Review, Clear Monitoring, Operating, Return on Investment, Profitability, Market Share, Long Term Planning, Sustainability, New Markets.

The B-values are the log-odds coefficients for the logistic regression equation for predicting strategic plan activities independent variables. It is noted in Table 5.19 that ‘Technological’, ‘Business Objectives’ and ‘Return on Investment’ are significant at a 1% level. ‘Forecasts’, ‘Deploying Resources’, ‘Periodic Review’, ‘Clear Monitoring’ and ‘Long Term Planning’ are significant at 5% level. Finally, ‘Define Objectives’ and ‘Operating’ are significant at the 10% level. The dominant variables are the ‘Deploying Resources’, ‘Clear Monitoring’, ‘Resources Allocated’, ‘Strategy Implemented’ and ‘Technological’. Thus, for every one-unit increase in ‘Deploying Resources’ score, we expect a 1.340 increase in the log-odds of fair treatment of owners/managers, holding all other independent variables constant. In addition, for every one-unit increase in ‘furniture’, we expect a 12.079 increase in the log-odds of strategic plan activities, holding all other independent variables constant. The equation (5.1) below is the full model:

$$\text{In}\left[\frac{p}{1-p}\right] = -4.43 + 1.102 Tech + 0.575 DefineObj - 0.957 Forecasts - 0.441 EnoughTime + 0.35 Unfamiliar$$

$$+ 0.214 LackofTrust - 0.793 StartegicAct - 2.795 BussObj + 1.395 RsourceAlloc + 1.001 OrgStrategy$$

$$+ 1.300 StrategyIpl - 1.022 OpPlans + 2.491 DeplRsources - 2.839 PeriodicRvw + 2.258 ClearMon + 1.076 Operating$$

$$- 1.347 RturnonInv - 0.419 Pfit + 0.609 MarketShare + 1.081 LTPlanning - 0.528 Sustain - 0.619 NewMarkets$$

(5.1)

Where the negative value means the odds of strategic plan availability.

Table 5.20: Classification Table

			Predicted		
			Strategic Plan		Percentage Correct
	Observed		0	1	
Step 1	Strategic Plan	0	51	20	71.8
		1	15	54	78.3
	Overall Percentage				75.0
a. The cut value is .500					

In table 5.20, the focus is on false positive and false negative error rates in classification. A false positive would be predicting that the strategic plan is available when, in fact, it is not there. As indicated in table 5.20, the decision rule predicted a decision of strategic plan availability 74 times, and the prediction was wrong 20 times. Therefore, there is a false positive rate of 28.2% (20 / 71). A false negative would be predicting the non-availability of the strategic plan when, in fact, it is there. The decision rule predicted the non-availability of the strategic plan 66 times. That prediction was wrong 15 times, for a false negative rate of 21.7% (15 /69).

5.8 CHAPTER SUMMARY

The chapter covers descriptive statistics on the analysis of the profiles of participants. The results show that both males and females involved directly or indirectly in the strategic planning of small businesses participated in the study. They are experienced, have a certain education level that enables them to be involved in strategic planning, and the results specify the industries to which they belong. Then, the statistical characteristics of respondents were presented in cross-tabulations and an association test was performed using the Chi-square test. Reliability and validity tests were conducted to ascertain the suitability of the research instrument designed and responses from the targeted group. The instruments were found to be highly reliable. The instrument's reliability was tested using Pearson's Chi-square test. The factorability of the data was determined using the KMO and Bartlett's tests. The results show that the sample was adequate, and that factor analysis can be performed. Factor analysis was performed, and the factors were refined using varimax rotation. The results show that there are 5 aspects of strategic planning that small businesses must consider which are the following: (a) formulation, implementation, evaluation and control (b) financial performance (c) planning (d) developing long term planning (e) lack of strategic planning. Finally, logistic regression was developed concerning a set of variables and significant variables were identified. The next chapter presents the findings, conclusions, and recommendations based on the findings in this chapter.

CHAPTER 6: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter discusses the comprehensive research findings about the research objectives and proposes future research. Research findings are discussed about strategic planning and implementation by small business owners/managers to sustain the business and increase profitability. It also discusses and outlines the study's theoretical and academic contributions to the small businesses sector. Moreover, it makes recommendations and conclusions to academics, researchers and small business owners/managers from the literature, results and findings provided in previous chapters. The study's limitations are outlined as a guide to the extent whereby the findings can/cannot be generalised. The next section reiterates the research problem and objectives before presenting the findings, conclusions and recommendations.

6.2 REITERATIONS OF THE RESEARCH PROBLEM

In South Africa, small businesses have a low survival rate (Bushe, 2019). Most small business owners/managers are unable to make their businesses profitable due to the tough economic environment in which they operate (Neneh and Van Zyl, 2014). Hartnack and Liedeman (2017) state that there is scant research on the strategic planning, constraints and challenges affecting small businesses in South Africa. Although several prior research studies were conducted on small businesses, Radipere and Dhliwayo (2014) and Gomera, Chinyamurindi and Mishi (2018) concur that there have not been conclusive results specifically on strategic planning and financial performance of small businesses. Previous research on the strategic planning of small businesses has not examined the profitability and financial performance of small businesses (Pushpakumari and Watanabe, 2010; Wijetunge and Pushpakumari, 2014). Several studies on strategic planning focused more on large enterprises and paid no attention to the prospects of growth of small businesses (Njeru, 2015).

In light of the above characterisation, it is not clear whether small business owners/managers in the City of Tshwane engage in strategic planning or realize the importance of strategic planning for the growth and sustainability of their businesses. The literature is unequivocal about the lack of information by small business owners/managers about the challenges due to a lack of understanding of strategic planning and the operational activities that contribute to business performance. Thus, this study sought to investigate the impact of strategic planning on the financial performance and sustainability of small businesses with a specific focus on small businesses operating in the City of Tshwane.

In a developing country like South Africa, strategic planning is more important to small businesses since they face several challenges (Sandada, Pooe and Dhurup, 2016). The dynamic environment requires that small businesses must be more strategic in their approaches (Van Scheers and Makhitha, 2016). This study provides empirical evidence and practical aspects on the impact of strategic planning and the profitability of small businesses in the City of Tshwane. Such aspects as formulation and implementation of strategic plans to ensure the growth and profitability of the business were examined. It provides insights into the relationship between strategic planning and the impact on the profitability and sustainability of small businesses.

6.3 REITERATION OF THE OBJECTIVES

The main objective of this study was to examine whether small businesses in the City of Tshwane are involved in strategic planning and to determine the impact of strategic planning on profitability.

6.3.1 Secondary Objectives

This study aimed to fulfil the following secondary objectives:

- To determine if small businesses have strategic plans or are involved in strategic planning activities;
- To identify the challenges and understanding of strategic planning by small business owners/managers and directors;
- • To determine the relationship between strategic planning practices and impacts on the financial performance of small businesses; and
- To propose solutions for addressing the challenges of adopting strategic planning practices by small business owners/managers.

6.4 KEY FINDINGS

The findings from the descriptive statistical analysis show that males are dominant in management positions that involve strategic planning more than females. All participants, irrespective of gender and across all industries in which they are operating, have a matric (grade 12) and experience which enables them to engage in strategic planning. Their role in the business is that of owner or manager of small businesses. In comparing the results to the review literature, the findings of this study are, to a greater extent, similar to related studies that examined the relationship between profitability and strategic planning although the previous related studies were not conducted in the context of small businesses.

A total of 144 small business owners/managers participated in the study. The analysis of the literature shows that other previous studies used almost the same sample size and still obtained credible results.

The results of the factor analysis show that there are five aspects of strategic planning that small businesses must consider. Small business owners/managers must 1) show knowledge of the stages in the strategic management process and the activities inherent at each stage, 2) appreciate the importance of financial performance as a critical aspect that depends on strategic planning, 3) the importance of strategic planning, that is, how financial and non-financial benefits of engaging in strategic planning impact on the business, 4) determine the key aspects of strategic planning that they must engage, for instance, SWOT, industry, and value chain analysis, and finally, 5) the study identifies some of the reasons for not engaging in strategic planning. These include, inter alia; no prior experience and knowledge, a perception that it is a waste of time, and a lack of trust of other key stakeholders. There is extant of literature on strategic planning for all types and sizes of businesses. Although this study is on small businesses and not large businesses, its findings confirm what is already available in the literature regarding strategic planning and business performance.

Hypotheses testing use sample evidence to drive statistically test whether a claim made about a population is valid. The results of the sample are used to make an inference about the population as a whole (Haig, 2018). Regarding the hypotheses, the findings were as follows:

H01: Gender and age a significant relationship with strategic planning and business performance in small businesses.

The study found that the hypothesis that there is a significant relationship, the hypothesis is accepted.

H02: Gender and qualifications have a correlation with strategic planning and small business growth.

The study found that gender and qualifications have a strong relationship between strategic planning and business performance, and the hypothesis was accepted.

H03: Gender and race have a strong relationship with strategic planning and profitability among small businesses.

The study found that gender and race have a significant relationship with strategic planning and profitability, the hypothesis was therefore accepted.

H04: Age and race have a significant relationship with strategic planning and the perceived success of small business.

The study found that age and race have is a significant relationship with strategic planning and small business perceived success, and the perceived success of small businesses, and the hypothesis was accepted.

H05: Qualifications and race have a significant relationship with strategic planning and the perceived success of small business.

The study found that qualifications and race have is a significant relationship with strategic planning and small business perceived success, and the perceived success of small businesses, and the hypothesis was accepted.

6.5 CONTRIBUTION OF THE STUDY

This study makes a theoretical contribution in that it advances the literature on small businesses and strategic planning and how the latter influences profitability. Based on the findings of the study, the study's unique contribution is the development of a model of the relationship between strategic planning, profitability, and growth, which guides small businesses, government, policymakers and other stakeholders. The equation (5.1) below constitutes the full model:

$$\text{In}\left[\frac{p}{1-p}\right] = -4.43 + 1.102\,Tech + 0.575\,DefineObj - 0.957\,Forecasts - 0.441\,EnoughTime + 0.35\,Unfamiliar$$

$$+ 0.214\,LackofTrust - 0.793\,StartegicAct - 2.795\,BussObj + 1.395\,RsourceAlloc + 1.001\,OrgStrategy$$

$$+ 1.300\,StrategyIpl - 1.022\,OpPlans + 2.491\,DeplRsources - 2.839\,PeriodicRvw + 2.258\,ClearMon + 1.076\,Operating$$

$$- 1.347\,RturnonInv - 0.419\,Pfit + 0.609\,MarketShare + 1.081\,LTPlanning - 0.528\,Sustain - 0.619\,NewMarkets$$

(5.1)

Where the negative value means the odds of strategic plan availability.

6.6 CONCLUSIONS

This study concludes that there is a significant relationship between strategic planning and business performance., profitability, growth, and perceived success of small businesses. Thus, the growth, sustainability, and competitiveness of small businesses depend on strategic planning and strategic planning is an indispensable activity in any type and size of business. The conclusion is in line with the findings that confirmed the hypotheses above.

All businesses from small businesses to medium to large enterprises require strategic planning to direct their future activities and to make use of business resources. Ali and Qun (2019) note that strategic planning has three components namely situation analysis, objectives, strategy, action plans and implementation. When a business concludes situation analysis, objectives and strategies can be established to achieve those goals. This study concludes that for a small business to grow and expand its operations, it is important to understand the importance of strategic planning. Moreover, profitability and growth are important to small business for them to survive and remain attractive to investors and other stakeholders.

Although profitability is critical to a company's existence, growth is crucial for long-term survival. No businesses survive for a longer period without making a profit, though measuring business profitability; both current and future is critical in evaluating the business performance. Profitability and growth go hand in hand when it comes to business success. Profit is key to basic financial survival, while growth is the key to profit and long-term success. Determining and focusing on profitability at the start of a business is essential. In contrast, growth of market and sales is for expansion, making the company grow bigger, increasing its market and finally making it more profitable.

6.7 RECOMMENDATIONS

The following recommendations are made based on the findings and conclusions:

- Small business owners/managers must engage in strategic planning continuously since it influences growth, profitability, business performance, and success. In other words, for continual success, strategic planning must be there and must be prioritized;
- Small business owners/managers must gain more experience and attend business training to have better experience understanding of strategic planning;

- South African government must strengthen and support its entrepreneurial ecosystem, networks of learning, offer mentorship, support entrepreneurial education, and accelerate financing innovation and access to markets;
- Small businesses without the capacity to engage in strategic planning may need to outsource the function to specialists; and
- The success of strategic planning initiatives starts from a change in the mindset of the small business owners/managers. They must be willing to commit time and resources and develop attitudes that support strategic planning.

6.8 LIMITATIONS OF THE STUDY

The following are the study's limitations:

- The relied on quantitative data and was conducted in the City of Tshwane. This limits the extent to whereby the findings can be generalized to other cities and regions.
- While the sample of the study was adequate and confirmed by the KMO test and Bartlet's Test of Sphericity, the number of participants could have been more if it was not for the Covid-19 that impacted negatively on data collection;
- Some small business owners/managers did not complete the research questionnaire due to a lack of understanding of strategic planning and their lower literacy levels;
- Most of the small businesses on the database were found to be closed or no longer in operation; and
- An electronic questionnaire was a problem because some of the emails were no longer working. This negatively impacted the total number of participants.

6.9 CHAPTER SUMMARY

This study aimed to determine the impact of strategic planning on profitability and growth in the context of small businesses in the City of Tshwane. This was based on the literature that suggests that there is a low success rate for small businesses. Quantitative data were collected from 144 small business owners/managers using self-administered questionnaires. Descriptive statistics were performed, and the results show that participants were male-dominated, most participants have at least a matriculation certificate, have several years of experience, and are directly and indirectly involved in strategic planning. Cronbach's alpha was used to test the reliability and the scale was found to be highly reliable with loading of .908 for all 115 items. KMO was performed to determine the sampling adequacy and it yielded a loading of .768 and Bartlett's test of Sphericity showed a strong correlation between the items confirming the factorability of the data.

Factor analysis yielded five factors. The first factor relates to three stages of strategic management: strategy formulation, strategy execution, and strategy evaluation and control. The activities relating to each of the stages are executed in consultation with stakeholders whose previous experience and exceptional skills make meaningful contributions to the business. The second factor shows the importance of strategic planning to financial performance. The financial health of any form and size of a business depends on the quality of its strategic plans and this is critical for small businesses. Whatever strategic activity small business owners/managers engage in; it must translate into financial performance. The third factor accentuates the fact that small businesses must understand the importance of engaging in strategic planning. Fourth, the factor describes the strategic planning activities small businesses must engage in. It emphasizes the importance of being clear about the strategic planning activities and that they should be prioritized. The final factor endorses the importance of small businesses and itemizes the dangers of not engaging in strategic planning. These five factors were subjected to logistical regression modelling.

Logistical regression modelling shows that there is a significant relationship between strategic planning, growth and profitability. A frameworkwas developed to show the impact of strategic planning on profitability and growth. This is an important contribution of the study that examined the impact of strategic planning and growth and profitability in the context of small businesses. The study concludes that strategic planning is key in all business activities and determines the performance, profitability and sustainability of small businesses. Small business owners/managers should pay special attention to strategic planning. The findings raise important insights that small businesses and other stakeholders such as government and policymakers need to pay attention to and thus make recommendations that benefit different stakeholders. Directions for further research have also been given.

6.10 AREAS FOR FURTHER RESEARCH

The study suggests the following further research:

- This study was purely quantitative. Further studies may need to consider qualitative or mixed methods;
- The study was conducted in the context of the City of Tshwane. It is suggested that a replication of the study be done elsewhere; and
- A focus on the relationship between strategic planning and the profitability of specific industries may shed light on small businesses.

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6 APPENDIX 1: LETTER OF INTRODUCTION

Dear Participant

I am Thiemuli Rudolf Mudau, a student doing a research based Master of Commerce in Business Management (Student Number: 50170147) at University of South Africa (UNISA).

The topic of the study is the **"Empirical investigation of strategic planning of small businesses in the City of Tshwane: a framework for profitability and growth".**

The attached questionnaire will be used to collect data relating to this study. Completion of the questionnaire would take approximately 30 minutes of your time. Participation on this study is voluntary and all information or data collected will be treated confidentially. The personal particulars of the participants will not be disclosed in any part of this research. Analysed data collected through this study will be published in a dissertation, articles and conference papers.

Your responses are key to the success of this study and your participation in this study is highly appreciated.

Yours Sincerely

Thiemuli Rudolf Mudau

7 APPENDIX 2: QUESTIONNAIRE

Section A: Demographical Information

1. Gender (Indicate your gender with an X on the appropriate box)

Male		Female		Other	

2. Age profile (Indicate your age with an X on the appropriate box)

18-25		26-35		36-45		46 Plus	

3. Race *(*Indicate your race with an X on the appropriate box*)*

African		Whites	
Coloured		Indians	

4. Educational qualifications *(*Indicate your highest qualification with an X on the appropriate box*)*

Below Grade 12		Grade 12 (Matric)	
Diploma		Bachelor's degree/Advance diploma	
Honours degree/Postgraduate diploma		Master's degree	
Doctoral degree			

SECTION B: ORGANISATIONAL INFORMATION

5. How long has the business been in existence or operations? *(Mark the appropriate box with an X)*

Less than 1 year		1-3 years	
4-6 years		7-9 years	
10+ years			

6. Industry/Sector *(Mark the appropriate box with an X)*

Manufacturing		Service	
Distributor		Wholesale	
Retail		Agriculture	
Accommodation and catering		Motor trade	
Other Specify (Please specify the type of business)			

7. How many employees currently employed by your business? (Mark appropriate box with an X)

Myself		11-25	
2-5		26-50	
6-10		50 plus	

8. Indicate the turnover (annual sales) generated by your business (Mark the appropriate box with an X)

Less than R 20 000		R 100 000-R 300 000	
R 20 000 - R 50 000		R 300 000- R 500 000	

R 50 000 - R 100 000		Over R 500 000	

SECTION C: STRATEGIC PLANNING

9. Indicate level of involvement in the business (Mark the appropriate box with an X)

Management		Strategic	
Operational		Other	

10. What are the common challenges that you can relate affects your business performance? *(Mark the appropriate box with an X using this scale:* "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)")

Challenges (Constraints)	**SD**	**D**	**N**	**A**	**SA**
Unpredictable businesses conditions.					
Lack of industry experience and inadequate industry analysis					
Cash flow problems					
Lack of proper planning and development of strategies					
Lack of entrepreneurial mindset and skills					
Lack of experience and planning in marketing and finance					
Stringest rules and regulations of the industry					
Inadequate resources					
Lack of management competence or experience					
Lack of people management skills					
Informal strategies and lack of strategic planning practices					
Poor business and finance management skills					
A lack of long-term planning for the business.					
Lack of financial control measures					

Rapid changes in technology					

11. Please rate the following macro-economic forces according to their effect on the strategic activity, survival and growth of your company/business? *Please indicate your level of agreement to the following macro-economic forces by putting an X in the appropriate box using this scale:* "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

Macro-economic forces	**SD**	**D**	**N**	**A**	**SA**
Political and legal (government policies/ policy changes /laws)					
Economic (Interest rates, inflation)					
Socio-cultural (languages, religious persuasions, education level)					
Technological (innovation, methods, equipment's)					

12. Strategic planning (Developing long-term plans)

Does your company/ business undertake? *Please indicate your level of agreement to the following strategic planning activities by putting an X in the appropriate box using this scale:* "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

Strategic planning activities	**SD**	**D**	**N**	**A**	**SA**
Define objectives correctly					
Conduct SWOT analysis					
Forecasts of future sales performance					
Conduct industry analysis					
Conduct Value chain analysis					

Develop vision and mission statements					

13. Does your business have a written formal business and strategic plans and understand the importance of strategic planning? *(Please put an X in the appropriate box)*

Yes		No	

13.1 If you answered question 13. with a ***Yes,*** please indicate the purpose *(Please put an X in the appropriate box)*

Statement	Yes	No
To obtain financial assistance at banks, private equities and financial institution		
Strategic and business plan was developed to assist management in managing day-to-day operations of business.		

13.2 Have you adopted any strategies for your company/ business over the last five years? *(Please tick in the appropriate box).*

Yes		No	

13.3 Do you (Manager), management and your employee dedicate enough time and energy to manage the business properly from strategic planning viewpoint? *(Please put an X in the appropriate box)*

Yes		No	

13.4 Please indicate which of the following factors are mainly responsible for lack of strategic planning.

Please indicate your level of agreement to the following factors responsible for lack of strategic planning by putting an X in the appropriate box using this scale: “Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)”

Factors responsible for lack of strategic planning	SD	D	N	A	SA
Unfamiliar with strategic planning practices, process and techniques					
Lack of experience and understanding of strategic planning process					
Limited knowledge, expertise, skills and education to start strategic planning process.					
Lack of adequate capital to appoint specialist or consultant to assist with strategic planning.					
Lack of trust within the internal stakeholders and sharing of business information					
Lack of time, focus on daily operations.					
Allocation of resources not aligned with the strategy (resource constraints)					
Ineffective strategic planning implementation process					
Strategic planning process primarily is in informal manner and no evidence of documented strategies.					
Concentration on short-term operational goals rather than long-term plans					
A formal strategic plan might not be suitable for businesses because of high levels of formality can suppress innovation and creativity					
Technological changes and consumer behaviour changes affect strategic planning					

13.5 The following are key factors to successful strategic planning

Please indicate your level of agreement to the following key factors to successful strategic planning by putting an X in the appropriate box using this scale: "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

Key factors to successful strategic planning	**SD**	**D**	**N**	**A**	**SA**
Engagement					
Communication					
Innovation					
Project Management					
Organisational culture					

14. Strategic planning

14.1 Strategy formulation

Does your company/ business have strategy/ strategy Plan? *(Please put an X in the appropriate box for each activity that applies to your company/business).*

Strategic formulation activities	**Yes**	**No**
Business/company have a deliberate a vision, mission statement and core values.		
Gather and analyse information about the external environment.		
Setting proper organisational environment		
Identify and formulate possible strategies		
Select long-term and short-term strategies		
Strategic activities to be delivered		
Allocate budget and resources (physical, financial, and human resources)		
Implement the strategy		

14.2 Strategic implementation

The following are detailed activities on the strategic management implementation practices *(Please put an X in the appropriate box for each activity that applies to your company/business).*

Strategic implementation activities	**Yes**	**No**
Established clear company/business objectives and goals		
Adequate resources are allocated to the implementation of the strategy		
Organizational strategy is aligned with the organizational structure		
Strategy implemented based on objectives and expected performance		
Organization is committed to implementing organizational strategy in a manner that delivers the highest performance		
Developing appropriate operating plans and methods to implement the strategy		
Understanding how business strategy links to financial performance		
Deploying the resources needed to implement the strategy.		
Periodic review of strategy		

14.3 Strategic Evaluation and Control

The following are detailed activities on the strategic management implementation practices *(Please put an X in the appropriate box for each statement that applies to your company/business).*

Strategic evaluation and control activities	**Yes**	**No**
There is clear monitoring, evaluation and control of the implementation of the strategy		
Defined and measurable performance targets for each aspect of the strategic management plan		

Organizational strategy is aligned with the organizational structure		
Strategy implemented based on objectives and expected performance		
Organization is committed to implementing organizational strategy in a manner that delivers the highest performance		
Review strategic management decisions by the business/company		
Strategic evaluation involves the review of the strategic formulation and implementation		
Strategic evaluations are performed on a regular basis and corrective measures are taken on the strategy for best performance.		

15. **How does strategic planning impact on your business performance? (Question 3)** *Please indicate your level of agreement by putting an X in the appropriate box using this scale:* "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

	SD	D	N	A	SA
The business has a strong vision and mission statement					
We have a focused plan with several objectives					
Business/enterprise have short, medium or long-term strategic plans					
We identified our strengths, weaknesses, opportunities and threats.					
Strategic planning helps the company to develop future strategies, techniques and activities.					
Planning promotes the assessment and evaluation of business performance.					
Clear strategic plans improve external and internal communication					

Strategic planning helps to allocate resources and maximize the usage of business resources.					
Strategic planning assist in decision-making process.					
Ability to incorporate strategies to improve the performance.					
Developing clear operating procedures to run the business successfully.					

16. Business Performance

16.1 Organisational Performance (Financial measures)

How do you determine the performance in your firm? *Please indicate your level of agreement by putting an X in the appropriate box using this scale:* "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

Financial measures	**SD**	**D**	**N**	**A**	**SA**
Increased revenue of the firm.					
Business's operating profits increased					
Return on investment capital has increased considerably.					
Organization has improved the quality on most of its products					
Sales growth increased					
Cash flows improved					
Growth in profitability					

16.2 Organisational Performance (Non-financial measures)

Please indicate your level of agreement by putting an X in the appropriate box using this scale: "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

Non-financial measures	**SD**	**D**	**N**	**A**	**SA**
Market share of organisation products grows.					
Improved customer satisfaction and retention relative to competitors.					
The firm has developed new products and or product lines for its markets.					
High employee satisfaction and turnover					
On time delivery of products or services					

17. The importance of strategic planning in a company or business. (Question 4)

Please indicate your level of agreement by putting an X in the appropriate box using this scale: "Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), and Strongly Agree (SA)"

The importance of strategic planning	**SD**	**D**	**N**	**A**	**SA**
Strategic planning helps with long-term planning					
Identifies internal and external effects and opportunities to be considered when developing strategies and techniques (strategic direction).					
Minimizes risk and makes organisation to be proactive in nature.					

Proper strategic planning can assist to attract financial investors.					
Strategic planning assist organisation to monitor and measure performance (sales, growth and profits).					
Provides sustainability and a competitive advantage to a business					
Improves management skills and decision making					
Strategic planning can assist in collection information (i.e. customers, distributors & stakeholders) for future forecast.					
Planning may help to prepare for various markets products and gap analysis (innovation).					
Strategies can protect against unexpected changes in the environment					
Guides business optimization (growth) and increase of profitability					
Strategic planning helps to identify new market opportunities as well new competitive threats.					
Increase productivity and operational efficiency					
Optimise the utilisation of resources.					

Thank you for your participation!

8 APPENDIX 3: ETHICAL CLEARANCE LETTER

UNISA university of south africa

UNISA RESEARCH ETHICS REVIEW COMMITTEE

15 October 2020

NHREC Registration # : (if applicable)
ERC Reference # 2020_CEMS_BM_104
Name: Mr Thiemuli Rudolf Mudau
Student # 50170147
Staff #N/A

Dear Mr Thiemuli Rudolf Mudau

Decision: Ethics Approval from 15 October 2020 to 14 October 2025

Researcher(s): Name: Mr Thiemuli Rudolf Mudau
E-mail address: thiemuli.mudau@drdlr.gov.za
Telephone # 071 850 1794

Supervisor(s): Name: Dr N.V. Moraka
E-mail address # moraknv@unisa.ac.za
Telephone # (012) 429-8752

Working title of research:

Empirical investigation of strategic planning of small businesses in the City of Tshwane: A model for profitability and growth

Qualification: M Com degree

Thank you for the application for research ethics clearance by the Unisa Research Ethics Review Committee for the above-mentioned research. Ethics approval is granted for 5 years.

*The **low risk application** was reviewed by a Sub-committee of URERC on 13 October 2020 in compliance with the Unisa Policy on Research Ethics and the Standard Operating Procedure on Research Ethics Risk Assessment. The decision will be tabled at the next Committee meeting on 11 November 2020 that this application was approved on 13 October 2020.*

The proposed research may now commence with the provisions that:

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Preller Street, Muckleneuk Ridge, City of Tshwane
PO Box 392 UNISA 0003 South Africa
Telephone: +27 12 429 3111 Facsimile: +27 12 429 4150
www.unisa.ac.za

1. The researcher will ensure that the research project adheres to the relevant guidelines set out in the Unisa Covid-19 position statement on research ethics attached.
2. The researcher(s) will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
3. Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study should be communicated in writing to the Research Ethics Review Committee.
4. The researcher(s) will conduct the study according to the methods and procedures set out in the approved application.
5. Any changes that can affect the study-related risks for the research participants, particularly in terms of assurances made with regards to the protection of participants' privacy and the confidentiality of the data, should be reported to the Committee in writing, accompanied by a progress report.
6. The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study. Adherence to the following South African legislation is important, if applicable: Protection of Personal Information Act, no 4 of 2013; Children's Act, no 38 of 2005 and the National Health Act, no 61 of 2003.
7. Only de-identified research data may be used for secondary research purposes in future on condition that the research objectives are similar to those of the original research. Secondary use of identifiable human research data require additional ethics clearance.
8. No field work activities may continue after the expiry date 14 October 2025. Submission of a completed research ethics progress report will constitute an application for renewal of Ethics Research Committee approval.

Note:

The reference number 2020_CEMS_BM_104 *should be clearly indicated on all forms of communication with the intended research participants, as well as with the Committee.*

Yours sincerely,

D. Visser

Chairperson: Prof Thea Visser
Department of Business Management
E-mail: vissed@unisa.ac.za
Tel: (012) 429-2113

Prof RT Mpofu
CEMS DED
(on behalf of Prof Mogale

Executive Dean: Prof Thomas Mogale
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9 APPENDIX 4: PERMISSION LETTER

CITY OF TSHWANE
IGNITING EXCELLENCE

City Strategy and Organizational Performance

Room CSP22 | Ground Floor, West Wing, Block D | Tshwane House | 320 Madiba Street | Pretoria | 0002 | PO Box 440 | Pretoria | 0001
Tel: 012 358 7423/0798
Email: NosiphoH@tshwane.gov.za | www.tshwane.gov.za | www.facebook.com/CityOf Tshwane

My ref:	**Research Permission/T.R.Mudau**	Tel:	012 358 4559
Contact person:	**Pearl Maponya**	Email:	PearlMap3@tshwane.gov.za
Section/Unit:	**Knowledge Management**	Date	06 May 2020

Mr Thiemuli Rudolf Mudau
PO Box 19039
Pretoria West
0117

Dear Mr Mudau,

APPROVAL TO CONDUCT RESEARCH ON "EMPIRICAL INVESTIGATION OF STRATEGIC PLANNING OF SMALL BUSINESESSES IN THE CITY OF TSHWANE: A MODEL FOR PROFITABILITY AND GROWTH"

Permission is hereby granted to Mr Thiemuli Rudolf Mudau (50170147), a Master of Commerce degree candidate at the University of South Africa (UNISA) to conduct research in the City of Tshwane Metropolitan Municipality.

It is noted that the study seeks to provide new empirical evidence and practical aspects related to the impacts of strategic planning on the profitability of small businesses in the City of Tshwane. City of Tshwane further notes that all ethical aspects of the research will be covered within the provisions of UNISA Research Ethics Policy. You will be required to sign a confidentiality agreement form with the City of Tshwane prior to conducting research.

Relevant information required for the purpose of the research project will be made available as per applicable laws and regulations. The City of Tshwane is not liable to cover the costs of the research. Upon completion of the research study, it would be appreciated that the findings in the form of a report and or presentation be shared with the City of Tshwane.

Yours faithfully,

PEARL MAPONYA (Ms.)
DIRECTOR: KNOWLEDGE MANAGEMENT

City Strategy and Organisational Performance • Stadstrategie en Organisatoriese Prestasie • Lefapha la Thulaganyo ya Tiro le Togamaano ya Toropokgolo • UmNyango wezokuSebenza namaQhinga aHleliweko kaMasipala • Kgoro ya Leanopeakanyo la Toropokgolo le Bodiragatši bja Mmasepala • Muhasho wa Vhupulani ha Ḓorobo khulwane na Mashumele • Ndzawulo ya Maqhinga ya Dorobakulu na Matirhele ya Masipala • Umnyango Wezeqhinga Ledolobha Nokusebenza Kwesikhungo

10 TABLE A1: ITEM-TOTAL STATISTICS

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Existence	362.50	1471.282	.007	.909
Industry	360.56	1441.476	.133	.911
Employees	363.20	1485.143	-.121	.910
Turnover	362.78	1505.551	-.294	.912
Involvement	363.17	1457.700	.179	.908
Unpredictable	360.99	1444.583	.427	.907
Conditions	362.28	1445.490	.273	.907
Industry Experience	361.31	1460.518	.167	.908
Cash flow	362.09	1425.992	.412	.906
Entrepreneurial Mindset	361.99	1435.386	.386	.907
Marketing Finance	362.07	1444.503	.287	.907
Stringiest Rules	361.68	1431.296	.431	.906
Inadequate Resources	362.30	1441.318	.297	.907
Competence Experience	362.36	1446.293	.276	.907
People Management	362.02	1416.682	.534	.905
Informal Strategies	361.68	1431.887	.398	.906
Poor Business	361.96	1438.264	.345	.907
Long-term Planning_	362.09	1429.628	.383	.907
Financial Control	361.59	1439.169	.346	.907
Rapid Changes	361.26	1432.646	.536	.906
Political Legal	361.96	1438.567	.365	.907
Economic	361.50	1442.222	.339	.907
Sociocultural	361.77	1451.100	.196	.908
Technological	361.65	1430.654	.411	.906
Define Objectives	361.76	1450.896	.233	.908
SWOT	361.80	1451.037	.254	.907
Forecasts	361.88	1447.788	.262	.907
Industry Analysis	361.92	1439.758	.299	.907
Value Chain Analysis	363.75	1476.249	-.044	.909
Vision Mission	364.64	1480.732	-.120	.909
Written Formal	364.70	1482.045	-.160	.909
Financial Assistance	363.86	1473.260	.020	.908
Assist Management	363.92	1476.652	-.061	.909
Last5years	361.75	1446.097	.259	.907
Enough Time	361.76	1443.063	.313	.907
Unfamiliar	361.70	1443.045	.317	.907
Experience Understanding	361.84	1439.482	.331	.907
Skills Education	362.06	1411.451	.492	.906
Adequate Capital	361.92	1447.819	.230	.908
Lack of Trust	361.89	1435.889	.384	.907
Lack of Time	361.81	1424.593	.538	.906
Not Aligned	361.77	1417.540	.554	.905
Ineffective Strategic Planning	361.59	1422.669	.541	.906
Strategic Planning Process	361.95	1441.596	.303	.907
Operational Goals	361.88	1420.395	.549	.905

Levels of Formality	361.02	1441.583	.444	.906
Consumer Behaviour	360.94	1440.072	.441	.906
Engagement	361.02	1456.621	.235	.908
Communication	360.93	1454.200	.301	.907
Innovation	361.12	1439.425	.406	.907
Project Management	363.93	1471.200	.042	.908
Org Culture	363.95	1477.535	-.079	.909
Core Values	363.90	1475.968	-.044	.908
External Environment	363.98	1475.507	-.038	.908
Org Environment	364.08	1476.631	-.072	.908
Possible Strategies	364.01	1466.886	.196	.908
Short Term Strategies	364.14	1477.815	-.113	.909
Strategic Activities	364.07	1470.003	.118	.908
Allocate Budget	364.16	1473.922	.008	.908
Implement Strategy	364.01	1469.523	.125	.908
Business Objectives	363.98	1468.939	.139	.908
Resources Allocated	364.00	1472.485	.044	.908
Org Strategy	364.08	1473.561	.017	.908
Strategy Implemented	364.03	1470.938	.088	.908
Committed	364.00	1473.515	.016	.908
Operating Plans	363.93	1472.518	.041	.908
Strategy Links	363.96	1468.703	.143	.908
Deploying Resources	363.90	1466.922	.187	.908
Periodic Review	363.94	1475.102	-.027	.908
Clear Monitoring	363.94	1479.481	-.141	.909
Performance Targets	363.98	1474.363	-.007	.908
Aligned	363.80	1466.583	.063	.909
Expected Performance	364.00	1471.515	.070	.908
Highest Performance	363.97	1476.772	-.071	.908
Review Strategy	361.84	1441.316	.287	.907
Strategic Evaluation	361.73	1431.638	.415	.906
Corrective Measures	361.74	1435.995	.370	.907
Strong Vision	361.71	1421.754	.480	.906
Focused Plan	361.51	1430.752	.444	.906
Strategic Plans	361.25	1437.582	.439	.906
Strengths	361.14	1432.396	.481	.906
Techniques	360.72	1455.430	-.005	.921
Assessment Evaluation	360.93	1450.518	.358	.907
Internal Communication	361.14	1436.851	.455	.906
Maximize the Usage	361.00	1435.045	.512	.906
Decision-making	361.29	1428.706	.554	.906
Incorporate Strategies	361.27	1426.926	.540	.906
Operating Procedures	361.65	1426.367	.496	.906
Increased Revenue	361.53	1426.297	.532	.906
Operating	361.28	1433.763	.531	.906
profits	361.23	1440.301	.430	.906
Return on Investment	361.26	1428.832	.516	.906
Quality	361.91	1446.643	.280	.907
Sales Growth	361.34	1444.271	.436	.907
Cash Flows Improved	361.77	1440.468	.376	.907
Profitability	361.49	1423.252	.519	.906
Market Share	361.11	1451.686	.335	.907

Satisfaction	360.98	1454.379	.308	.907
New Products	361.05	1439.808	.516	.906
Turnover	361.08	1453.509	.352	.907
On Time Delivery	360.95	1441.968	.464	.906
Long-term Planning	360.87	1446.097	.452	.907
External Effects	360.90	1450.437	.431	.907
Minimizes Risks	360.86	1456.012	.332	.907
Financial Investors	361.18	1433.649	.595	.906
Monitor Measure	360.95	1452.149	.364	.907
Sustainability	361.18	1452.907	.291	.907
Skills Decision-making	361.01	1450.917	.389	.907
Future Forecast	361.00	1443.879	.473	.907
Gap Analysis Innovations	361.02	1445.485	.465	.907
Unexpected Changes	360.86	1451.300	.428	.907
Optimization	364.86	1469.118	.129	.908
New Markets	361.00	1443.879	.473	.907
Operational Efficiency	361.02	1445.659	.463	.907
Optimise	360.86	1451.785	.418	.907

11 TABLE A2: ITEM STATISTICS

	Mean	Std. Deviation	N
Existence	2.86	1.496	133
Industry	4.80	2.586	133
Employees	2.17	1.361	133
Turnover	2.58	1.463	133
Involvement	2.20	1.125	133
Unpredictable	4.37	.892	133
Conditions	3.08	1.309	133
Industry Experience	4.05	1.002	133
Cash flow	3.27	1.483	133
Entrepreneurial Mind-set	3.37	1.276	133
Marketing Finance	3.29	1.290	133
Stringiest Rules	3.68	1.270	133
Inadequate Resources	3.06	1.380	133
Competence Experience	3.00	1.261	133
People Management	3.35	1.387	133
Informal Strategies	3.68	1.350	133
Poor Business	3.40	1.314	133
Long-term Planning	3.27	1.467	133
Financial Control	3.77	1.277	133
Rapid Changes	4.11	1.002	133
Political Legal	3.40	1.237	133
Economic	3.86	1.192	133
Sociocultural	3.59	1.420	133
Technological	3.71	1.346	133
Define Objectives	3.60	1.237	133
SWOT	3.56	1.138	133
Forecasts	3.48	1.253	133
Industry Analysis	3.44	1.432	133
Value Chain Analysis	1.61	.716	133
Vision Mission	.72	.752	133
Written Formal	.66	.662	133
Financial Assistance	1.50	.531	133
Assist Management	1.44	.556	133
Last5years	3.61	1.342	133
Enough Time	3.60	1.249	133
Unfamiliar	3.66	1.236	133
Experience Understanding	3.52	1.318	133
Skills Education	3.30	1.628	133
Adequate Capital	3.44	1.400	133
Lack of Trust	3.47	1.265	133
Lack of Time	3.55	1.190	133
Not Aligned	3.59	1.321	133
Ineffective Strategic Planning	3.77	1.229	133
Strategic planning Process	3.41	1.343	133
Operational Goals	3.48	1.265	133
Levels of Formality	4.34	.945	133
Consumer Behaviour	4.42	.994	133
Engagement	4.35	.938	133
Communication	4.43	.846	133
Innovation	4.24	1.095	133
Project Management	1.43	.781	133

Organisational Culture	1.41	.579	133
Core Values	1.46	.584	133
Externa environment	1.38	.488	133
Org Environment	1.29	.453	133
Possible Strategies	1.35	.480	133
Short Term Strategies	1.23	.420	133
Strategic Activities	1.29	.457	133
Allocate Budget	1.20	.404	133
Implement Strategy	1.35	.480	133
Business Objectives	1.38	.486	133
Resources Allocated	1.36	.482	133
Org Strategy	1.28	.450	133
Strategy Implemented	1.33	.472	133
Committed	1.36	.482	133
Operating Plans	1.43	.497	133
Strategy Links	1.40	.491	133
Deploying Resources	1.46	.500	133
Periodic Review	1.42	.496	133
Clear Monitoring	1.42	.496	133
Performance Targets	1.38	.486	133
Aligned	1.56	1.270	133
Expected Performance	1.36	.482	133
Highest Performance	1.39	.490	133
Review Strategy	3.52	1.423	133
Strategic Evaluation	3.63	1.305	133
Corrective Measures	3.62	1.307	133
Strong Vision	3.65	1.398	133
Focused Plan	3.85	1.252	133
Strategic Plans	4.11	1.071	133
Strengths	4.22	1.117	133
Techniques	4.64	4.525	133
Assessment Evaluation	4.43	.846	133
Internal Communication	4.22	1.054	133
Maximize the Usage	4.36	.987	133
Decision-making	4.08	1.063	133
Incorporate Strategies	4.09	1.131	133
Operating Procedures	3.71	1.241	133
Increased Revenue	3.83	1.162	133
Operating	4.08	.985	133
profits	4.13	1.011	133
Return on Investment	4.10	1.134	133
Quality	3.45	1.228	133
Sales Growth	4.02	.883	133
Cash Flows Improved	3.59	1.142	133
Profitability	3.87	1.264	133
Market Share	4.26	.859	133
Satisfaction	4.38	.822	133
New Products	4.31	.863	133
Turnover	4.29	.754	133
On Time Delivery	4.41	.896	133
Long-term Planning	4.49	.804	133
External Effects	4.46	.713	133
Minimizes Risks	4.50	.703	133
Financial Investors	4.18	.886	133
Monitor Measure	4.41	.779	133
Sustainability	4.18	.928	133
Skills Decision-making	4.35	.771	133

Future Forecast	4.36	.829	133
Gap Analysis Innovations	4.35	.798	133
Unexpected Changes	4.50	.692	133
Optimization	.50	.502	133
New Markets	4.36	.829	133
Operational Efficiency	4.34	.797	133
Optimise	4.50	.692	133

12 TABLE A3: COMMUNALITIES

	Initial	Extraction
Socio Cultural	1.000	.803
Technological	1.000	.810
Define Objectives	1.000	.603
SWOT	1.000	.736
Forecasts	1.000	.794
Industry Analysis	1.000	.749
Last5years	1.000	.727
Enough Time	1.000	.813
Unfamiliar	1.000	.842
Lack of Trust	1.000	.623
Lack of Time	1.000	.778
Not Aligned	1.000	.688
Ineffective Strategic Planning	1.000	.666
Strategic Activities	1.000	.508
Allocate Budget	1.000	.589
Implement Strategy	1.000	.527
Business Objectives	1.000	.739
Resources Allocated	1.000	.735
Org Strategy	1.000	.675
Strategy Implemented	1.000	.643
Operating Plans	1.000	.751
Strategy Links	1.000	.716
Deploying Resources	1.000	.712
Periodic Review	1.000	.695
Clear Monitoring	1.000	.684
Performance Targets	1.000	.673
Expected Performance	1.000	.696
Highest Performance	1.000	.602
Strategic Evaluation	1.000	.530
Corrective Measures	1.000	.709
Decision Making	1.000	.623
Incorporate Strategies	1.000	.667
Operating Procedures	1.000	.694
Increased Revenue	1.000	.663
Operating	1.000	.812
profits	1.000	.724
Return on Investment	1.000	.804
Sales Growth	1.000	.534
Cash Flows Improved	1.000	.560
Profitability	1.000	.677
Market Share	1.000	.559
On Time Delivery	1.000	.642
Long-term Planning	1.000	.632
Financial Investors	1.000	.676
Sustainability	1.000	.505
Future Forecast	1.000	.798

Gap Analysis Innovations	1.000	.537
Unexpected Changes	1.000	.609
New Markets	1.000	.798
Optimise	1.000	.605

Extraction Method: Principal Component Analysis.