



**THE EFFECTS OF STRATEGIC PLANNING ON THE PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES (SMES) IN THE CAPE METROPOLE**

BY

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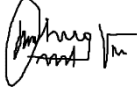
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I, Hugor Tshienda Tshienda, declares that the contents of this dissertation represent his own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents his own opinions and not necessarily those of the Cape Peninsula University of Technology.

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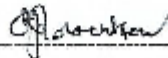
Editing of a Master's thesis for Mr Hugor Tshienda Tshienda

I confirm that I have edited the following document submitted by Mr Hugor Tshienda Tshienda in (partial) fulfilment of the requirements for the degree of Master of Technology: Business Administration in the Faculty of Business and Management Sciences at the Cape Peninsula University of Technology, South Africa.

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Yours faithfully



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ABSTRACT

The research investigates the effect of strategic planning on the performance of SMEs. The research was motivated by the well-documented high failure rate of Small Medium Enterprises(SMEs) in South Africa as well as the lack of literature on strategic planning at South African SMEs. Data were collected from SMEs through interviews and questionnaires. The research study employed an exploratory research design and a mixed method which included quantitative and qualitative research approaches, through the use of questionnaires and interviews. According to the findings of the study SMEs attempt to use strategic planning to a limited extent. Strategic planning is not well documented but rather unstructured and intuitive at most SMEs. Furthermore, the findings of the study indicate that SMEs do not always incorporate strategic planning in their day-to-day business operations but use it to look good or to follow a trend. The results of the study also indicate that high business performance is found in SMEs that employ strategic planning. Concerning the factors that possibly inhibit SMEs in the City of Cape Town from making use of strategic planning, the findings suggest that the main inhibiting factors for decision-making are based on assumptions, intuitions, or experiences. The findings of this study provide invaluable insights into the effects of strategic planning in SMEs, which could be used as a basis for further research on strategic planning in South Africa. The decision-makers of SMEs may use the findings of this study to determine the benefits of strategic planning at SMEs. The findings of the study may further be used for future endeavours of the government when setting up interventions to support and increase the chance of SMEs' survival in South Africa.

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DEDICATION

This thesis is dedicated in memory of my late mother Julie Mulanga Tshienda, Your light shines through me. You live forever in my heart

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GLOSSARY

Abbreviation	Definitions/Explanations
SME	Small and Medium Enterprise
GDP	Gross Domestic Product
NoB	Number of Observations
NoBM	Number of Missing Observation
SP	Strategic Planning

CHAPTER ONE: INTRODUCTION AND PROBLEM STATEMENT

1.1 Introduction

Small and Medium Enterprises (SMEs) are the backbone of economies globally (Wang, Walker & Redmond, 2007; Abor & Quartey, 2010). SMEs account for the biggest number of enterprises in every economy globally (Culkin & Smith, 2000). SMEs stimulate the economy's growth by producing higher volumes of goods, increasing exports, generating employment, reducing poverty, promoting innovation and entrepreneurship. Apart from being important suppliers of goods and services to the public, SMEs are also consumers. Their demand for goods (industrial goods) and services in terms of investments play a vital role in economic growth (Abor & Quartey, 2010). SMEs constitute an important source of employment around the world. They hold around 50% of the Gross Domestic Product (GDP) and provide between 60–70% of employment in developed countries (RSA, 2017). In South Africa, they provide about 61% of employment to the private sector, contributing between 52% and 57% to the GDP and accounting for 90% of private businesses (Abor & Quartey, 2010; Mahembe, 2011; UCT, 2017). To effectively achieve the economic impacts mentioned above, SMEs must embrace strategic planning.

Strategic Planning (SP) is defined as the process of allocating and formulating functional plans in order to establish the objectives, strategies and policies of an enterprise. Strategic planning is used to help an enterprise meet its vision for the future (White, 1984; Stonehouse & Pemberton, 2002; Majama & Magang, 2017). The formulation of long-term objectives is vital to the survival of an enterprise. It forces managers across the world to plan for the future of their enterprise (Robinson & Pearce, 1984; Majama & Magang, 2017). Strategic planning is the 'A game' or the action plan of an organisation. It is utilised to grow the organisation. Strategic Planning evaluates the future to determine opportunities and threats to the enterprise and, respectively, takes advantage or eliminates these (White, 1984; Majama & Magang, 2017). Managers adopt strategic planning because it helps to improve performance by making use of all available resources. It takes the enterprise from a reactive mindset to a proactive mindset. It enables employees across various functional areas in the enterprise to work together towards a common outcome and it gives the enterprise the expertise to manage change (White, 1984; Wang, Walker & Redmond, 2007; Majama & Magang, 2017).

1.2 Statement of the Research Problem

Most small and medium enterprises are not utilising strategic-planning practices to grow, sustain themselves and compete in the economy (Stonehouse & Pemberton, 2002; Wang, Walker & Redmond, 2007; Robinson & Pearce, 1984; Donkor, Donkor, & Kwarteng, 2018). In practice, SMEs often undertake short- and medium-term planning than strategic planning (Stonehouse & Pemberton, 2002; Wang, Walker & Redmond, 2007). Intuitive plans are utilised instead of formal written plans by SMEs that affirm planning owing to the concentrated control of SMEs by the owner(s) (Wang, Walker & Redmond, 2007).

Although the success of SMEs is not solely based on strategic planning (SP), SMEs that engage in SP are more successful than those that do not (Hodgetts & Kuratko, 2001; Stonehouse & Pemberton, 2002; Wang, Walker & Redmond, 2007; Robinson & Pearce, 1984; Donkor *et al.*, 2018).

A great number of the managers–owners of SMEs struggle to apply strategic planning in their organisation. Perhaps this is mainly due to the lack of time, lack of knowledge and expertise, the general nature of the managers–owners of SMEs and the lack of trust and openness which can be linked to the type of control in SMEs (Stonehouse & Pemberton, 2002; Wang, Walker & Redmond, 2007).

1.3 Research Objectives and Questions

The use of strategic planning is almost non-existent at SMEs. As such, the aim of the research is to explore the effects of strategic planning on the performance of SMEs. Given the aim, that main research objective is, therefore, to investigate the effect of strategic planning on the performance of SMEs. In order to achieve the main research objective, the following subsidiary objectives were also considered:

1.3.1 Research Sub-Objectives

- i. To examine the effects of strategic planning on the performance of SMEs;
- ii. To investigate the extent of the utilisation of strategic planning by SMEs;
- iii. To investigate how the use of strategic planning by SMEs has helped to sustain the business operations of SMEs; and
- iv. To investigate the challenges that SMEs face in the adoption/use of strategic planning.

1.3.2 Research Questions

- i. What are the effects of strategic planning on the performance of SMEs?
- ii. To what extent do SMEs make use of strategic planning in their operations?
- iii. How has the use of strategic planning helped to sustain the business operations of SMEs that engage in strategic planning?
- iv. What are the challenges that SMEs face in the adoption/use of strategic planning?

1.4 Strategic Planning (SP) and SMEs

According to Majama and Magang (2017), research related to SP by SMEs is very limited in developing countries, South Africa included. The literature on SMEs pays more attention to topics believed to be a key determinant for the survival of an enterprise such as finance. Despite many contributions to SMEs by governments and professional advisors, Culkin and Smith (2000) and Jocumsen (2004) state that SMEs are characterised by high failure rates and low business performance. While it is essential to understand why some SMEs perform well compared to others (Wang, Walker & Redmond, 2007), most solutions proposed to solve these problems are financially based. Hormozi, Sutton, McMinn and Lusio (2002) indicate that SP is very important for the success of an enterprise. It ensures success if it is applied and failure if it is absent.

Falshaw, Glaister and Tatoglu (2006) suggest that the three most important components of SP are the formulation of a mission, vision, objectives. Stonehouse and Pemberton (2002) identify a big difference between business planning and strategic planning because these two terms are used interchangeably. In their research on the empirical findings of strategic planning at SMEs, they state that business strategy is interested in short-term planning, whereas strategic planning is about long-term goals and planning. In short, strategic planning is about achieving the competitive advantage (Wang, Walker & Redmond, 2007) by analysing future threats owing to a changing environment.

Gibson, Cassar and Wingham (2005) assert that SMEs that plan strategically outperform SMEs that do not engage in SP in terms of financial performance and human resource growth. This statement supports the research conducted by Joseph (1977) which was based on 21 successful and 21 unsuccessful SMEs over a period of five years. The study suggests that successful SMEs made use of strategic planning, resulting in their using external accounting services instead of using their own accounting system. On the other hand, the unsuccessful SMEs were not able to analyse internal and external factors that would have helped them draw up a similar strategy because they did not plan. SMEs that make use of SP are known for their innovative ideas through process remodelling, acquisition of new managerial technologies and

attaining international business growth (Upton, Teal & Felan, 2001; Stewart, 2002; Gibbons & O'Connor, 2005).

According to Gunasekaran, Patel and McGaughey (2004), the presence of SP helps SMEs reduce the production cost, achieve efficiency and effectiveness in their production process, as well as meeting customer needs on time.

1.4.1 Barriers to Strategic Planning in SMEs

The literature review suggests that most SMEs do not practise SP. It is very surprising considering that the literature review also suggests that without any form of planning, an enterprise cannot survive. According to Robinson and Pearce (1984), managers of SMEs do not engage in SP because they lack the time to plan, lack specialised expertise on strategic planning as well as knowledge and awareness of SP. This is confirmed by Stonehouse and Pemberton (2002) in their study on some empirical findings on strategic planning by SMEs. The study suggests that most surveyed SMEs acknowledged making use of strategic planning but, in fact, were referring to short-term objectives. In addition, Stonehouse and Pemberton (2002) found that two thirds of the surveyed SMEs had formulated a vision and a mission statement. However, no proof of long-term objectives and strategic planning tools were found.

Stonehouse and Pemberton (2002) state that certain SMEs only plan when circumstances demand it. Similarly, Gibson, Cassar and Wingham (2005) state that strategic planning was introduced to SMEs only after growth and high performance. Wang, Walker and Redmond (2007) suggest that managers–owners who is motivated by growth, engages in strategic planning; however, managers–owners who were happy staying small because running a business was just a way of buying employment, refused the idea of planning strategically

SMEs prefer to operate a business using intuition and personal judgment rather than strategic planning (White, 1984; Kutllovci & Shala, 2003; Kraus, Harms & Schwarz, 2006; Majama & Magang, 2017). In addition, Donkor *et al.* (2018) argue that SMEs do not use strategic planning because they believe it is only applicable for bigger firms. Similarly, the study by Stonehouse and Pemberton (2002) as well as Majama and Magang (2017) suggest that the relevance or the level of strategic planning is very dependent on the industry, size of the enterprise, the country of operation and the level of technological advancement. Therefore these elements constitute a form of barriers that inhabit SMEs from engaging in strategic planning.

1.5 Research Design and Methodology

1.5.1 Research Paradigm

Cillisa and Kawulich (2012) suggests that before starting a research study, one must first decide one's investigative approach. The selection of a particular approach is dependent on how the researcher views and wants to study a particular problem. Cillisa and Kawulich (2012) suggests further that the researcher's perspectives on knowledge diverge. These perceptions guide the researcher's assumptions and beliefs throughout the research process, and they are called paradigms. The three main branches of paradigms are positivism, realism, and interpretivism. The interpretivist paradigm was used to achieve the purpose of this study.

The interpretivist research paradigm support the notion that human beings differ when they participate in a research study (Sauders, Lewis & Thornhill, 2019). The interpretivist paradigm attempts to interpret the world as other human beings experience it. The Interpretivists believe that reality cannot be generalised because it is limited by context, space, time and individuals or a given situation.

This study adopts the interpretivist research paradigm because it was deemed relevant for business science research studies in difficult conditions and for businesses that are unique (Sauders, Lewis & Thornhill, 2019). Additionally, the interpretivist research paradigm was adopted for this study because the research aims to subjectively explore, understand and explain the research premise in order to answer the research questions.

1.5.2 Research Method

As stated by Kothari (2004), a quantitative research methodology is used to measure an amount or a quantity and is frequently appropriate for phenomena that may be manifested in numerically. However, a qualitative research methodology is interested in qualitative phenomena and determines the motives and desires behind a situation by utilising in-depth interviews. Given that the research aims at exploring the effects of strategic planning on the operations of SMEs, a mixed method of qualitative and quantitative research approaches was adopted. The mixed method is a way of data collection and analysis that combines the qualitative and quantitative research approach to answer the research questions (Creswell & Poth, 2016). Mixing the quantitative and qualitative research approaches means combining the strength of both method, leading to a better studying of the research problem and better understanding of the research questions (Creswell & Garrett, 2008).

1.5.3 Research Design

Kothari (2004) points out that a research design is like a map during the process of construction because it provides guidelines for the method and technique to be utilised in the data collection and data analysis respectively. The research problem was studied using the explanatory research design because it identifies relationships between components related to the research problem.

1.5.4 Target Population

As stated by Pandey and Pandey (2007), a target population is a group of people or objects by means of which the research can be generalised. With regards to the purpose of this study, the target population was made up of managers and owners of retail SMEs in the Cape metropole. These managers–owners are well positioned to answer questions related to strategic planning as they are directly connected to the strategy of the enterprise. Given that there was no exclusive and comprehensive list of SMEs that operate in the Cape metropole, 70 SMEs working in the retail industry were selected for this study. Accordingly, the sample consisted of 70 representatives of SMEs.

1.5.5 Sampling Techniques and Sample Size

Sampling is the process of utilising methodological procedures to select a representative portion of the research population. Sampling is performed with the intention of reducing cost, time and the energy it would take to study the entire research population. It should be performed with the aim of gathering accurate data (Kothari, 2004; Pandey & Pandey, 2007; Walliman, 2010). According to Kothari (2004), research studies can utilise the probability or non-probability sampling method. The non-probability sampling method was used for this study since the aim of the research was to explore the effects of strategic planning on the performance of SMEs, thus did not intend to generalise the findings. Only managers, owners and business strategists of SMEs working in retail were selected.

1.5.6 Research Data Collection

The study adopted a mixed-methods approach; therefore, structured questionnaires and semi-structured interviews were utilised to collect qualitative and quantitative data. Structured questionnaires are survey techniques which contain a mixture of closed and open-ended questions. According to Kothari (2004), the use of survey questionnaires increases the capacity of respondents, since a large number of respondents can be attained, the data generated is measurable and the respondents can choose to stay anonymous. Qualitative data were gleaned from semi-structured interviews. These semi-structured interviews were used to

encourage the interviewee to give more details when necessary. In addition, works of literature on strategic planning at SMEs were utilised as a secondary means of gathering data. Secondary data-gathering provides completely different points of view and enriches the research (Nyambandi, 2016).

1.5.7 Data Collection/Fieldwork

Appointments with managers–owners of SMEs were requested by means of phone calls or email. Respondents were given a choice to attend, cancel or reschedule the appointment. Respondents were given the choice to pick a time and a suitable venue for the interview. A notebook, recorder and multiple copies of the questionnaires were available at the interviews and a maximum of thirty minutes was allocated to each respondent.

1.5.8 Research Data Analysis

According to Walliman (2010), the quantitative research approach considers data gleaned from questionnaires as numbers and analyses it using mathematical operations. As advised by Kothari (2004), a computer was used for the analysis of quantitative data to gain from quick data processing with the use of descriptive and inferential statistics. The research data collected were processed using the Statistical Package for Social Sciences (SPSS) program. This program was selected because it helps the researcher process data in a timely way and with ease. It also helps identify errors during data entry. This program was also utilised to illustrate and present data using graphs and charts.

For the purpose of analysing the qualitative data, a content analysis was performed to code data by identifying repetitive words, examining relationships between them and summarising them as advised by Scott and Usher (2011).

1.6 Ethical Consideration

The participant of a research study should be dealt with and treated with ethical consideration. The researcher should not pressurise and divulge information learnt without the consent of the participant (Walliman, 2010). The collection of data was completed upon approval of the participants. No information was divulged in order not to harm the participants of the study; however, it was used ethically to add information to the body of knowledge. The participants taking part in the study were kept anonymous and participated voluntarily in the research.

According to Bhattacharjee (2012), research data should not be manipulated for personal benefit. The author draws the line further between what is ethical and what is illegal by stating

that what is unethical is not necessarily illegal but, rather, it is wrong. Therefore, the interpretation of data was performed with ethical consideration and statements made were presented without editing them.

1.7 Delineation of the Research

For the data collected from the correspondents to be valid for this research study, the delineation criteria were satisfied. The study focused on the effects of employing strategic planning on SMEs located in Cape Town. Additionally, the correspondents of the study are limited to managers, owners and business strategists of SMEs. Strategic planning in big firms was totally beyond of the scope of this study.

1.8 Limitation of the Research

Every research study has limits, and this study, like all other studies, has its own. The study's findings reflect the perspectives of decision-makers at SMEs in the Cape metropole only, and may not be generalisable to those in other parts of South Africa.

1.9 The significance of the Research

The conclusions of this research study should be crucial to the Department of Small Business Development which is responsible for assisting SMEs with financial and non-financial support. The findings of the study provide a helpful insight on the effect of strategic planning when used on SMEs and, by default, when not used. In addition, the findings of this study are critical to managers, owners and other decision-makers of SMEs.

1.10 Contribution of the Research

This research contributes to the literature on strategic planning. It is the first study to investigate the effects of strategic planning on the performance of Small and Medium Enterprises (SMEs) in the Cape metropole. Therefore, this study fills the gap in research knowledge by investigating a key component of business management, which is the use of strategic planning at SMEs in the Cape metropole.

1.11 Summary and Conclusion

Strategic planning (SP) is still very important in the business world as it helps companies plan. It takes the enterprise from a reactive to a proactive mindset. Even though SP is recognised as the 'A game' or game plan of an enterprise, it is not always adopted by SMEs owing to various reasons such as a lack of knowledge, lack of expertise, and the idea that SP is only

suitable for bigger firms. The aim of the research study was to explore the effects of strategic planning on the performance of SMEs. The focus on strategic planning was because SMEs play a big role in the advancement of any economy around the world as the success of SMEs is very important. SMEs can improve their performance by adopting the use of strategic planning.

The research adopted the mixed-methods research design by mixing quantitative and qualitative research methodology as a means of combining the strength of both methods, leading to a better understanding of the research problem and questions. The collection of data was performed using a mixture of structured questionnaires and semi-structured interviews to collect qualitative and quantitative data. The research data were collected from managers–owners of SMEs and were analysed using mathematical methods and content analysis. The result of the study was used as a recommendation to the managers–owners of SMEs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The use of strategic planning is minimal by SMEs in the Cape metropole, South Africa. As such, the aim of the research is to explore the effects of strategic planning on the performance of SMEs in the metropole. Within that aim, the main research objective is, therefore, to investigate the effects of strategic planning on the performance of SMEs restricted to the Cape metropole.

To achieve the objective of this study and address the specified research questions, this theoretical framing of this study draws from two streams of literature, namely SMEs, and strategic planning and performance.

The researcher utilised multiple sources of information to conduct the literature review such as textbooks, journal articles, dissertations and website articles. These sources were obtained from Emerald, Google Scholar, the CPUT library and other database. From the literature review, the researcher identified important existing gaps on strategic planning in SMEs. These critical gaps captured in the reviewed literature are highlighted in this chapter.

The gaps below were discovered from the review of previous studies on strategic planning in SMES:

- The majority of the research studies examined were carried out outside of South Africa. As a result, their conclusions may not be applicable to South African SMEs.
- None of the few South African studies evaluated were undertaken in the Western Cape Province. They were all held in different provinces. As a result, their conclusions may not be applicable to SMEs in the western Cape, particularly in the Cape metropole.
- Some of the research were carried out more than five years ago. Therefore, their findings may no longer be valid or appropriate.
- Some of the studies were conducted on big firms. Therefore, their findings may not be applicable to SMEs.
- Some of the findings from past studies contradict one another.

2.2 Definition of SMEs in South Africa

The definition of SMEs varies from one country to another, and it is heavily influenced by the guidelines of the government. A small enterprise in South Africa, is defined as one with 1–49

employees with a maximum turnover of R13 million whereas a medium enterprise has 51- 200 employees and a maximum turnover of R51 million (See Table 2.1).

Table 2.1: Standards of SMEs in South Africa

Type of Enterprise	Employees	Turnover	Balance Sheet
Small	1 to 49	Maximum R13m	Maximum R5m
Medium	51 to 200	Maximum R51m	Maximum R19m

Source: RSA (2003)

2.3 Role of SMEs in the Growth of the Economy

As claimed by Mukole (2010), the development of every country depends on the growth of its economy. The biggest concern of any country during its development process is the growth in the standard of living of its people. For this reason, it is very important to support economic growth to attain development. A decrease in the quality of life and unemployment as a result of a failing economy are the major challenges faced by developing countries.

Various researchers contend that one of the most significant characteristics of a healthy and expanding economy is a progressive SMEs sector, owing to the critical role that SMEs play in the development of a country. It is recognised that SMEs are usually pioneers in the development of the economy towards industrialisation. This sector holds a fair share in the allocation of revenue, tax and employment and the stability of a family income. A country that only depends on direct foreign investment to sustain and grow its economy runs an important risk in the case of an economic crisis, which will result in foreign investors withdrawing their investment and directing it to economies that are more attractive. Hence, it is essential to encourage and facilitate the creation of SMEs across all industrial sectors (Aris, 2007; Abor & Quartey, 2010; Mukole, 2010).

Avandibu and Houghton (2017) affirm that SMEs play a major role in the contribution to technical innovation and new-products development. It is essential to encourage innovation since it is critical to an enterprise's long-term success and the productivity of its employees (OECD, 2018). Innovation sustains competitive advantage in today's rapidly changing markets. However, the innovation of SMEs tends to be more products-oriented and not process-oriented (Nieto & Santamaría, 2010). SMEs are characterised by their ability to be flexible and adapt to changing market conditions because of their small size (Mukole, 2010).

SMEs contribute to economic growth through the creation of employment. Research studies have shown that 50% of GDP and around 60–70% of total employment around the world comes from SMEs compared to 40% of GDP and 60% of the total employment in developing countries. Mukole (2010) states that SMEs are the engine that drives China's fastest-growing

economy, accounting for almost 40% to the national GDP, encouraging diversification of products and providing employment. Data from the United States of America, show that from 2001 to 2002 SMEs with fewer than 20 employees accounted for more than 850,000 jobs. Additionally, it was discovered that SMEs make up 23% of the total number of businesses in the United States. They contributed towards around 5,666,600 jobs in 2004 (Mukole, 2010; RSA, 2017).

In the 28 member countries of the European Union (EU-28), only 0.2% of enterprises operating in the non-financial sector were not SMEs in 2016. A report shows that these enterprises employed more than 93 million people, representing 67% of the total number in employment in the non-financial sector. These SMEs generated around 57% of the total value added in the EU-28 non-financial sector. SMEs play a crucial role in the non-financial Industry. SMEs dominate in this industry, accounting for more than 80% of the total number of employees working in the accommodation, food services and construction businesses. Additionally, SMEs were responsible for 70% of the jobs in the retail and wholesale trade industry. Furthermore, SMEs are critical to the recovery of the EU-28 financial crisis (Muller, Caliandro, Peycheva, Gagliardi, Marzocchi, Ramlogan & Cox, 2015). In New Zealand, SMEs provide employment to more than half of the private sector's workforce and produce three quarters of the net new jobs every year. The government of New Zealand recognises SMEs as the driving force behind its growing economy because of the role they play in the production of outputs, which is equal to half of the total production in the private sector. In 2004 SMEs accounted for 39% of value added and 96% of all enterprises in New Zealand (Mukole, 2010).

Aris (2007) affirms that SMEs have the potential and capacity to benefit the domestic growth of new and existing industries in developing countries. SMEs can boost the economy of developing countries that are unable to cope with the competitiveness and challenges in their operational environment. In South Africa, SMEs employ about 61% of the private sector, contribute between 52–57% to the gross domestic product and account for 90% of private businesses (Abor & Quartey, 2010; Mahembe, 2011; UCT, 2017). The unemployment rate in South Africa is very high with an estimated 24% of the economically active population unemployed. This economic and social challenge can be alleviated by growing the small enterprise sector (Olawale & Garwe, 2010). Literature has shown that SMEs strongly contribute to employment around the world. Additionally, Mukole (2010), Avandibu and Houghton (2017) assert that SMEs are the biggest contributors to new job creation in the private sector. Data show that between 2004 and 2007, SMEs accounted for 53% of new job creation in South Africa. This is more than any other sector, thus making it the most valuable sector in the South African economy. Additionally, SMEs with fewer than 20 employees provided more than 18% of new jobs and contributed more than 44% of all jobs in 2007, while

firms with 20 to 499 employees contributed around 34% of new net jobs and 32% of the total employment figures in 2007. Similarly, data produced by the department of trade and industry (DTI) reveal that SMEs create the net new jobs in South Africa. The net new job is equal to employment obtained through start-ups and business expansion minus employment lost owing to business termination (Mukole, 2010; Avandibu & Houghton, 2017; Dilger, 2018). Additionally, SMEs are not only employment creators but are also known to provide jobs to people who have been retrenched from the private and public sector.

2.4 Characteristics and Challenges of SMEs in South Africa

South Africa has one of the highest percentages of SMEs failure in the world, with a record percentage of 75% of new SMEs never becoming fully established enterprises. South African new SMEs are more than likely not going to be able to survive beyond 42 months. This indicates that most new SMEs are less likely to achieve a significant role in economic growth (Olawale & Garwe, 2010; Cant & Wiid, 2016). Churchill and Lewis (1983) identified the small business growth model, starting with the creation of the enterprise and its development. The model is divided into five stages, namely existence, survival, success, take-off and resource maturity. Each stage is distinguished by aspects critical to the enterprise's existence and success. The main problem in the first stage is the acquisition of customers and delivery of products or services. In the second stage the enterprise has enough customers, and it is searching for ways to generate more income than expenses. The other remaining stages are characterised by ways to grow the enterprise and reach a competitive advantage. However, the biggest concern amongst SMEs in South Africa is that most of them never move to the second or other stages of the model but remain at the first stage (Olawale & Garwe, 2010).

Abor and Quartey (2010) affirm that SMEs in South Africa and other developing countries face challenges that prevent them from growing and achieving success. These factors include a lack of funds, managerial skills, equipment and technology, regulatory challenges, and international market access. Similarly, Olawale and Garwe (2010) categorise factors affecting SMEs in two categories, namely, external and internal factors. Internal factors consist of financial and managerial constraints, while external factors are economic-, market- and infrastructure-related. However, of the factors listed above, the lack of finances and managerial skills are recognised as being the most important. Despite obtaining motivated managers, SME managers cannot compete against managers of big firms. Cant and Wiid (2016) argue that SMEs encounter problems during both economic down turns and economic growth.

In developing countries, SMEs are categorised into two types, namely urban and rural enterprises. There are two types of urban enterprises, namely organised and unorganised.

Organised enterprises have registered offices and paid staff, whereas unorganised enterprises are made up of artisans and sometimes unpaid employees. Additionally, rural enterprises are made up of family members (Abor & Quartey, 2010; Avandibu & Houghton, 2017). Perhaps, this is why SMEs in developing countries are characterised by high failure rates, because managers give little to no attention to the process planning and acquiring skilled and capable employees. Similarly, Cant and Wiid (2016) affirm that regardless of government assistance, SMEs in South Africa fail because of the lack or insufficient management skills in human resources and marketing. A study of factors affecting business success among Indonesian SMEs by Chittithaworn, Islam, Keawchana and Yusuf (2011), Discovered that managers–owners’ of SMEs lacked awareness about the need to draw up a business plan. It was also discovered that the lack of business plan was one of the reasons for the failure of SMEs in Indonesia.

The absence of financial resources is a problem affecting the growth and success of SMEs. The accessibility and availability of financial resources to meet SMEs’ operational and financial demands are constraints. According to Abor and Quartey (2010) the owners and managers of South African SMEs do not have financial access. Similarly, Abor and Quartey (2010) report that a study conducted by the world bank revealed that financial accessibility is one of the most significant constraints to the growth of SMEs

2.5 Strategic Planning

2.5.1 Definition of Strategic Planning

A plan is a business instrument utilised to arrange goals and objectives into a clear and more understanding format. It is usually called operating a business on paper (Hormozi *et al.*, 2002). Strategy is a set of goals, policies and actions to achieve this (Donkor *et al.*, 2018). Strategic planning consists of activities undertaken by an enterprise in order to design strategies that will help an enterprise achieve its course of action. Strategic planning strives to create a process that makes it possible for an enterprise to attain its goals and objectives (Skr̄t & Antoncic, 2004; Tapinos, Dyson & Meadows, 2005).

Strategic planning is also the process of identifying and creating a mission, vision, major business objectives, strategies and policies that guide an enterprise in the process of acquirement and the assignment of resources (Falshaw, Glaister & Tatoglu, 2006; Kraus, Reiche & Reschke, 2008). Strategic planning is seen as a process that helps move an enterprise from its infancy to the actual positioning in a competitive market. It helps enterprises in their search for opportunities despite a changing business environment (Skr̄t & Antoncic, 2004). Strategic planning prepares an enterprise for the future by trying to predict its course

and then aligning the enterprise accordingly (Kraus, Reiche & Reschke, 2008). It lays down a framework that an enterprise seeks to pursue in order to achieve an expected positive result. Strategic planning is more concerned with the most effective way to achieve success. It focuses on internal and external business environments by means of which the performance of an enterprise is defined (Hervani, Helms & Sarkis, 2005).

The role of strategic planning (SP) is to help an enterprise put its business theory into practice and attain its desired outcome regardless of a changing environment. It provides opportunities by helping an enterprise settle into a competitive market (Kutllovci & Shala, 2003). According to Donkor *et al.* (2018) strategic planning can achieve three goals. Firstly, it helps the enterprise understand what goals need to be achieved and outlines them. Secondly, it constitutes a step-by-step plan for attaining the outlined goals. Finally, it helps in the process of prioritising and achieving the outlined goals. Stonehouse and Pemberton (2002) differentiate between strategic planning and business planning by stating that business planning is concerned only with short-term analysis and short-term goals. However, SP is concerned with the formulation of long-term goals. Although business planning can be part of strategic planning, it should not be confused with strategic planning. This differentiation is very important in the context of this study. Sometimes an enterprise faces difficulties in the selection of the best or most appropriate strategy to adopt for a certain situation. Strategic planning can be used to decide where to expend the most effort as it provides guidance on the direction of the business and the best procedures to achieve the planned result (Bryson, 1988).

O'Regan and Ghobadian (2002) and Kraus, Harms and Schwarz (2006) suggest that the talk about strategic planning revolves around the long-term direction of the enterprise and comparing the performance of an enterprise's activities to the environment in order to identify and take advantage of opportunities and minimise threats. Additionally, strategic planning is viewed from the following perspectives: content of a written document and the processes needed in the formulation and the implementation of a strategic plan. For the purpose of this study, both points of view of strategic planning were considered. Similarly, Tapinos, Dyson and Meadows (2005) and Falshaw, Glaister and Tatoglu (2006) suggest that the process of SP includes the formulation of a strategy (which includes: the mission, vision, objectives, assessment of the external and internal environment and identifying alternatives strategies), the deployment of the strategy and, lastly, its control. Various authors support the idea that strategic planning is not only concerned with the formulation and development of strategies but also with its implementation. They claim that the implementation of strategies is as important as its formulation as it has a significant effect on the outcome and the effectiveness of the strategies. Research suggests that enterprises that fail to implement strategic planning don't effectively plan its deployment (O'Regan & Ghobadian, 2002)

2.5.2 Strategic Planning in SMEs

According to Majama and Magang (2017), research related to strategic planning by SMEs is very limited in developing countries, South Africa included. The literature on SMEs gives more attention to topics considered to be key determinants for the survival of an enterprise such as finances. Despite many contributions to SMEs by governments and professional advisors, Culkin and Smith (2000) and Jocumsen (2004) state that SMEs are characterised by high failure rates and poor performance. While it is essential to understand why some SMEs perform well compared to others, most solutions proposed to solve these problems are financially based (Wang, Walker & Redmond, 2007). Hormozi *et al.* (2002) states that SP is critical for the success of an enterprise. It ensures success if it is applied and failure if it is absent.

Research on strategic (SP) planning has consistently shown that SMEs do not practise SP (Culkin & Smith, 2000; Hormozi *et al.*, 2002; Robinson & Pearce, 1984; Majama & Magang, 2017). Accordingly, SME owners–managers have been accused of having no long-term vision of the enterprise (Mazzarol, 2004). Similarly, Gaskill, Van Auken and Manning (1993), Stonehouse and Pemberton, (2002) and Mazzarol (2004) state that planning by SMEs is directed toward short-term operations rather than long-term strategic planning. Decision-making at SMEs is reactive rather than proactive. Additionally, Culkin and Smith (2000) and Wang, Walker and Redmond (2007) state that SMEs that claim to plan strategically use intuition rather than formally written plans. This is consistent with Gibb and Scott (1985) and Robinson and Pearce (1984) who claim that planning by SMEs is informal, not organised, irregular, based on inadequate and incorrect information obtained from unofficial source and reactive rather than proactive.

A study by Stonehouse and Pemberton (2002) suggests that only a small number of strategic tools are utilised by SMEs. However, these tools are considered to be related to business planning rather than strategic planning. As a result, the managers–owners of SMEs are unaware of the existence of SP tools or do not regard them as necessary. Similarly, Robinson and Pearce (1984) state that SP by SMEs is more gradual than synoptic, with only top management involved. Basic enterprise goals are not considered and information sources are more personal than impersonal, the search for alternative strategies is very low and discontinues once an appealing alternative is identified. Rice and Hamilton (1979) state that the planning process at SMEs is more non-rational, non-systematic and no weighting in or planning factors could be discovered. Sexton and Auken (1982) state that SMEs practise strategic thinking; however, this thinking is rarely translated into active plans. Kutllovci and Shala (2003) argue that SP in SMEs does not take place in a formal way but rather

subconsciously as a sign of strategic thinking. Berry (1998) states that by not implementing or/and neglecting strategic planning, SMEs cannot attain great performance and growth.

2.6 Benefits of Strategic Planning by SMEs

2.6.1 Growth

Scholars argue that strategic planning positively affects the growth of an enterprise. It provides guidelines to enhance or maintain an enterprise's existing size and capabilities (Skrat & Antoncic, 2004; Balasundaram, 2009; Kahm, Hin & Bohari, 2016). Additionally, SMEs that plan strategically are more innovative, introduce new products, identify and make use of new processes, make use of management technologies and attain international growth (Upton, Teal & Felan, 2001; Stewart, 2002; Gibbons & O'Connor, 2005; Wang, Walker & Redmond, 2007). In their study of 6500 Malaysian SMEs, Kahm, Hin and Bohari (2016) highly recommend the use of SP by SMEs as it influences the growth of an enterprise. This is consistent with a study by Kutllovci and Shala (2003) on SMEs in Kosova. The study shows that SP is one of the most important elements that facilitates the growth of an enterprise. Similarly, the finding of the study shows that SMEs in Kosova demonstrated a strong attempt to draw long-term business objectives by aligning their strategic plan to focus on products and the quality improvement of services.

White (1984) states that managers– owners need to plan because it improves performance. It takes an enterprise from a reactive to a proactive mindset, it coordinates employees, it improves morale and it brings a sense of achievement, giving them the ability to manage change. Additionally, strategic planning provides a basis for measuring performance. Employees should know that when growth is attained, they will share a sense of achievement. This will strengthen the morale of employees and subsequently affect business growth.

2.6.2 Performance

Balasundaram (2009) and K'Obonyo and Arasa, (2012) affirm that SP positively contributes to the business performance of an enterprise by providing a framework for making decisions and by providing a long-term view for SMEs. This is consistent with the views of Hodgetts and Kuratko (2001), who state that SP benefits the performance of SMEs by producing relevant information, by generating a clear view of the business environment and by reducing uncertainty.

The definition of performance is often not clear (Gibson, Cassar & Wingham, 2005). However, Chandler (1996) represents performance according to annual sales (turnover) or income

before/after tax. Similarly, McMahon and Davies (1994) represent business performance according to the number of employees and it is usually equated to the number of full-time employees. Kraus, Harms and Schwarz (2006) state that growth in the number of employees is the best representation of business performance in the context of SMEs, since financial data are unreliable. Additionally, employee growth is a more stable indicator of performance in an enterprise. For the purpose of this research, performance was indicated by the turnover and employee growth. High performance is generally found in SMEs that undertake strategic planning. SMEs that engage in strategic planning produce a higher sales growth, higher return, higher margins and higher employee growth (Gibson, Cassar & Wingham, 2005; Wang, Walker & Redmond, 2007; Donkor *et al.*, 2018). Furthermore, Chin, Hamid, Rasli and Tat. (2014) argue that SMEs operate under a changing business environment that requires a great business environmental analysis as part of its strategic-planning process. Such strategy has the potential to improve performance in terms of new business opportunities. (McMahon & Davies 1994)

Kraus, Harms and Schwarz's (2006) study was spread over 25 years to determine whether the use of strategic planning by SMEs was beneficial to business performance. About 24 empirical studies were discovered after extensive research and from these, 79% of analysed studies confirmed that the use of SP by SMEs was advantageous to business performance. Furthermore, the study identified that the planning time relates to performance. Thus it can be assumed that the more time spent on strategic planning, the more successful the SMEs are. Additionally, the study discovered a relationship between the formalisation of SP and the business performance of an enterprise. The formalisation relates to the degree of formal written strategic planning. A formal strategic plan pushes management to look at the goals and strategies of the enterprise. The research revealed that where formal planning takes place, the SMEs grow faster and twice as much as when formal planning does not take place. Therefore, formal strategic planning improves performance. Moreover, the study revealed that control of the achievements of strategic planning significantly improves performance.

The real value of SP and business performance is found in the ability for SMEs to be future-oriented. Strategic Planning (SP) improves the performance of SMEs because it forces the manager to search for business improvement-related questions and to find solutions. Managers are also forced to learn ways to make improvements (Skr & Antoncic, 2004). Greenley (1986) gives two answers to the question: why do enterprises need SP? First, the use of SP has to enhance business performance and second, it has to enhance the effectiveness of management, which could indirectly improve business performance. Greenley (1986) opposes the idea that there is no relationship between SP and business performance by stating that SP can be used as a managerial tool regardless of the performance achieved

because of the feeling of confidence it provides to managers. This can still be reverted to the achievement of improved business performance.

2.6.3 Success

A study on strategic planning (SP) and performance of SMEs in Ghana revealed a strong relationship between SP, business performance and business success. It was identified that companies that made use of strategic planning benefited from improved long-term performance related to the industry (Kutllovci & Shala, 2003; Donkor *et al.*, 2018). Similarly, Stonehouse and Pemberton (2002), Wang, Walker and Redmond (2007) and Balasundaram (2009) assert that there is exist positive connection between success of SMEs and SP. A study by Robinson and Pearce (1984) revealed that enterprises that make use of strategic planning are more successful than enterprises that do not. The findings resulted from an analysis of three different studies that compared successful SMEs with unsuccessful SMEs. It was discovered that successful SMEs were characterised by a strong presence of formal planning having taken place.

2.6.4 Competitive Advantage

The current business environment is characterised by change and high business competition. Furthermore, the competition is vigorous and tough as the market expands, which forces enterprises to enhance their competitiveness by introducing new business practices. Consequently, enterprises need to make use of strategic planning to compete in the market (Bryson, 1988; Donkor *et al.*, 2018). This is consistent with Balasundaram (2009), who affirms that SP is crucial for large and small enterprises, the reason being that it helps the managers-owners take hold of future advantages and prevent future threats. Additionally, environmental awareness is a component of strategic planning. It is the process of gathering knowledge about the environment in order to gain and maintain a competitive advantage. Wang, Walker and Redmond (2007) argue that the notion and the use of strategic planning by an enterprise is about achieving a strategic advantage. This is supported by O'Regan and Ghobadian (2002), who argue that one of the major goals of having SP is to help an enterprise obtain an efficient and sustained competitive edge over competitors by increasing sales and improving business performance.

Planning tools serve an enterprise in the process of long-term planning by shaping goals and ways to achieve them. Therefore, planning tools increase the efficiency and effectiveness of a plan. Strategic planning(SP) tools and techniques for SMEs consist of a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), environmental analysis and financial analysis (Kraus, Harms & Schwarz, 2006). Barney (2011) states that enterprises that make

use of their internal strength to take advantage of external and internal opportunities and reduce threats while avoiding internal weakness will achieve a competitive advantage over their competitors. This is encapsulated by Kraus, Harms and Schwarz (2006) who state that the identification of risks and opportunities in the market will facilitate SMEs in the process of taking action and subsequently achieve a competitive advantage. Porter and Kramer (2002) state that all the strategic systems (strategic planning included) have one common goal. This goal is to improve the performance of an enterprise and enhance its competitive edge.

Falshaw, Glaister and Tatoglu (2006) argue that enterprises that plan strategically perform better than those that plan financially as they seek to conform to the changing environment; they focus on strategic issues and resource allocation. The study revealed that strategic planners should be able to identify threats and opportunities and take advantage of them. This is confirmed by O'Regan and Ghobadian (2002) who found that SP is not only a tool used to anticipate change but rather a tool used to achieve a competitive advantage. A study by Mufudza, Jengeta and Hove (2013) on SMEs in Zimbabwe during a turbulent economic environment revealed that SP is critical to the survival of an enterprise. Similarly, Kraus, Reiche and Reschke (2008) confirm that SP is an essential managerial tool during high environmental dynamics and uncertainty. The survival of an enterprise is dependent on being informed about goals and putting these in action to attain them.

2.6.5 Financial Accessibility

Hormozi *et al.* (2002) state that starting and running a business necessitates financial resources. Financing alternatives are determined by the existing state of the business and the level of acceptability of the managers–owners in obtaining external assistance. Small enterprises launch and operate a business with personal funds (Bhide, 1992). Subsequently, the most significant element influencing the growth and success of SMEs is the lack of financial resources. SMEs are limited by the accessibility and availability of financial resources to provide for their operational and financial needs. Research conducted on South African SMEs revealed that the owner and managers of SMEs do not have access to finance. Similarly, a study conducted by the World Bank revealed that 90% of small enterprises affirm that financial accessibility is one of the biggest constraints to their growth (Abor & Quartey, 2010). UGP (2017) state that SMEs are not funded because they lack supporting financial documents. Additionally, OECD (*sine anni*) states that SMEs do not plan and do not keep track of information needed to support a request for funding. Therefore, financial institutions will charge more interest to SMEs compared to large firms as it costs them a lot more money to acquire the missing information.

However, Hormozi *et al.* (2002) state that a plan can be utilised as a supporting document in the process of acquiring funding from investors or the bank. A good plan will answer two questions related to investment. First, what are the risks that come with the investment? Second, what are the returns associated with the investment? Although it is impossible to see the future, a plan provides some financial information based on financial analysis (Sahlman, 1997). Additionally, Hormozi *et al.* (2002) state that investors are highly interested in the return on investment as they need to know if the investment will be beneficial or not.

2.7 Barriers to Strategic Planning in SMEs

The literature review suggests that most SMEs do not practise strategic planning (SP). It is very surprising considering that the literature review also suggests that without any form of planning, an enterprise cannot survive. According to Robinson and Pearce (1984), managers of SMEs do not engage with SP because they lack the time to plan. They also lack specialised expertise and knowledge about strategic planning, awareness of strategic planning, lack of trust in strategic planning, personal over-estimation, refusal of external assistance, traditionally based thinking, fear of change and a high cost associated with planning. This is confirmed by Stonehouse and Pemberton (2002) in their study on some empirical findings on strategic planning by SMEs. The study suggests that most surveyed SMEs acknowledged strategic planning but were, in fact, referring to short-term objectives. In addition, Stonehouse and Pemberton (2002) found that two thirds of the surveyed SMEs had formulated a vision and a mission statement. However, no proof of long-term objectives and strategic planning tools could be found.

Stonehouse and Pemberton (2002) state that certain SMEs only plan when circumstances demand it. Similarly, Gibson, Cassar and Wingham (2005) state that strategic planning is introduced at SMEs only after growth and high performance. In a practical sense, the underperformance of SMEs could be a reason for their lack of SP. Wang, Walker and Redmond (2007) did an interesting study on the lack of SP in SMEs. The study argues that understanding manager–owner motivations for doing business is crucial to understanding why certain SMEs do not engage in SP. It was discovered that managers–owners of SMEs, who are motivated by growth, engage in strategic planning. However, managers–owners who were happy staying small because running a business was just a way of buying employment, refused the idea of planning strategically. Similarly, Kutllovci and Shala (2003) affirm that the degree of the orientation of managers–owners to strategic planning is a crucial criterion for the strategic focus in the enterprise. Similarly, White (1984) suggests that managers–owners do not plan because they pay attention to immediate problems as they provide immediate feedback. Good strategic planning is hard and time-consuming. A plan can be used as a

control in terms of measuring the results. Most managers–owners do not like thinking and paperwork and prefer being doers.

SMEs prefer to operate a business using intuition and personal judgement rather than strategic planning (White, 1984; Kutllovci & Shala, 2003; Kraus, Harms & Schwarz, 2006; Majama & Magang, 2017). In addition, Donkor *et al.* (2018) argue that SMEs do not engage in SP because they believe it is only relevant for bigger firms. Similarly, the study by Stonehouse and Pemberton (2002); Majama and Magang, (2017) suggest that the relevance or the level of SP is very dependent on the industry, size of the enterprise, the country of operation and the technological advancement. Therefore, this study aims at exploring the effects of strategic planning on the performance of SMEs in the Cape metropole.

2.8 Negative View of Strategic Planning by SMEs

Studies have shown that SP provides awareness of immediate change and future change on the market and helps enterprises seize the opportunity to grow and improve performance.

Several studies, however, have demonstrated that traditional SP may not be appropriate for SMEs. These studies view strategic planning as a high-level formality for SMEs. Strategic planning is said to decrease innovation and suppress creativity. They argue that strategies may come from outside the formal planning process (Balasundaram, 2009). Similarly, Kraus, Harms and Schwarz (2006) state that many research have proven a positive relationship between SP and business performance. They do, however, add that there are a few research that contradict the assumption of a favourable association between SP and business performance. Nevertheless, they argue that the findings may differ because studies have used different definitions of strategic planning in SMEs. Similarly, Robinson and Pearce (1983) and Schwenk and Shrader (2018) argue that the difference in the findings may depend on the industry type and size.

Planning does not guarantee high performance. However, factors that contribute to the failure of an enterprise can be determined during the very beginning stages of an SME development when strategic planning takes place. The consequence of this may be that failure rates could be decreased (Kutllovci & Shala, 2003; Mintzberg, 2012). Bresser and Bishop (1983) argue that SP may contribute to the failure of SMEs if it brings rigidity and encourages over-the-top bureaucracy.

2.9 Additional Studies on Strategic Planning

Several studies have demonstrated the positive value of strategic planning in an enterprise. Some research, however, show no link between SP and business growth, success and performance. The table below contains some further research that support or refute the statement that there is a positive relationship between strategic planning and business performance.

Table 2.2: Additional Studies on Strategic Planning

Author(s)	Articles/Journals or Books	Agree/Disagree
(Schwenk & Shrader, 2018)	Effects of Formal Strategic Planning on Financial Performance in Small Firms	Agree
(Orpen, 2013)	Strategic Planning, Scanning Activities and the Financial Performance of Small Firms	Agree
(Baird, .Lyles & Orris, 1994)	Formal Planning in Small Business: Increased Strategic Choices	Agree
(Trow, 2018)	Executive Succession in Small Companies	Agree
(Bracker, Keats & Pearson, 1988)	Planning and Financial Performance among Small Firms in a Growth Industry	Agree
(Carland, Carland & Abhy, 1989)	An Assessment of the Psychological Determinants of Planning in Small Businesses.	Agree
(Leitner, 2001)	Strategisches Verhalten von kleinen und mittleren Unternehmungen.	Agree
(Robinson & Pearce, 1983)	The Impact of Planning on Financial Performance in Small Organizations	Disagree
(French, Kelly & Harrison, 2004)	The Role of Strategic Planning in the Performance of Small, Professional Service Firms	Disagree
(Gibson, Cassar & Wingham, 2005)	Longitudinal Analysis of Relationships between Planning and Performance in Small Firms	Disagree
(Gable and Topol, 2017)	Planning Practices of Small-Scale Retailers	Disagree

2.10 Theoretical Framework

2.10.1 The Theory of Planned Behaviour (TPB)

According to Kuiken (2015), the theory of planned behaviour (TPB) is an extension to the idea of reasoned action (TRA) of Fishbein and Ajzen (Hill, Fishbein & Ajzen, 1977). TRA indicates that the point of view of a person regarding a specific behaviour influences the intention of that person to execute that particular behaviour. TRA also suggests that a person executing a specific behaviour considers all the available information about that behaviour and the evaluation of its positive or negative outcomes (Hill, Fishbein & Ajzen, 1977; Ajzen, 2011). Additionally, Kuiken (2015) indicates that TRA only describes behaviours that a person is willing to perform, thus disregarding external obstacles that can hinder a person from executing the behaviour. TBA was therefore introduced in response to the limitations of the TRA.

TBA assumes that a person's behaviour is influenced by the attitude one has towards a specific behaviour and its behavioural control (Ajzen, 2011). TBA suggests that some things influence one's desire to react in a particular way. Two typical considerations in this examination are the likelihood that a particular behaviour will result in an expected outcome and the subjective assessment of the risks and advantage of that outcome (Ajzen, 1991).

According to Kuiken (2015), TPB is used in psychological, science and business studies. This theory is used to explain the intention and the willingness of business owners to run their business. TPB indicates that the perceived behavioural control, industry experience, age and educational level influence the choice of business owners. The author further suggests that TPB can be applied for decision-making during the lifespan of an enterprise. TPB was adopted for this study to explain and predict a wide range of behaviours and intentions by determining the effects of SP on the performance of SMEs in the Cape Metropole. The framework was designed by formulating six hypotheses as displayed in figure 2.1 below.

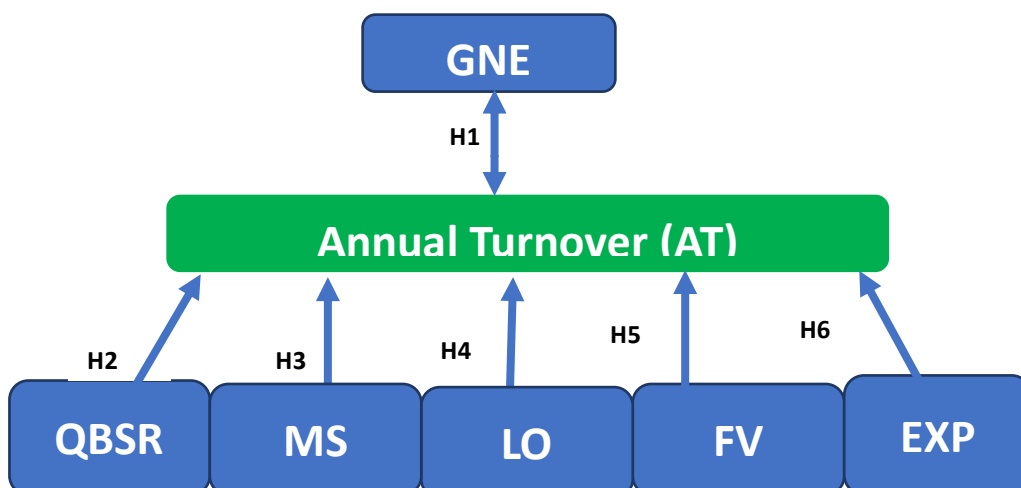


Figure 2.1 Conceptualised six hypotheses

- **H1:** Growth in Number of Employees (GNE) will associate positively with business Annual Turnover of SMEs (AT).
- **H2:** Qualification with Business Strategy Related (QBSR) is a push factor to the annual business turnover of SMEs (AT).
- **H3:** Having a Mission Statement (MS) will associate positively with annual business turnover of SMEs (AT).
- **H4:** Setting a Long-term Objective (LO) will associate positively with the annual business turnover of SMEs (AT).
- **H5:** Having a Formulated Vision (FV) will associate positively with the annual business turnover of SMEs (AT).
- **H6:** Business Experience (EXP) will associate positively with the annual business turnover of SMEs (AT).

2.10.2 Strategic Planning and Management Process

The strategic planning (SP), management and internal process model below was used by Kettunen, (2008) in an attempt to evaluate the quality of the institutional performance in higher education. Kettunen (2008) affirms that strategic planning provides a representation of an enterprise's direction from the present day represented by the mission towards its future state represented by the vision. In addition, the author suggests that strategic planning overlaps with quality assurance because high-quality performance is identified in enterprises that apply strategic planning. The author suggests further that the model below helps managers, employees and other stakeholders to have a higher view of the quality performance of their enterprise. Therefore, this model was utilised for the purpose of this study to understand how strategic planning is applied in an enterprise.

The management process consists of series of actions ranging from strategic management and objectives development to resource planning, business operations and outcomes results.



Figure 2.2: Strategic Planning and Management Process

2.11 Summary and Conclusion

This chapter aimed to report and summarise previous studies on the use of strategic planning by SMEs in order to identify important gaps addressed by this study.

The chapter began with the definition of SMEs in the context of South Africa. Then the chapter discussed the important role SMEs play in the economy's growth. The chapter then identified the characteristics of SMEs. The definition of SP, its application and benefits to SMEs was identified and discussed. Furthermore, the chapter discussed the barriers to the adoption of SP in SMEs and identified prior studies with a negative view of strategic planning in SMEs, additional studies about the use of SP in SMEs and finally the presentation of the theoretical framework.

The following chapter (Chapter 3) addresses the research design and technique used to meet the research's objectives. The chapter also explains the data collection method and statistics used in the analysis.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

The goal of this chapter is to explain and detail the research design and Methodology used to achieve the research objectives listed below:

1. to examine the effects of strategic planning on the performance of SMEs;
2. to investigate the extent of the use of strategic planning by SMEs;
3. to investigate how the use of strategic planning has helped to sustain the business operations of SMEs; and
4. to investigate the challenges that SMEs face in the adoption/use of strategic planning.

To address the above research objectives, a mixed-methods approach of both survey questionnaires and interviews were deemed appropriate. This chapter discusses and justifies the usage of both research data collection methodologies. It also explains the sample strategies used in this research project, as well as the questionnaire design. It also explains the analytical process followed to capture the insights from emergent data.

3.2 Research Paradigm

Cillisa and Kawulich (2012) state that every researcher views knowledge and what constitutes truth differently. These different views guide every researcher's way of thinking, beliefs and assumptions about themselves and the world around them. These different views about the world are what social scientists call paradigms. A paradigm is defined as a shared view of the world that consist of beliefs and values that dictate how a problem should be solved (Schwandt, 2005; Kivunja & Kuyini, 2017). According to Cillisa and Kawulich (2012), a research paradigm consists of four main elements, known as the methodology, the ontology, the epistemology and the axiology. Kivunja and Kuyini (2017) affirm that it is important to understand all these elements because they incorporate the assumptions, beliefs and values of each paradigm. This study was conducted considering all the elements of the research paradigm. Therefore, the study was directed by the chosen paradigm's assumptions, beliefs, norms, and values. According to Cillisa and Kawulich (2012), this then leads us to ask ourselves certain questions that represent the elements of the research paradigm used. To understand the ontology, we ask: do we believe that there are one or multiple realities? To understand the epistemology, we ask: what is the source of our knowledge and how reliable is the source? For the axiology, we ask: does our knowledge and beliefs represent the truth?

The three major paradigm branches are positivism, realism, and interpretivism. The positivists believe in the existence of one reality and the objectiveness of knowledge (Matveev, 2002; Cillisa & Kawulich, 2012). Positivism says that research is conducted in the natural world of science and findings are generalised (Nyambandi, 2016). Realism states that the existence of truth is separated from the mind (Nyambandi, 2016). The interpretivist research paradigm was employed to investigate the research problem. The interpretivist research paradigm supports the notion that human beings differ when they participate in a research project (Sauders, Lewis & Thornhill, 2019). According to Trauth (2011), positivism enables the researcher to identify that people are talking but cannot determine and explain the reason why they are talking. Consequently, interpretivism closes this gap.

The interpretivist worldview seeks to interpret the world as it is perceived by others. According to interpretivists, reality cannot be generalised since it is limited to context, geographical limitations, time, and individuals or a specific circumstance. The interpretivist paradigm's epistemology is founded on the assumption that knowledge is subjective because it is dependent on the mind (Cillisa & Kawulich, 2012; Kivunja & Kuyini, 2017). Interpretivism attempts to understand the individual, not universal law. As such, this study attempted to understand the effects of SP on the performance of SMEs in the context of SMEs in the Cape metropole.

For this research study, the interpretivist paradigm was chosen since it was regarded appropriate for business and management research studies under difficult business situations and for businesses that are unique (Sauders, Lewis & Thornhill, 2019). The assumption of a subjectivist epistemology means that the researcher needs to make sense of data collected from the basis of morals, values and personal experiences in the context of the research study (Nyambandi, 2016; Kivunja & Kuyini, 2017). Additionally, the interpretivist research paradigm was used for this study since the research objectives are to subjectively examine, analyse, and explain the research data in order to answer the research questions.

3.3 Research Design

A research design is the general strategy used to carry out a research investigation. It enables the researcher to organize the study's approach in order to maximize the likelihood of data collection based on how the event occurred (Grove, Burns & Gray, 2005). Similarly, Pandey (2016) states that research design defines how research contributors are chosen and material is compiled by them. Mouton (2001) affirms that the objective of a research design is to organise and complete a particular study in a way that the validity and reliability of the findings is present. In addition, Kothari (2004) points out a similarity between the research design and

the process of constructing a house. He suggests that a blueprint (map) of the house needs to be drawn before initiating any actual construction and, in the same manner, the research design works as if it is a blueprint of empirical research because it provides guidelines for the method and technique to be utilised in the data collection and data analysis respectively.

Descriptive, exploratory and explanatory research are all categories of research design (Grove, Burns & Gray, 2005). The exploratory research design is suitable for projects addressing an uncertain research study with little or non-existent previous research studies having been conducted. Descriptive research presents a valid or precise description of the factors applicable to the research questions. However, explanatory research is structured research that identifies relationships between components related to the research problem (Van Wyk, 2010). As a result, the explanatory research approach was used in the research design for the objective of this research study. To achieve the explanatory target of this study, a mixed method approach involving questionnaire and interviews was used.

3.3.1 Questionnaire and Interviews

3.3.1.1 General Description of the Questionnaire

The questionnaire was nine pages long, which included the interview section to encourage social distancing owing to Covid-19. The nine pages also comprised the consent letter which served as a cover page. This consent letter was employed to explain the research study and ensure the anonymity of the study's participants. The research participants were also guaranteed that the data provided would not be used to harm them or their enterprise but would only be used solely for the purpose of this research.

The questionnaire began with generic questions and then moved on to more specific questions concerning SME's strategic plans. This arrangement of questions proved to be useful because of its natural focus on the respondent's thoughts. The questionnaire began with the personal profile of respondents, followed by the business profile and then funnelled down to questions that focused on strategic planning by SMEs. To encourage SMEs' decision-makers to engage in the study, sensitive questions about their customers were not included. (See Appendix A).

3.3.1.1.1. Description of the Specific Sections of the Questionnaire and Interview

The questionnaire is made up of five sections, which are: A, B, C, D and E (See Appendix A). The profile of respondents and the business profile are dealt with in Section A. Section B deals with the extent of the use of SP by SMEs, while Section C deals with the challenges that SMEs face in the adoption of SP. Section D deals with the use of strategic planning and whether it

has helped to sustain business operations of SMEs, while Section E deals with the effects of strategic planning on the performance of SMEs.

3.3.1.1.2. Section A: Respondents and Business Profile

The focus of this section was to collect information on the personal profiles of respondents and the business profile. This section includes questions about gender, age, level of education, position, number of employees, annual turnover and the number of years of operation (See Appendix A).

3.3.1.1.3. Section B: The Extent of the Use of Strategic Planning

This section was intended to answer the research sub-question: To what extent do SMEs make use of strategic planning in their operations?

Section B comprises four questions that require completion by ticking the correct option. The respondents were required to state whether their enterprise had a vision, mission and business objectives. They were also required to state them. The respondents were also asked to state whether their enterprise had a formal and documented plan on how to achieve the above. The last question of this section focused on asking about those involved in the planning process (See Appendix A).

3.3.1.1.4. Section C: The Challenges that SMEs Face in the Adoption of Strategic Planning

This part was designed to provide an answer to the research sub-question: What are the challenges that SMEs face in the adoption/use of strategic planning?

Section C included two questions that had to be answered by ticking the correct answer and to give responses based on a scale from zero to four [0= not at all, 1= to a small extent, 2= to a moderate extent, 3= to a large extent, 4= to a very large extent]. The respondents were asked to select the elements that inhibited their enterprise from adopting strategic planning. The respondents were further asked to scale these elements from zero to four to indicate the effect of these elements on the adoption of strategic planning (See Appendix A).

3.3.1.1.5. Section D: The Use of Strategic Planning has Helped to Sustain Business Operations of SMEs

This section was meant to answer the research sub-question: How has the use of strategic planning helped to sustain the operations of the SMEs?

Section D comprised four open-ended questions as part of the quantitative instrument. The respondents were given the chance to share their feelings and understanding of the research study. The respondents were required to explain how the use of strategic planning had helped their enterprise achieve their vision and mission. They were further asked to explain how the use of strategic planning had helped their enterprise attain their business objectives. The respondents were finally asked to explain how the use of strategic planning had helped their enterprise compete in their business environment (See Appendix A).

3.3.1.1.6. Section E: The Effects of Strategic Planning on the Performance of SMEs.

This section was meant to answer the research sub-question: What are the effects of strategic planning on the performance of SMEs?

Section E of the research questionnaire comprised four questions that required the respondents to select the best and/or correct answer. The respondents were asked whether formulating a vision, mission and determining business objectives had increased the performance of their enterprise. They were also asked to select the best strategy that their enterprise had used to influence the performance of employees. Similarly, the respondents were asked to select the most suitable asset/resource strategies that had increased the performance of their enterprise. Finally, the respondents were required to explain how the use of a system, process, data and information plans had affected the performance of their enterprise (See Appendix A).

3.3.1.1.7. Interview Questions

Qualitative data were gleaned from semi-structured interviews. These semi-structured interviews were used to encourage the interviewee to give more details when necessary. The interview consisted of five questions from which respondents were required to give examples of their long-term goals and to mention the activities that were involved in the planning process of their enterprise. The respondents were then asked to identify the most essential activity in the preceding planning process. They were also asked to identify the strategic planning instruments they have utilized. Finally, respondents were asked to describe the strategy their company used to stay competitive (See Appendix A).

3.4 Research Methodology

According to Kothari (2004), research methodology involves strategies, methods and techniques adopted in order to develop a certain research design. These strategies and methods evolve from some fundamental assumptions about the research design and data

collection. In addition, research methodology refers to data-collection approaches, analysis and presentation of the results from the data collected. There are three types of research methods commonly used to investigate a research study, namely; qualitative, quantitative and mixed methods.

Bloomberg and Volpe (2008) declare that a quantitative research methodology is used to explain situations, analyse relationships, and determine the cause and effect of a study. According to Kothari (2004), a quantitative research approach is used to measure an amount or a quantity and is often suitable for phenomena that can be manifested in terms of quantity. The quantitative research approach is mostly used by a researcher because it is simple, quick and allows for comparability of the research data between individual people, groups or organisations (Yauch & Steudel, 2003). However, a qualitative research approach is interested in qualitative phenomena and determines the motives and desires behind a situation by utilising in-depth interviews (Kothari, 2004). In addition, Denzin & Lincoln (2008) state that qualitative research attempts to study individuals in their natural setting by interpreting facts.

Given that the research aims at exploring the effects of strategic planning on the performance of SMEs, a mixture of the qualitative and quantitative research approaches was adopted. The mixed method is a way of collecting and analysing data by mixing the qualitative and quantitative research approach to answer the research questions (Creswell & Poth, 2016). Mixing the quantitative and qualitative research approaches means combining the advantages of both methodologies, resulting in a more complete grasp of the research questions and problems (Creswell & Garrett, 2008).

3.5 Research Population and Sampling Techniques

3.5.1 Research Population

The population for a research refers to the total number of objects or subjects that match certain specifications or criteria for that research. Additionally, according to Pandey and Pandey (2007), a target population is a group of people or objects for which the research will be generalised. The population of this research study consisted of SMEs operating in the Cape metropole. These SMEs consisted of a retail beauty store, liquor stores, retail clothing stores and small supermarkets. Since there is no complete list of SMEs operating in the Cape metropole, 70 SMEs were deemed reasonable for this study. As a result, 70 SME representatives were included in the sample. These included managers, owners, and personnel that is believed to be strategic decision-makers at SMEs. These respondents were

chosen because they were believed to be knowledgeable about the issue or to have experience with strategic planning in SMEs.

3.5.2 Sampling Technique

Sampling is the process of utilising methodological procedures to select a representative portion of the research population or universe. Sampling is performed with the intention of reducing costs, time and the energy it would take to study the entire research population. It should be performed with the aim of gathering accurate data (Kothari, 2004; Pandey & Pandey, 2007; Walliman, 2010). According to Kothari (2004), research studies can utilise probability or non-probability sampling methods. The probability sampling methodology allows the researcher to describe the possibility of a participant included within the research sample. Probability sampling allows the researcher to generalize the research study's findings; yet it is more difficult and expensive than non-probability sampling techniques. The researcher cannot define the probability of a participant being included in the sample using the non-probability sampling methodology since every element of the research population has a chance of being chosen (Lammers & Badia, 2005).

For the purpose of this research study, a non-probability, purposively selected sampling technique was adopted because it is easier and less expensive to perform. The non-probability sampling was suitable because the study does not intend to generalise the findings. Furthermore, the purposeful sampling technique was used since there is no clear and comprehensive list of SMEs operating in the Cape metropole as a result, other sample procedures were out of the question.

3.6 Research Data-Collection Techniques

The data-collection process started by identifying SMEs suitable for the study. Considering the absence of a precise list of SMEs operating in the Cape metropole, suitable SMEs were identified online and by asking friends and family. This was followed by gaining access to these SMEs and establishing contact with the participants of the study as advised by Creswell and Poth (2016). Then appointments were made with managers–owners of SMEs through phone calls and by email. Since some interviewees liked to have prior knowledge about the questions in the questionnaires before the appointment date, a copy of the questionnaire was sent along with a reminder about the appointment. Respondents were given a choice to keep, cancel or reschedule the appointment. Respondents were given the choice to pick a time and a suitable venue for the interview. Considering the fact that the whole world was going through a pandemic, Care was taken to follow the government guidelines such as social distancing. A

notebook, recorder and multiple copies of the questionnaires were taken to the interviews and a maximum of thirty minutes was allocated to each respondent.

Basardien, Parker, Bayat, Friedrich and Appoles (2015) state that a questionnaire is a list of questions created by a researcher for the purpose of investigating a certain phenomenon. The questions may be asked orally or in a written form. According to Kothari (2004), the use of survey questionnaires increases the capacity of respondents since a large number of respondents can be obtained. Data generated is measurable and the respondents can choose to stay anonymous. According to Maduekwe (2015), data collected from survey questionnaires may be simply gathered and analysed by the researcher utilizing statistical computer software tools. Most small businesses in the Cape metropole are accustomed to survey questionnaires, so they might find it easy to complete and take part in the study. Additionally, a survey questionnaire provides respondents with limited options to answer the questions asked.

Qualitative data were gleaned from semi-structured interviews. These semi-structured interviews were used to encourage the interviewee to give more details when necessary. Interviews are beneficial in terms of data collection because during the interview the interviewer can capture verbal and nonverbal cues. Interviews allow the interviewer to have control over the interviewee, hence they can keep the interviewee focused compared to a self-administered questionnaire where respondents may lose focus and skip some questions. Interviews allow the interviewer to clarify ambiguous answers and allow respondents to clarify ambiguous questions. Additionally, interviews are quicker than a self-administered questionnaire as it might take weeks to receive back the responses from the respondents (Grove, Burns & Gray, 2005).

Secondary data such as websites, textbooks and journal articles were used for data collection to support and complete the primary data. Secondary data source-gathering complete and provide different points of view and enrich the research (Nyambandi, 2016).

3.7 Data Analysis

According to Shamoo and Resnik (2009), data analysis is known as the application of statistical and/or logical techniques to analyse, demonstrate and describe data. Nyambandi (2016) states that the researcher employs two primary analytical methods to analyse research data. However, a mixture of both methods can be used. The mixed-methods approach combine the qualitative and quantitative research techniques.

According to Walliman (2010), the quantitative research approach considers data gleaned from questionnaires as numbers and analyses it using mathematical operations. As advised by Kothari (2004), a computer was employed in the process of analysing quantitative data in order to gain from the fast processing of data using descriptive and inferential statistics. The collected research data were processed using the statistical package for social sciences (SPSS) program. This tool was chosen because it enables the researcher to process data in a quick and easy manner. It also helps identify errors during data entry. This program was also utilised to illustrate and present data using graphs and charts.

Qualitative data were gleaned by means of semi-structured interviews. Once collected, the qualitative data were analysed using content analysis to code data by identifying repetitive words or responses examining relationships between them and summarising them. Finally, they were categorised according to the categorisation of data and findings as advised by Scott and Usher (2011).

3.8 Measures to Ensure Reliability and Validity

According to Bless, Higson-Smith and Kagee (2000), researchers in social science studies have shown that no measurement techniques are perfect, which forces researchers to evaluate the data-collection tools to be used for reliability and validity.

3.8.1 Reliability of the Research Instrument

According to Bless, Higson-Smith and Kagee (2000), the reliability test is the consistency of the data-collection tools with all the respondents taking part in a research study. Reliability is the ability for the research data-collection tool to yield the same result when applied to the same problem at different times (Maduekwe, 2015). The reliability of the data-collection tool was conducted by testing five different academics with knowledge of data-collection design. These academics found the research data-collection tools simple, clear and understandable. Therefore, if this test were taken by the same academics at different times, the result produced would be similar.

According to Taherdoost (2018), the Cronbach Alpha coefficient is commonly used by researchers to measure and determine the reliability of data-collection tools. It is seen as the most suitable measurement tool for a reliability test. There are no rules with regard to internal reliability; however, a minimum internal consistency coefficient of 0.70 is viewed as the benchmark by many scholars (Whitley & Kite, 2013). According to Straub, Boudreau and Gefen (2004), for an exploratory or a pilot study, the recommended minimum internal consistency

coefficient is 0.60. The Cronbach Alpha Coefficient test was utilised for the purpose of this research study with a coefficient of 0.71 (See Table 3.1).

Table 3.1: Cronbach Alpha Coefficient

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No. of Items
.713	.718	4

3.8.2 Validity of the research Instrument

The validity test measures the efficiency of the gleaned data for covering the actual area of investigation. In other words, a validity test means to measure what it is intended to measure (Field, 2009; Ghauri & Gronhaug, 2010). Similarly, Grove, Burns and Gray (2005) define a validity test as a measurement of truth. Maduekwe (2015) identifies two types of validity tests, namely, internal validity and external validity. These validity tests are dealt with in the following sections.

3.8.3 Internal Validity

According to Nyambandi (2016), internal validity seeks to test the trustworthiness of the findings from the researcher's standpoint. Taherdoost (2018) identifies a good number of validity tests such as ace validity, content validity, construct validity and criteria validity. However, only construct and content validity were deemed important for the purposes of this research study and are thus addressed further below.

3.8.3.1 Construct Validity

The construct validity test assesses the research instrument's way to develop what is being studied (Whitley & Kite, 2013). Similarly, Taherdoost (2018) states that construct validity measures the ability of the research to transform an idea or a concept that is a construct into a reality. In other words, construct validity enquires about the following: Is the research instrument measuring what it is supposed to measure? Are the research questions pertinent to the study? To ensure construct validity, a pilot test must be performed (Maree & Westhuizen, 2009).

A pilot study was carried out by handing out a copy of the questionnaire to five different academics with knowledge of data-collection instruments. These questionnaires were completed and reviewed. It was conducted to identify the reactions of respondents, the clarity of every question, the need to add more questions, the likelihood of respondents answering all the questions and to assess the proposed method of data analysis. The result of the pilot test was used to understand the ambiguity of some questions and to amend them according to all the suggestions from the respondents.

Additionally, one can enhance construct validity by linking the questions in the questionnaire to the initial research questions and the objectives of the research (Rowley, 2002). Therefore, the questionnaires used for the research study come directly from the research questions and all the research objectives. This should enhance construct validity as advised by Rowley, (2002).

3.8.3.2 Content Validity

Leedy, Omrud and Johnson (2011) define content validity as the amount of coverage at which all elements of a particular construct should be covered by the study data instrument. Similarly, content validity refers to the evaluations of a new questionnaire to make certain that every important element is included and every element deemed undesirable has been excluded (Lewis, Snyder & Rainer, 1995). According to Taherdoost (2018), content validity is performed through a literature review and a follow up with different experts of the research study. These experts are to judge the data instruments by following the procedure of a judgmental approach.

For this study, to enhance the content validity of the study, an exhaustive literature review was undertaken to extract all the related items. Furthermore, to enhance the content validity, five experts of the research study were selected and allowed to evaluate the questionnaire. The researcher was present to facilitate the process of the content validity check. However, two of the experts selected were outside the city, therefore a copy of the questionnaire was sent via email and a video call with each one of them was used to clarify ambiguities. To improve the content validity of the research, the questionnaire was updated to incorporate components regarded vital to the research study while eliminating those considered not to contribute to the improvement of the research study's validity.

3.8.3.3 External Validity

External validity suggests that the findings or results of the research study may be generalised for the population from which the sample was drawn or for other similar populations in terms of context, individuals, times, and places (Leedy, Omrud & Johnson 2011; De Vaus & De Vaus,

2019). However, Maduekwe (2015) states that for the external validity to be enhanced, one must use random and a representative sample. Even though the random-sampling technique was not adopted for this research because of a lack of the availability of a comprehensive and clear list of SMEs, the selection of 70 SMEs somehow mitigated, to a certain extent, the lack of random-sampling techniques. SMEs were in a variety of sizes and industries, ranging from a beauty store, liquor stores, retail clothing stores and small supermarkets. This diversification of selected SMEs further enhanced the representivity of the sample. Given the considerations above, the external validity of the data-collection instrument was assessed to be strengthened to some amount.

3.9 Ethical Considerations

Ethics is defined as an ensemble of moral and instructive philosophies that human beings or a professional body carry out. In other words, ethics consists of norms that differentiate what is acceptable and what is unacceptable conduct. It can be utilised to investigate, to disapprove or to evaluate complex problems (Shamoo & Resnik, 2009). Ethics can be required by law; however; researchers have shown that ethics is directed by free will. Bhattacharjee (2012) draws the line between what is ethical and what is illegal by stating that what is unethical is not necessarily illegal but rather morally wrong. Therefore, the interpretation of information was performed with ethical consideration and statements made will be presented without editing them.

Before beginning data collecting for this project, an application for ethical clearance of a research project at the Cape Peninsula University of Technology was made to the Faculty of Business and Management Sciences' Research Ethics Committee. The ethics committee urges the researcher to protect the respondents from any undesirable effects resulting from the research endeavour. As a result, in the covering letter, the goal of the research study was clearly outlined to them (See Appendix A).

3.9.1 Informed Consent

The participants of the research study were treated with ethical consideration. The researcher should not pressurise and divulge information without the consent of the participant (Walliman, 2010). The participants of this study were dealt with as advised by Walliman (2010) following the requirements of the Research Ethics Committee. A meeting was set up between the researcher and the research participant for the purposes of this research study. The researcher clearly discussed the aim, objectives, and purpose of the research study, and participants were given the opportunity to ask questions. The participants were informed that they had the choice

to withdraw from the research study at any moment and that they might decline to supply any information they desired.

3.9.2 Confidentiality and Anonymity

The participants of the study were promised and persuaded that the information divulged would not be linked to their personal details because of the anonymous nature of the research study. They were also informed that their personal informations would not be sold or given to a third party but would simply be used for the purpose of the research study. In addition, they were also informed that their responses would not be divulged in order to harm them but would be used ethically to add to the body of knowledge. The participants taking part in the study were kept anonymous and they voluntarily took part in the research. According to Bhattacharjee (2012), research data should not be manipulated for personal benefit. Therefore, for the purpose of this research study, data gleaned from research participants were not manipulated for personal gain. Additionally, the interpretation of data was undertaken under ethical considerations and statements made were presented without being edited. Finally, the respondents were assured of the anonymity of the reporting of results in order to protect their identity.

3.10 Limitations Data-Collection Instruments.

According to research, survey questionnaires are frequently limited in terms of non-response, which occurs when respondents do not respond entirely to the questionnaire or choose to answer only sections of it. This restriction was minimized for the purposes of this study by excluding the use of self-administered questionnaires. The researcher was present when the questionnaire was being filled out. This was very helpful because it provided the researcher with the opportunity to clarify ambiguous answers and also allow the respondent to clarify ambiguous questions.

Another limitation to the questionnaire when administrated to the decision-makers of SMEs, is linked to their packed schedule. To overcome this, the researcher visited some respondents several times to ensure that they had been informed about the purpose of the study and the anonymous nature of the research. In addition, the researcher gave respondents the opportunity to reschedule the meeting to another suitable time considering the research plan. Yet another limitation of the research questionnaire was the ability for it to be used to collect data that reflected the sample population considering that there was no clear existing list for SMEs in the Cape metropole. However, this limitation was overcome by selecting a sample size of 70 participants.

In early 2020, the Corona virus hit South Africa and in March 2020 the president, Mr Cyril Ramaphosa, declared a nationwide lockdown to help control and flatten the curve of Covid infection. This lockdown signified that businesses would remain closed, and individuals restricted from going out unless they needed medical assistance and food. This limited the research in terms of time because the research data collection could not be carried out until the lockdown restrictions had been lifted (BusinessTech, 2020).

3.11 Summary and Conclusion

The goal of this chapter was to outline the research methodology and design utilised to collect data needed to achieve the research study's objectives. To meet the aim of this study, the interpretivist paradigm was used. The exploratory research design was used because it is suitable for a project addressing an uncertain research study with few or no prior research studies having been conducted. Given the aim of the research, the mixed-methods approach of using both qualitative and quantitative research approaches were adopted. The combination of both approaches' strengths leads to a deeper picture of the study problem and questions. The following section of the chapter talked about the research population and the sampling techniques. A non-probability purposively selected sampling technique was adopted because it is easier and less expensive to perform.

structured questionnaires and semi-structured interviews were utilised to collect qualitative and quantitative data. This was followed by a discussion of the data-analysis tools and techniques. The chapter discussed the measures used to ensure reliability and validity of the data-collection instrument. This was followed by the ethical considerations of the study and finally the limitations of the study and data-collection tool was covered in the last section.

The following chapter (Chapter 4) discusses, analyse and present research data gleaned from the research instruments.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter focuses on the presentation and analysis of the findings gleaned from the data-collection instrument used for exploring the effects of strategic planning on the performance of SMEs. This data analysis resulted in the researcher reaching plausible conclusions and eventually generating beneficial recommendations in the following chapter. The research findings are presented in the form of tables, graphs, and figures.

4.2 Response Rate

Given the lack of a current comprehensive database of all SMEs operating in the Cape metropole, and given that this study is a mini thesis, it was decided that a sample size of 50 SMEs would be established. In order to reach the goal sample size, 70 surveys and interviews were planned, as opposed to simply 50. This was intended in case not all responders agreed to engage in the research project.

Unfortunately, owing to Covid-19, the data-collection process was heavily affected and limited in numbers. Sixty questionnaires were finally completed and, subsequently, 60 interviews were conducted as opposed to the 70 initially planned. However, only 48 of the 60 surveys and interviews were completed by SMEs who met the research delineation criteria. Twelve of these questionnaires and interviews were completed by microenterprise respondents, who were thus removed from the study. Therefore, only 48 completed questionnaires and 48 interviews provided usable data for the purpose of this study, representing a response rate of 68.5% as summarised in Table 4.1.

Table 4.1: Response Rate

	Number of Respondents	Percentage (%)
Target Respondents(total)	70	100%
Responses Received	60	85.7%
Unusable Responses	12	17.1%
Useable Responses	48	68.6%

4.3 Analysis of Demographics

The background personal information of the respondents and details about the businesses were covered in Section A of the research questionnaire to provide input related to their gender, age and the number of years' experience in that position, the highest level of education and whether the education was related to business strategy.

The bias in the responses was minimised by comprehensively requiring respondents to choose from three organisational levels which are managerial, operational and strategic. This was done with the purpose of finding out whether they were decision-makers at SMEs and consequently met the requirements of being appropriate respondents for the study. In addition, respondents were asked to provide the business profile of their enterprise pertaining to the number of employees, annual turnover, organisation, years in operation and the industry in which it had operated to ensure that only respondents from SMEs operating in the retail sector were considered for the study.

4.3.1 Respondents' Gender and Age

Concerning the gender of respondents, 58% were females while 42% were males as indicated in Figure 4.1 below. Although this finding indicates that this study is not gender-biased, it contradicts initial studies that suggest that SMEs in South Africa are dominated by males (Brijlal, Naicker & Peters, 2013). However, this agrees with finding by SBP (2013) who suggests that more females are taking over small businesses in South Africa.

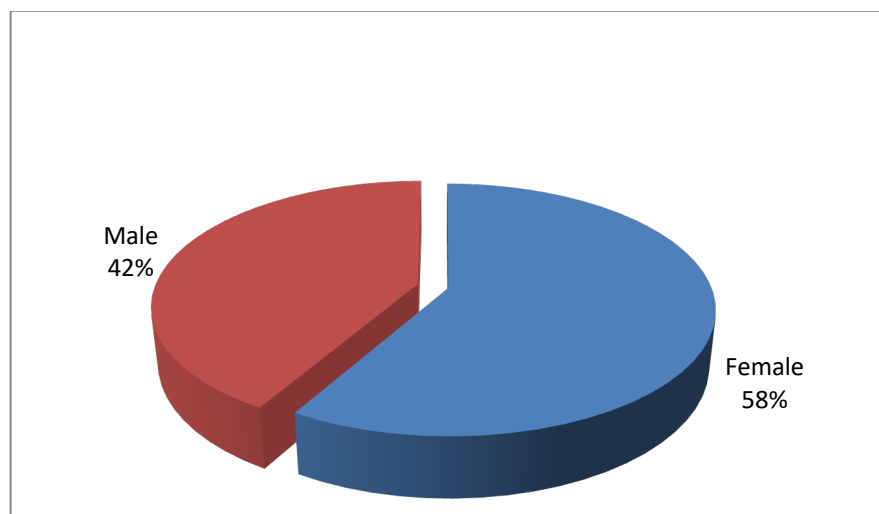


Figure 4.1 Gender of the Respondents

Concerning the age of the respondents, the study reveals that SMEs in the Cape metropole are owned and/or managed by young people aged 20–30, representing 36% of the total number of respondents (See Figure 4.2). This is followed simultaneously by the ages ranging between 31–40 and 41–50 respectively.

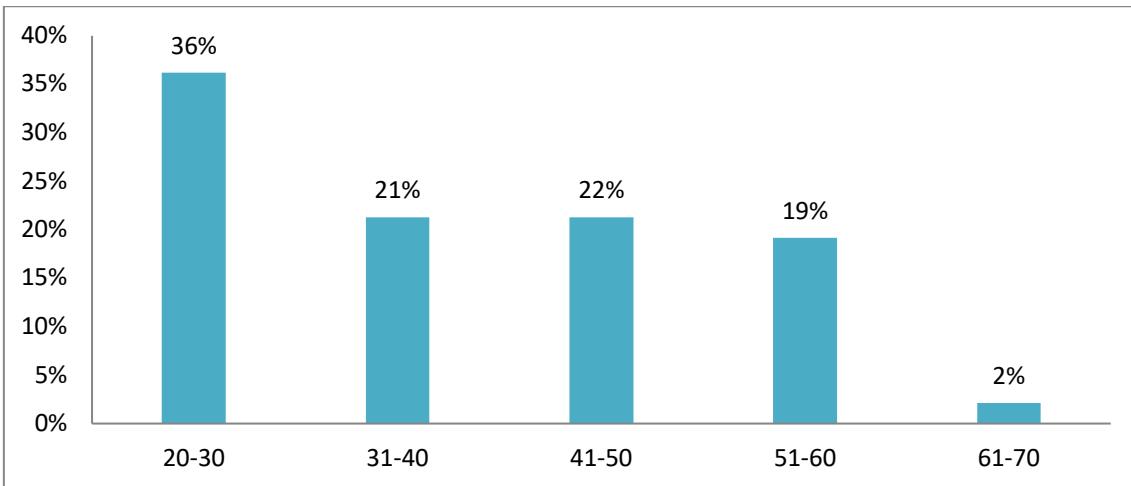


Figure 4.2: Respondents' Age Group

4.3.2 Respondents' Years of Experience

In terms of years of experience in the business as managers, operators, or strategists, the results show that 75% of respondents had one to 10 years of experience in their respective positions (See Figure 4.3). Similarly, 18.75 % had 11–20 years of experience, and 6.25 % had more than 20 years of experience. According to the above findings, 75% of respondents had more than five years of experience in their respective positions and were thus anticipated to be informed about their company's operations.

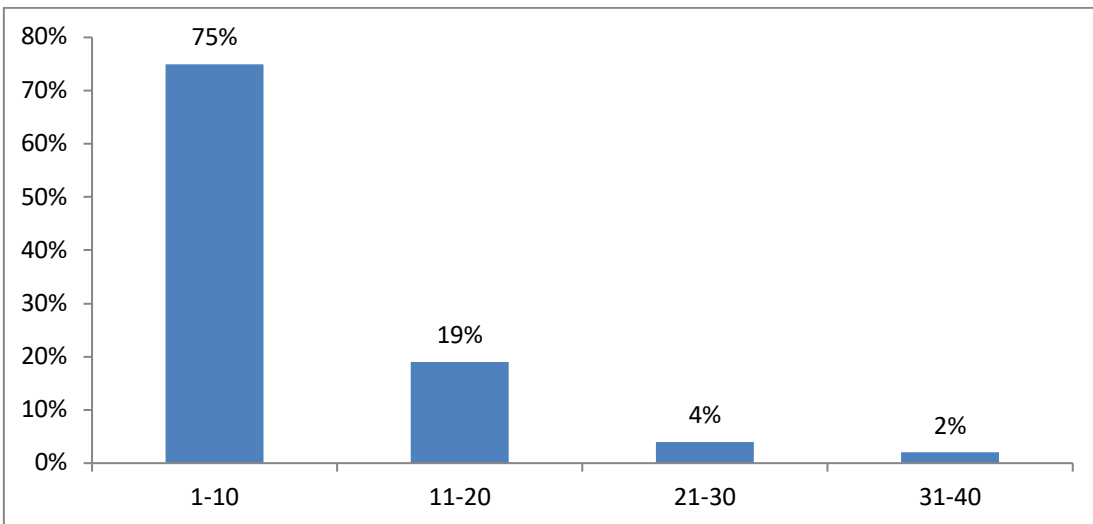


Figure 4.3: Respondents' Years of Experience

4.3.3 Respondents' Position in the Business

In terms of respondents' positions in their enterprise, the results revealed that 67% of respondents were simply managers, while 24% of managers also worked as business operators (See Figure 4.4). Only 9% of managers were the business strategists of their

enterprises. The foregoing confirmed that the appropriate respondents had indeed taken part in the research as the study had targeted only decision-makers of SMEs.

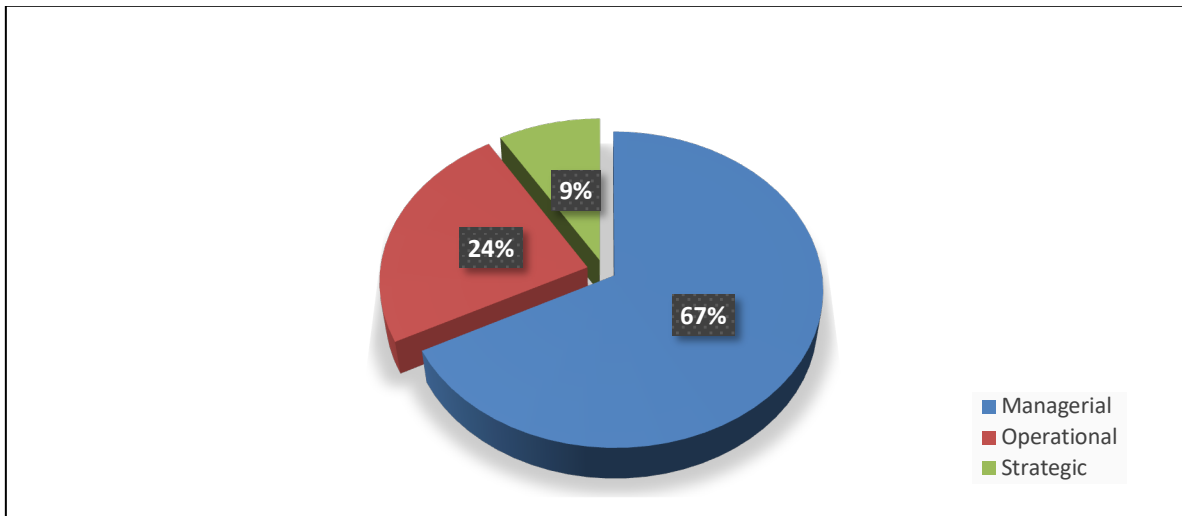


Figure 4.4: Respondents' Position in the Business

4.3.4 Respondents' Highest Level of Education

In terms of respondents' highest degree of education, the research results suggest that 33.33 % of respondents held a matric certificate, while 31.3 % held a university diploma qualification (See Figure 4.5). This is followed by 16.7% of respondents with a bachelor's degree while 4.1% of respondents had a master's degree. Additionally, 14.6% of respondents had only completed short courses. Accordingly, this indicated that most respondents had some form of academic qualification.

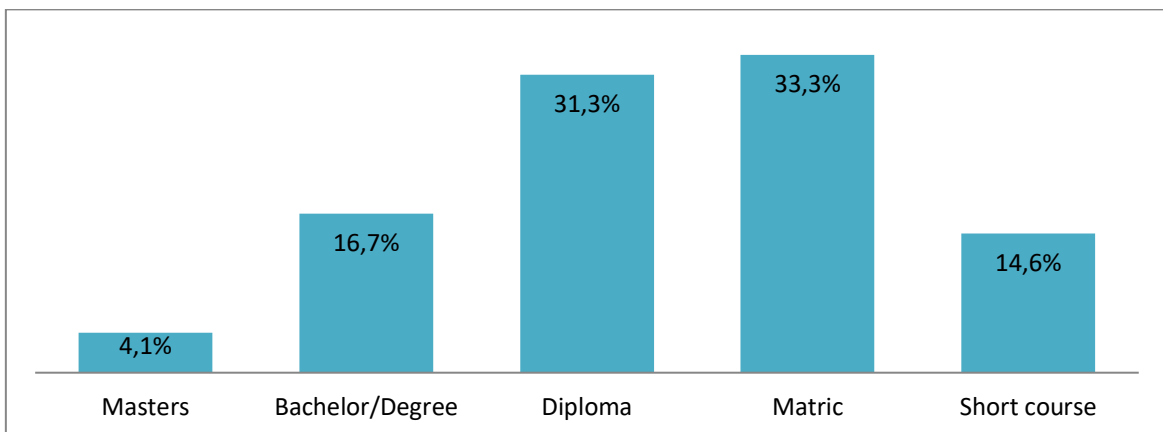


Figure 4.5: Respondents' Level of Education

4.3.5 Whether Respondents' Highest Level of Education was Related to Business Strategy-

In terms of whether the respondent's highest level of education was related to business strategy, the results showed that 59% of respondents' highest level of education was not related to business strategy, while 41% of respondents' highest level of education was related to business strategy (See Figure 4.6). Although the majority of respondents' highest level of education was unrelated to business strategy, a significant proportion had been exposed to business strategy and, as a result, should be familiar with strategic planning at SMEs.

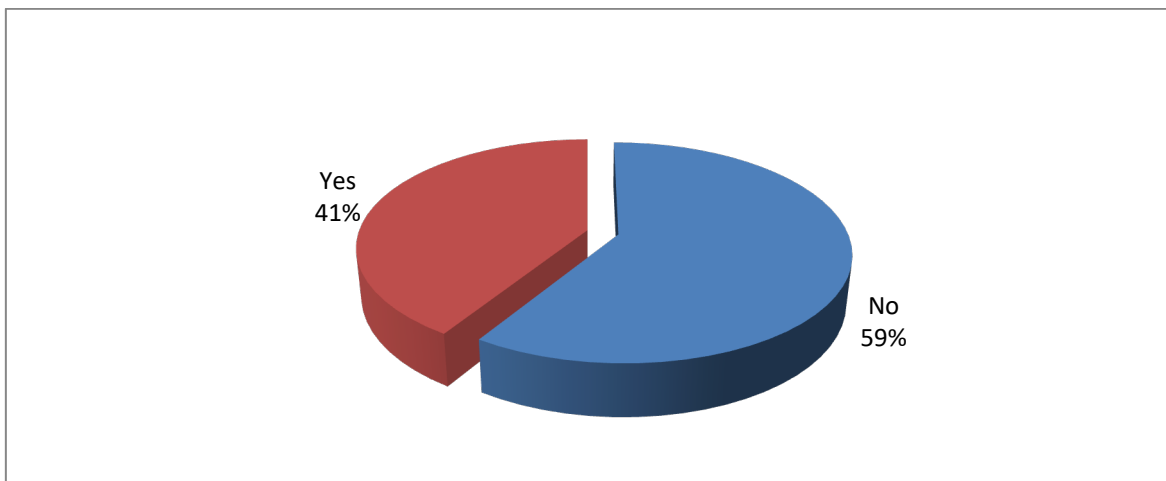


Figure 4.6: Respondents with Qualifications Related to Business Strategy

The Table below represent a summary of the respondents 'personal profile.

Table 4.2: Respondents' Personal Profile

Variable	NoB	NoBM	Mode	Categories	Freq	% Freq
Gender	48	0	Female	Female	28	58.33
				Male	20	41.67
Age	48	1	20-30	20-30	17	36.17
				31-40	10	21.28
				41-50	10	21.28
				51-60	9	19.15
				61-70	1	2.13
Experience	48	0	1-10	1-10	36	75.00
				11-20	9	18.75
				21-30	2	4.17
				31-40	1	2.08
Highest Qualification	48	0	Matric	Masters	2	4.17
				Bachelor/Degree	8	16.67
				Diploma	15	31.25
				Matric	16	33.33
				Short course	7	14.58
Qualification Related to Business Strategy-	48	4	No	No	26	59.09
				Yes	18	40.91
Organisation Structure Level	48	2	Managerial	Managerial	31	67.39
				Operational	11	23.91
				Strategic	4	8.70

4.3.6 Sampled Profiles of SMEs

Section A also requested respondents to present a profile of their business, including how long it had been in operation, the number of employees, and the yearly turnover. The number of years in operation was used to determine whether a business was mature enough to apply strategic-planning practices. In South Africa, SMEs are defined by using two criteria, namely, the number of employees and the annual turnover. These factors were analysed to determine whether a company met the necessary requirements to be considered an SME.

As far as the number of years in operation are concerned, 40% of the sampled SMEs have been in business for one to five years. Fifteen point five six per cent (15.56%) of these SMEs have been operating for six to ten years, while 4.44% of SMEs have been operating for ten to 15 years and 17.78% of these SMEs have been operating in business for 15–20 years. Finally, 22.22% of SMEs have been in operation for more than 20 years (See Table 4.3). Given that SMEs that have been in existence for more than five years are likely to have acquired certain planning habits, one would anticipate the sampled SMEs to have formed strategic-planning practices, given that the majority of them have been in operation for at least five years.

Concerning the number of employees, the results indicate that 84.4% of sampled SMEs had one to ten employees while 8.89% of them had 11–20 employees. Only 6.67% of the SMEs had 21–30 employees. This result indicates that all SMEs sampled satisfied the necessary requirements to be considered an SME in the Cape metropole, South Africa.

As far as the annual turnover is concerned, 32.50% of the sampled SMEs had an annual turnover of R1 to R99,999 while 37.50% of them had an annual turnover ranging from R100,000 to R499,999. Additionally, 7.50% of SMEs had an annual turnover ranging from R500,000 to R999,999 while 7.50% of SMEs had an annual turnover ranging from R1,000,000 to R1,499,999. Only 15% of SMEs had an annual turnover of over R2,500,000. As much as the Corona virus must be considered for its negative effects on the economy of South Africa, this result indicated that all sampled SMEs met the requirements of being eligible SMEs for the purpose of this study.

Table 4.3: Sampled Profile of SMEs

Variable	NoB	NoBM	Mode	Categories	Freq	Freq (%)
The number of employees	48	3	1-10	1-10	38	84.4
				11-20	4	8.89
				21-30	3	6.67
The annual turnover	48	8	100000-499999	1-99999	13	32.50
				100000-499999	15	37.50
				1000000-1499999	3	7.50
				500000-999999	3	7.50
				Over 2500000	6	15.00
Organisation's years in operation	48	3	1-5	1-5	18	40.00
				6-10	7	15.56
				6-15	2	4.44
				15-20	8	17.78
				more 20	10	22.22

4.4 The Extent of the Use of Strategic Planning

Section B of the research questionnaire sought to ascertain the extent to which strategic planning was used.

4.4.1 Formulated Vision Statement of SMEs

Table 4.4: SMEs' Formulated Vision Statement

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Yes	27	56.3	65.9	65.9
	No	14	29.2	34.1	100.0
	Total	41	85.5	100.0	
Missing	System	7	14.5		
Total		48	100.0		

The above table shows that 56.3% of SMEs in Cape Town have a formulated vision while 29.2% of SMEs do not have a formulated vision and 14.5% did not answer the question. It shows that SMEs in the city have knowledge about strategic planning to some extent.

4.4.2 Formulated Mission Statement of SMEs

Table 4.5: SMEs' Formulated Mission Statement

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Yes	24	50.0	66.7	66.7
	No	12	25.0	33.3	100.0
	Total	36	75.0	100.0	
Missing	System	12	25.0		
Total		48	100.0		

Results indicated that 50% of SMEs in Cape Town have a formulated mission statement while 25% of them do not have a formulated mission statement and 25% of them did not answer the question. It showed that SMEs in Cape Town have knowledge about strategic planning to some extent.

4.4.3 Formulated Long-Term Objectives

Table 4.6: SMEs' Formulated Long-term Objectives

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Yes	26	54.2	74.3	74.3
	No	9	18.8	25.7	100.0
	Total	35	73.0	100.0	
Missing	System	13	27.0		
Total		48	100.0		

The results above shows that 54.2% of SMEs in the Cape metropole had long-term objectives while 18.8% of them did not have it and 27% did not answer the question. It shows that SMEs in the Cape metropole have knowledge about strategic planning to some extent.

4.4.4 Formulated and Documented Plan

Table 4.7: SMEs' Formulated and Documented Plan

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Very Precisely	12	25.0	30.0	30.0
	Approximately	14	29.2	35.0	65.0
	No	14	29.2	35.0	100.0
	Total	40	83.4	100.0	
Missing	System	8	16.6		
Total		48	100.0		

The result above indicate that 25% of SMEs in the Cape metropole write a plan very precisely on how to achieve a vision, mission and business objectives while 29.2% of them did not write it precisely. Additionally, 29.2 % of SMEs did not write a formal plan on how to achieve a vision, mission and business objectives, while 16.6% of respondents did not give an answer.

4.4.5 Strategic Planning by SMEs

The results of the research indicated that few SMEs in the Cape metropole engaged with strategic planning. The research study considered the three components of SP to analyse the extent of strategic planning used by SMEs. According to Majama and Magang (2017), these components are the vision and mission statements, and long-term business objectives. Findings show that 27% of SMEs in the Cape metropole had formulated vision; mission and business objectives while 18% of them did not have all three components of their SP formulated. The results indicated further that 55% of SMEs in the Cape metropole only had one or two of the components of strategic planning formulated. This is consistent with a study by Stonehouse and Pemberton (2002) who discovered that two thirds of the surveyed SMEs had formulated mission and vision statements. However, no proof of long-term objectives and strategic-planning tools could be found (See Table 4.6).

The results from this study agree with the studies by O'Regan and Ghobadian (2002), Skrt and Antoncic (2004) and Majama and Magang (2017) which state that SMEs attempt to use strategic planning to a limited extent. SMEs were likely to have formulated vision and mission statements as well as business objectives, but these were just formalities and to follow the trends set by other enterprises. Despite the fact that some SMEs have a formulated plan on how to incorporate the three components of strategic planning in their business operations, results from the study indicated that most SMEs do not incorporate them into their day-to-day business operations. According to Majama and Magang (2017), the business vision and mission statements shape the enterprise's long-term objectives and aspirations. These components of strategic planning may be used to motivate and lead employees.

Furthermore, the results from this research went along with past research studies that indicated that strategic planning at SMEs was not organised and was not performed on a regular basis (Gibb & Scott, 1985; Balasundaram, 2009; Robinson *et al.*, 2016). From the interviews, some of the respondents conveyed the impression that they had strategies about how to run the business on a daily basis, but these strategies were not formally written down and/or documented. The lack of documentation of strategies and plans may influence the limited use of SP at SMEs. This is in line with Sexton and Auken (1982) who state that SMEs practise strategic thinking but that this thinking is rarely translated into active plans.

Even though 27.1% of SMEs in the Cape Metropole had some or all of the components of strategic planning formulated and, regardless of the implementation of these formulated components of strategic planning on a daily basis, the result showed that 18.8% of SMEs in the Cape Metropole did not answer these questions. This lack of an answer could indicate the lack of knowledge about strategic planning or some of the components of strategic planning and their benefits to an enterprise. These results support the research study of Stonehouse and Pemberton (2002) that states that SMEs do not engage in SP because of a lack of knowledge about SP and/or its benefits. Therefore, we can deduce that some managers, owners and strategists of SMEs in the Cape metropole have some knowledge of strategic planning but still do not use it. This lack of strategic planning could be attached to the lack of belief in the value that SP brings to an enterprise.

Table 4.8: SMEs' Availability of Strategic Planning Components

		Frequency	Per cent	Cumulative Per cent
Valid	Vision	4	8.3	8.3
	Mission	1	2.1	10.4
	Long term objectives	9	18.8	29.2

All the above	13	27.1	56.3
1 and 2	8	16.7	72.9
1 and 3	2	4.1	77.1
2 and 3	2	4.1	81.3
None of the above	9	18.8	100.0
Total	48	100.0	

4.4.6 Nonparametric Correlations (Spearman's Rho)

The correlation analysis table below illustrates the degree of the relationships between the variables under consideration. It affirms the expected positive significant relationship between age and experience. It suggests that the annual turnover is a function of age while the number of employees have a positive and significant relationship with experience. The analysis also suggests there is a positive and significant relationship between having a formulated vision and having a mission statement. SMEs' performance as defined in the literature illustrates that SP has a positive and statistically significant relationship with the number of employees. Furthermore, growth in the number of employees and annual turnover revealed a positive relationship with SP.

Table 4.9 : Non-parametric Correlations

Correlations								
	Age	Experience	Organisation structure?	Number of employees	Annual turnover	Years in operation	Formulated vision	Mission statement
Age	1.000							
Experience	.371*	1.000						
Organisation structure	.061	.072	1.000					
Number of employees	.078	.463**	.135	1.000				
Annual turnover	.353*	.074	-.012	.368*	1.000			
Years in operation	.084	.457**	.096	.329*	.247	1.000		
Formulated vision	.120	.302	.008	.339*	.018	.098	1.000	
Mission statement	.061	.023	-.232	.137	-.087	.097	.625**	1.000

*. Correlation is significant at the 0.05 level (2-tailed).

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

4.4.7 People who are Involved in the Planning Process

The findings of the study revealed that only business owners are involved in the planning process of 41.7% of SMEs in the Cape metropole, while 12.5% of SMEs indicated that

business owners and chief executives are involved in the planning process. Furthermore, 12.5% of SMEs indicated that senior managers are involved in the planning process, while 14.6% of SMEs indicated that management from all levels are involved in the planning process. Only 18.7% of SMEs did not give an answer. Consequently, this meant that mostly the owner and business executives in some SMEs are aware of where the company is going while the employees are kept in the dark. Perhaps this indicates that owners of SMEs in the Cape metropole are just buying themselves employment, therefore growth is not valued or seen with interest as long as they get some form of income out of it. This is consistent with Wang, Walker and Redmond (2007) and Majama and Magang (2017) who state that some business owners are just profit-oriented and do not take much interest in the future of their enterprise.

Table 4.10: Who are Involved in the Planning Process?

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	The business owners only	20	41.7	51.3	51.3
	The business owners and chief executives	6	12.5	15.4	66.7
	Senior Management	6	12.5	15.4	82.1
	Management from all levels	7	14.6	17.9	100.0
	Total	39	81.3	100.0	
Missing	System	9	18.7		
Total		48	100.0		

4.5 Challenges that SMEs Face in the Adoption of Strategic Planning

Section C of the research questionnaire aimed at defining and determining challenges that SMEs in Cape Town faced in the adoption of strategic planning.

4.5.1 The Elements that Inhibit SMEs from Adopting Strategic Planning

The literature review revealed many elements that inhibit SMEs from adopting strategic planning, but for the purpose of this study only seven elements were considered. The results suggested that 33.3% of SMEs in the Cape metropole do not engage in strategic planning because decision-making is based on assumptions, intuitions and/or experience while 14.6% of SMEs indicated that planning is expensive. Additionally, 14.6% of SMEs also indicated that planning is time-consuming. This is followed by 12.5% of SMEs that indicated that the size of their enterprise inhibited them from practising strategic planning. Furthermore, 8.3% of SMEs indicated that strategic planning is not appropriate for their type of business operations, while

2.1% of SMEs indicated that change is not welcomed in their enterprise. Finally, 2.1% of SMEs also indicated that their strategic planning lacked flexibility

Table 4.11: The Elements that Inhibit SMEs from Adopting Strategic Planning

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Decision-making is based on assumptions, intuitions or experiences	16	33.3	38.1	38.1
Planning is expensive	7	14.6	16.7	54.8
Planning is time-consuming	7	14.6	16.7	71.4
Change is not welcomed in the enterprise	1	2.1	2.4	73.8
Strategic plans are not flexible	1	2.1	2.4	76.2
Size of the enterprise	6	12.5	14.3	90.5
Strategic planning is not appropriate for our type of business operations	4	8.3	9.4	100.0
Total	42	87.5	100.0	
Missing System	6	12.5		
Total	48	100.0		

4.6 The Level of Effect of the Selected Elements on Strategic Planning Application in SMEs

Respondents were asked to state to what extent the seven elements affected the adoption of strategic planning in their SMEs. 'Decision-making is based on assumptions, intuitions or experiences' affected the adoption of strategic planning in SMEs largely. This is followed by 'planning is time-consuming' which also affected the adoption of strategic planning largely while 'strategic planning is not appropriate for our type of business operation' and 'insufficient or lack of knowledge on strategic planning', amongst others, affected strategic planning in SMEs to a lesser extent.

The results were consistent with a study by Majama and Magang (2017) who found that SMEs are aware of strategic planning (SP) to some extent but choose not to practise it. This could be because SMEs do not know where to start or how to go about strategic planning. Although the literature indicates that all seven selected elements do in fact inhibit SMEs from practising strategic planning, other studies have emphasised that SMEs prefer to operate a business using intuition and personal judgement rather than strategic planning (White, 1984; Kutlllovci & Shala, 2003; Kraus, Harms & Schwarz, 2006).

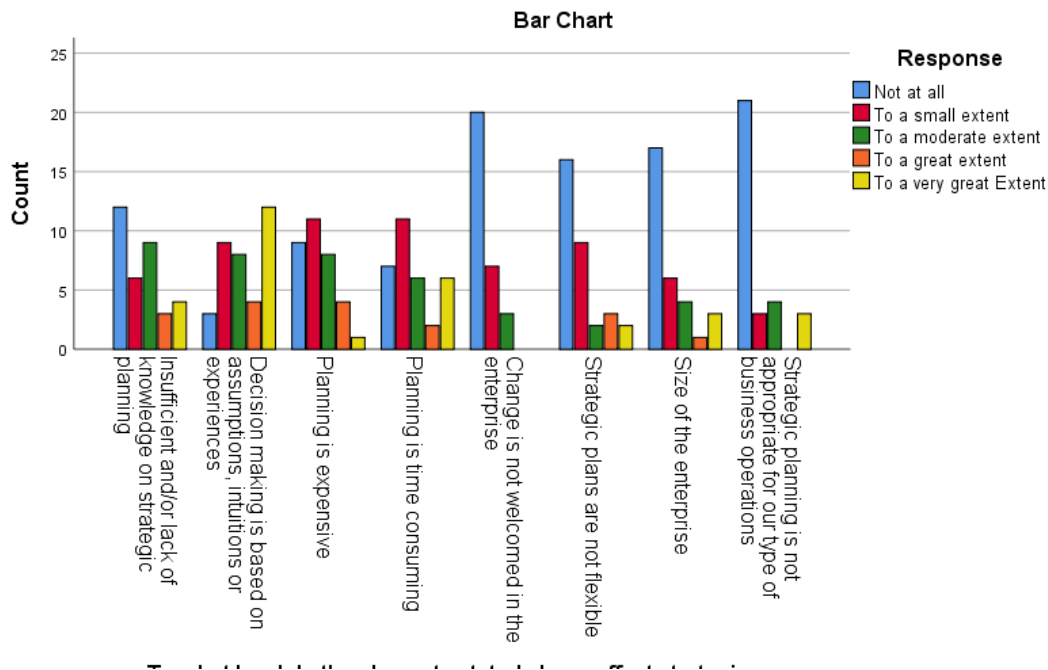


Figure 4.7: Effect of Elements that inhibit SMEs from Practising Strategic Planning

4.7 The Use of Strategic Planning Helped to Sustain the Business Operations of SMEs

After analysing the closed questions, participants were asked respond to the open-ended questions. The open-ended questions were included to allow respondents to share their feelings and understanding about the core themes in this study. The open-ended questions were used further to clarify responses to statements made in the previous questions as well as to allow respondents to communicate other variables that might have been omitted. These data were analysed by identifying common words and responses from all the respondents according to the different elements of strategic planning and grouped them accordingly. The following responses came from respondents who had engaged in strategic planning to some extent. The results indicate how the components of strategic planning are used to sustain business operations.

4.7.1 How does the use of strategic planning help you achieve your vision?

From the responses to the open-ended questions, the below were identified as the ways that strategic planning helps participating firms to achieve their vision:

- It helps us provide adequate control, monitoring and review of outcomes with adequate preparation for future goals and maintain adaptive strategy;
- it helps us evaluate failures and identify solutions;
- It helps us keep attention to customer needs;
- it helps us align our daily operations with our vision;

- it helps us grow;
- it provides a framework that allows us to make decisions;

4.7.2 How does the use of strategic planning help you achieve your mission?

From the responses to the open-ended questions, the below were identified as the ways that strategic planning helps participating firms to achieve their mission:

- It helps us introduce new processes that enhance business operations;
- it helps us keep daily business operations running smoothly;
- it helps us align our daily operations with our mission;
- It helps Introduce new products using the cheapest raw material that makes the product affordable;
- It provides insight into the process of employing the best candidate for a job;
- It provides insight into the process of training employees and increases their performance;
- It provides guidance in the process of expanding our business.

4.7.3 How does the use of strategic planning help attain your objectives?

From the responses to the open-ended questions, the below were identified as the ways that strategic planning helps participating firms to achieve their objectives:

- It keeps us focused on our products and services;
- it helps us improve the quality of our products and services;
- it helps us promote team work;
- it helps us align our daily operations with our objectives;
- It helps us review actions to achieve the set objectives with clear perspectives of the environment.

4.7.4 How does the use of strategic planning help you compete in your business environment?

From the responses to the open-ended questions, the below were identified as the ways that strategic planning helps participating firms to compete in their business environment:

- Using a SWOT analysis to identify our Strengths, Weaknesses, Opportunities and Threats;
- It helps us to be more proactive instead of being reactive;
- It provides relevant information about the business and its environment;
- It helps us draw up the best advertisements to fight competition;
- It helps us to align our daily operations with our strategies to fight competition.

4.8 The effects of strategic planning on the performance of SMEs

Section E of the questionnaires focused on analysing the effects of strategic planning on the performance of SMEs in the Cape metropole.

4.8.1 Does formulating a vision, mission and determining business objectives increase the performance of your organisation?

Table 4.12: The Formulation of Vision and Mission Statements and Business Objectives Increase Business Performance

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Yes	37	77.1	86.0	86.0
	No	6	12.5	14.0	100.0
	Total	43	89.6	100.0	
Missing	System	5	10.4		
Total		48	100.0		

The results indicated that 77.1% of respondents believed that strategic planning increased business performance while 12.5% of them believed that it did not increase business performance. Only 10.4% of respondents did not give an answer. The results are consistent with studies by Gibson, Cassar and Wingham (2005), Wang, Walker & Redmond (2007) and Donkor *et al.* (2018) who argue that high performance is generally found in SMEs that undertake strategic planning. SMEs that engage in strategic planning reach higher sales growth, higher return, higher margins and increased employee growth.

Furthermore, the results of the study revealed that 12.5% of respondents that practise strategic planning do not believe that it improves their business performance. Perhaps these SMEs do not practice formal strategic planning but use intuition as stated by White (1984), Kutllovci and Shala (2003) and Kraus, Harms and Schwarz (2006), who believe that SMEs that claim to plan strategically are intuitive rather than working according to formal, written plans. Similarly, Stonehouse and Pemberton (2002), in their study on some empirical findings on strategic planning in SMEs, suggest that most surveyed SMEs acknowledged using strategic planning but, in fact, admitted to using only short-term objectives.

4.8.2 What Strategy does your Organisation use to Influence the Performance of Employees?

Concerning this question, the results revealed that 64.4% of SMEs in the Cape metropole use a friendly workplace to increase employee performance while 10.4% of them pay bonuses. This is followed by 4.2% of SMEs that offer paid sick leave while 2.1% increase pay to increase employee performance. Additionally, 6.3% of SMEs use other strategies while 4.2% of them use none and 8.2% of them did not answer. The results indicated that more than 85% of SMEs that engage in strategic planning to some extents have and use various types of strategies to improve employees' performance. This is consistent with studies by Gibson, Cassar and Wingham (2005); Wang, Walker and Redmond (2007) and Donkor *et al.* (2018) who argue that high employee performance is generally found in SMEs that undertake strategic planning. However, these strategies are not always well formulated. Instead, these attempts are mostly intuitive or the formulators rely on their experience.

Table 4.13: The Strategy Used to Influence the Performance of Employees

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Increase Pay	1	2.1	2.3	2.3
Pay bonuses	5	10.4	11.4	13.6
Paid sick leave	2	4.2	4.5	18.2
Friendly workplace	31	64.6	70.5	88.6
Other	3	6.3	6.8	95.5
None	2	4.2	4.5	100.0
Total	44	91.8	100.0	
Missing	System	4	8.2	
Total		48	100.0	

4.8.3 Does Your Organisation Use Asset/Resource Strategies?

The results from this question indicated that 27.1% of SMEs in the Cape metropole use Asset/Resource Strategies while 47.9% of them do not make use of these strategies to improve performance.

Table 4.14: The Use of Asset/Resource Strategies

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Yes	13	27.1	36.1	36.1
No	23	47.9	63.9	100.0
Total	36	75.0	100.0	

Missing	System	12	25.0
Total		48	100.0

Respondents that indicated yes were asked further to indicate which strategy had been used to improve performance. The results showed that 16.7% of SMEs in the Cape metropole use forecasting while 8.3% of them use Asset Maintenance Strategy. Furthermore, 6.3% of SMEs use an Asset Management System while 31% did not answer.

Table 4.15 Strategy Used to Increase the Performance of your Enterprise

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Forecasting	8	16.7	53.3	53.3
	Asset maintenance strategy	4	8.3	26.7	80.0
	Asset management system	3	6.3	20.0	100.0
	Total	15	31.3	100.0	
Missing	System	33	68.7		
Total		48	100.0		

4.8.4 Does your Enterprise Plan about System, Process, Data and Information Needed to Achieve High Business Performance?

Concerning this question, 27.1% of SMEs that had engaged in strategic planning to some extent said yes, while 41.7% of them said no and 31.2% of them did not answer.

Table 4.16: Plan About System, Process, Data and Information Needed to Achieve High Business Performance

		Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid	Yes	13	27.1	39.4	39.4
	No	20	41.7	60.6	100.0
	Total	33	68.8	100.0	
Missing	System	15	31.2		
Total		48	100.0		

Respondents who indicated “yes” to the above question were asked further to tell how these plans affected their business performance. The following responses were picked out from the answers.

- It promotes accurate data preparation and documentation which is essential to planning strategies.
- It helps manage time, cost and employee's performance.
- It helps with process design and application in the supply chain.
- It helps keep a record of stock levels, sales and revenue.

The results are consistent with studies by Skrt and Antoncic (2004), Balasundaram (2009) and Kahm, Hin and Bohari (2016) who state that SMEs engaging in strategic planning are more susceptible to identify and make use of new processes and make use of management technologies. Furthermore, Hodgetts and Kuratko (2001) state that SP improves the performance of SMEs by creating relevant information, providing a clear picture of the business environment, and decreasing uncertainties.

4.9 Interview Questions

Qualitative data were gleaned from semi-structured interviews in Section F of the data-collection tool. These semi-structured interviews were used to capture more detailed information about the themes explored in this study. Qualitative data were analysed using the content analysis to code data by identifying repetitive words, examining relationships between them, and summarising them. Finally, they were categorised. Findings were derived via data categorisation, as recommended by Scott and Usher (2011). The questions will be discussed using the exact words of the respondents to support the discussion.

4.9.1 Do you set long-term business objectives for your enterprise? (Please give an example if you do)

Some of the respondents who said yes to the question either did not know about long-term business objectives or talked about short-term business objectives. This is consistent with studies by Stonehouse and Pemberton (2002) who indicate that planning in SMEs is directed more toward short-term operations rather than long-term strategic planning. Some of the answers were as follows:

- 'Our long-term business objectives are to upgrade our physical retail shop to an online store.' (Respondent 15)
- 'We would like to rebrand our products.' (Respondent 26)
- 'I just want to make a profit to grow my business.' (Respondent 17)

However, some of the respondents seemed to have a fair share of knowledge regarding long-term business objectives and some of the answers were as follows:

- 'We would like to achieve higher employee performance and increase productivity over the next five years.' (Respondent 42)
- 'We have been struggling with our customer service and this has negatively impacted on our business. This is why we would like to improve our customer service.' (Respondent 31)
- 'Our objectives are to achieve higher returns.' (Respondent 10)

4.9.2 What are the activities involved in the planning process?

Some respondents provided some activities involved in their planning process which did not make much sense. Perhaps these activities are mentioned as a result of not really knowing because the respondents don't really understand what activities are involved in the planning process. This could be due to the fact that planning is usually performed by one man in SMEs and these plans are not always shared with everyone in the enterprise.

Some of the activities were as follows:

- 'We determine the investment style, establish objectives, identify the best-selling products and increase the variety of these products.' (Respondent 26)
- 'I first brainstorm ideas then check for social media trends, make decisions then evaluate those decisions.' (Respondent 40)

However some respondents somehow seemed to have activities that made more sense to be included in the planning process. Some of the activities were as follows:

- 'We want to make sure that our customers are heard and they see changes according to what they want. So we first want to get feedback from customers and review customer behavioural patterns, creating solutions to the problem identified in the customer review and feedback, plan strategies and implement them.' (Respondent 31)
- 'In our company, we identify a problem, identify ways to fix the problem, develop the actual plan and implement the solution.' (Respondent 10)

4.9.3 Which activity is the most important in the process above?

The following are some activities that respondents believed are most important:

- Brainstorming ideas,
- Establishing objectives,
- Getting feedbacks from customers,
- Identifying a problem.

4.9.4 What strategic planning tools do you use?

Similarly, some respondents did not seem to know what strategic planning tools are. This is consistent with the literature that indicates that SMEs confuse SP with business strategy. One of the answers is as follows:

- ‘We make use of a computer, Microsoft suite, surveys and Google sheets.’ (Respondent 4).

However, some respondents seem to understand what strategic planning tools they were using better and one of their answers is as follow:

- ‘We make use of SWOT analysis to identify our weakness and our threats, the PEST analysis and porter’s five forces framework but we mostly use the SWOT because it is practical for our business.’ (Respondent 31)

4.9.5 What approach does the enterprise apply to survive completion?

In the same manner, some of the respondents seemed not to really know approaches that would help their enterprise survive competition. Instead, they named approaches that did not make sense and the others did not use any approach to fight competition. The following are some of the answers:

- ‘My business is a special form of business that gives me an edge over competitors and I am very confident because I am a money chaser.’ (Respondent 40)
- ‘Our enterprise does not make use of any approach to fight competition. We are not very competitive.’ (Respondent 16)

However, some of the respondents seemed to have in place approaches and strategies to survive competition. The following are some of the answers:

- ‘We have in place a good customer service, to study the competition using the SWOT analysis, using a diffraction strategy by being unique.’ (Respondent 42)
- ‘We would acquire and target new customers by making use of online advertisements, offer good products at a competitive price, use good marketing.’ (Respondent 15)

4.10 Summary and Conclusion

This chapter's goal was to analyse and discuss the results of the research data instrument used to explore the effects of strategic planning on the performance of SMEs. The chapter presented the extent of SP in SMEs, the challenges faced by SMEs in the adoption of strategic planning, the use of strategic planning to help sustain business operations, the effects of SP on the performance of SMEs and the interview questions.

The result of the analysis of the extent of strategic planning in SMEs indicates that very few SMEs in the Cape metropole engage in strategic planning. The research study considered the business vision and mission statements and long-term business objectives to analyse the extent of SP in SMEs. The results imply that SMEs attempt to use strategic planning to a very limited extent. SMEs are likely to have formalised vision and mission statements and business objectives just for the sake of having them. Despite the fact that some SMEs have a formulated plan on how to incorporate the three components of strategic planning in their business operations, results from the study indicate that most SMEs do not incorporate them in their day-to-day business operations.

With regard to the challenges faced by SMEs in the adoption of strategic planning, the result suggest that 33.3% of SMEs in Cape Town do not engage in strategic planning because decision-making is based on assumptions, intuitions and/or experiences. Concerning whether the use of strategic planning helped to sustain business operations the results indicate that SMEs that engage in SP were able to achieve their vision and mission. Likewise, SMEs that engaged in strategic planning achieved their business objectives. Finally, SMEs that engaged in strategic planning competed well in their business environment.

Three quarters of the respondents believe that strategic planning increases business performance. This is consistent with the literature that indicates that high performance is generally found in SMEs that undertake strategic planning. SMEs that engage in strategic planning have a higher sales growth, higher return, higher margins and higher employee growth. In addition, the results indicate that the majority of the SMEs have and use various types of strategies to improve their employees' performance. However, these strategies are not always well formulated.

Regarding the interview questions, respondents were asked a set of questions to encourage them to give more details that quantitative questions would not allow them to do. They supported the results of the questionnaires in more detail. The following chapter (Chapter 5) provides a summary, a conclusion and recommendations for futures studies on the topic.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study aimed at exploring the effects of strategic planning in SMEs. To achieve the aim, a mixture of questionnaires and interviews were utilised to collect data.

The purpose of this chapter is to provide a summary of key elements and draw a conclusion on the extent to which the strategic planning is used as a tool, the use of strategic planning to sustain business operations, the effects of strategic planning on the performance of SMEs and the elements that inhibit SMEs from adopting strategic planning. This chapter also explains what contributions this study has made, its possible limitations and, finally, makes suggestions for further research.

In section 5.2, the research problem and objectives are reiterated. This is followed in Section 5.3 by a summary of the key points of the literature review on the effects of strategic planning in SMEs. This is followed by Section 5.4 that provides a summary and draws a conclusion about the research design and methodology used in the study. Section 5.5 provides a summary and conclusion of the analysis and discussion of the results of the study.

Section 5.6 presents the contribution and significance of the study while Section 5.7 provides the recommendations of the study. This is followed by Section 5.8 which provides the limitations of the study. This chapter concludes with suggestions for further research in Section 5.9.

5.2 Research Problem and Objectives Revisited

Chapter 1 introduced and provided a background to the research study and the research problem was stated. A statement of the aim and objectives of the research study, followed by the research questions, were made. Key words were extracted and explained and then a discussion of the significance of the ethical overview of the research was conducted. This chapter also provided an overview of the research design and methodology which was used to conduct the research study.

5.2.1 Problem Statement and Research Objectives

The research problem addressed by this research study is that SMEs in the Cape metropole are perceived to be failing partly because of a lack of or ineffective use of strategic planning. This research study aimed to explore the effects of SP by SMEs. This research was conducted do address the following research objectives:

- i. To examine the effects of strategic planning on the performance of SMEs;
- ii. To investigate the extent of the use of strategic planning by SMEs;
- iii. To investigate how the use of strategic planning has helped to sustain the business operations of SMEs;
- iv. To investigate the challenges that SMEs face in the adoption/use of strategic planning

5.2.2 Research Questions

This research study focused on answering the following questions:

- i. What are the effects of strategic planning on the performance of SMEs?
- ii. To what extent do SMEs make use of strategic planning in their operations?
- iii. How has the use of strategic planning helped to sustain the operations of SMEs that engage in strategic planning?
- iv. What are the challenges that SMEs face in the adoption/use of strategic planning?

5.3 Summary and Conclusion of Review of Earlier Studies on Strategic Planning

The second chapter reviewed prior research on the use of strategic planning by SMEs. The chapter began with an explanation of what SMEs are, Its importance in economic growth, the characteristics of SMEs, and the notion of strategic planning The chapter then analysed research on the characteristics of strategic planning by SMEs, the advantages of strategic planning in terms of an enterprise's growth, performance, and success, and the competitive advantage it offered. The chapter next evaluated previous research on financial accessibility

through strategic planning, barriers to strategic planning in SMEs, and unfavourable opinions toward strategic planning in SMEs.

The review found that SMEs play a critical role in an economy's growth and sustainability. However, South Africa's new SMEs are more than likely not able to survive beyond 42 months. This indicated that most new SMEs were less likely to achieve their role in the growth of the economy. Additionally, studies revealed that SMEs in South Africa and other developing countries faced challenges that prevented them from growing and achieving success, including factors such as a lack of finance and lack of managerial skills. The review further revealed that the role of strategic planning was to help an enterprise put its business theory into practice and attain its desired outcome regardless of a changing business environment. It provided opportunities by helping an enterprise settle into a competitive market. However, SMEs did not practise strategic planning. Planning by SMEs was directed more towards short-term operations than long-term strategic planning. Decision-making in SMEs was reactive rather than proactive.

The review of past research also revealed that SMEs that engaged in strategic planning achieved higher growth by providing guidelines to enhance their business capabilities and enforcing innovation, introducing new products, identifying and making use of new processes. The review of past research finally listed some of the elements that inhibited SMEs from engaging in SP such as the lack of managerial skills, time, cost and the fear of change, the use of intuition and personal judgement instead of written plans, the size of the enterprise and the nature of business operations.

5.4 Summary and Conclusion of Research Design and Methodology

The goal of Chapter 3 was to detail the research technique and design utilized to collect data needed to achieve the research study's objectives. This chapter began with a review of the research paradigm used, followed by a discussion of the research data-collection methodologies used. Following that, the chapter discussed the research population and sampling methodologies, followed by data analysis. Measures were taken to assure the research instrument's dependability and validity. The chapter explored ethical issues for ensuring respondents' permission, confidentiality, and anonymity, as well as the limits of the study data-collection methods.

Chapter 3 ended by stating that the research methods and design used in the current study were regarded acceptable for answering the study's research issues.

5.5 Summary of Analysis and Discussion of Results

The results of the questionnaire and interviews, which addressed the research objectives of this study, were analyzed and discussed in Chapter 4. The chapter began by restating the goals of the research. Following that, there was a discussion on the response rate. It then discussed the business and personal profile of respondents. Furthermore, Chapter 4 discussed and analysed the extent that strategic planning was used by SMEs. This was followed by challenges faced by SMEs in the adoption of strategic planning. Chapter 4 then discussed and analysed the use of strategic planning to sustain business operations and the effect of SP on the performance of SMEs. Chapter 4 ended with a discussion of the interview questions.

5.5.1 Population, Response Rate, Respondents' and Businesses' Profiles

This study's population consisted of SMEs working in the retail sector in the Cape metropole. Only 48 surveys and 48 interviews were completed, yielding valid data for the purposes of this study, reflecting a response rate of 68.5 percent. Although the majority of respondents' highest level of education was unrelated to business strategy, a sizable proportion had been exposed to business strategy and so should be familiar with strategic planning in SMEs.

With respect to the profiles of SMEs that were sampled, every SME's annual turnover ranged from R100,000 to over R2,500,000, falling within the South African criteria for SMEs. Additionally, every SME that had taken part in the study had a number of employees ranging from one to 30 employees, therefore falling within the South African criteria for SMEs. With regard to the number of years in operation, most SMEs had more than five years in operation. Therefore, it was determined that most SMEs that had taken part in the study were mature enough to apply strategic-planning practices.

5.5.2 The Extent of the Use of Strategic Planning

With regards to the extent of the use of SP the results revealed that few SMEs in the Cape Town metropole engaged with strategic planning and when they did, it was usually done to a very limited extent. SMEs that engaged in SP, had formulated a vision and mission statement and business objectives just as a formality or only to follow a trend. Results indicated that SMEs did not incorporate these components of strategic planning in their daily business operations. The results indicated that strategic planning by SMEs was not organised and it was not performed on a regular basis.

5.5.3 The Use of Strategic Planning to Sustain Business Operations of SMEs

With regard to the use of SP to sustain business operations of SMEs, the three components of strategic planning were used to identify how their application had helped to sustain business operations. When it came to the use of SP to achieve the business's vision, mission and objectives the common theme from SMEs that had employed strategic planning was generally favourable

5.5.4 The Effects of Strategic Planning on the Performance of SMEs

Concerning the effects of SP on the performance of SMEs, most respondents believed that strategic planning increased business performance. The results were consistent with studies by Gibson, Cassar and Wingham (2005), Wang, Walker and Redmond (2007) and Donkor *et al.* (2018) who argued that high performance was generally found in SMEs that undertook strategic planning. SMEs that had engaged in strategic planning performed faster sales growth, higher return, higher margins and greater employee growth.

The underlying idea concerning the effect of SP on the performance of SMEs in the Cape metropole is that only very few SMEs that had said yes to the use of strategic planning to increase performance had really made use of specific strategies and plans. Some SMEs said yes but were not aware about the strategies and plans mentioned were to increase their business performance. At the same time, many SMEs did not give an answer to the questions indicating that SMEs in the Cape metropole were not aware of strategic planning despite having an idea of what strategic planning was.

5.5.5 The Elements that Inhibit SMEs from Adopting Strategic Planning

About the elements that inhibit SMEs from adopting strategic planning, seven elements were deemed to be important. These elements were: decision-making which was based on assumptions, intuitions or experiences, planning which was expensive or time-consuming, where change was not welcomed and strategic plans were not flexible, the size of the enterprise and strategic planning was not appropriate for the type of business operations. The results suggested that most SMEs in the Cape metropole did not engage in strategic planning because decision-making was based on assumptions, intuitions and/or experiences.

5.5.6 Interview Questions

Qualitative data was gleaned from semi-structured interviews. The interview was used to encourage the interviewee to provide more details when necessary and to clearly elaborate their responses. It was identified in the interviews that many SMEs in the Cape metropole

lacked understanding about what strategic planning was and what its approaches were. Concerning the interview questions, respondents were asked if they had set long-term goals. Some of the respondents who had said yes to the question, actually implied short-term business objectives instead of long-term objectives. This was consistent with the findings of the study by Stonehouse and Pemberton (2002) which indicated that planning at SMEs was directed more towards short-term operations than long-term strategic planning. However, some respondents provided long-term objectives by giving the impression that they were aware of strategic planning.

When asked about activities involved in their planning process, some respondents pointed out activities that did not make much sense. Perhaps the respondents mistook these activities for being involved in the planning process because they did not really understand what activities were involved. This could be because one man usually did the planning in SMEs and these plans were not always shared with everyone involved in the business. However, other respondents provided a set of activities involved in their planning process, which indicated their understanding of activities in the planning process.

Similarly, when asked about the strategic planning tools used in their business, some respondents did not really know what strategic planning tools meant. However, some respondents had a clear idea of what strategic planning tools were and gave the following examples of tools: SWOT analysis, PEST analysis and porter's five forces framework with the SWOT analysis used the most. In the same manner, when asked to name approaches that their enterprise applied to survive competition, some respondents seemed not to have any idea about what a competitive approach or strategy was. However, some of the respondents seemed to have approaches and strategies in places to survive competition.

5.6 Contribution and Significance of Study

5.6.1 Contribution of the Study

This study adds to the body of knowledge on strategic planning in various ways. It is the first research to look at the benefits of strategic planning among SMEs in the Cape metropole. As a result, this study addresses a knowledge space by addressing a critical component of business management.

Secondly, this study provides a unique understanding of the effect of using SP in the context of the South African SMEs. This study provides insight into the purpose for which strategic planning is used, its perceived effectiveness and barriers to its use. Related studies were conducted outside of South Africa and most of these studies pointed out the lack of strategic

planning by SMEs. This is exactly why this study provides a unique and different evidence in the context of the South African SMEs.

Thirdly, there are no earlier studies on the effectiveness of strategic planning in South African SMEs. Therefore, this study can be used to raise awareness about the importance of strategic planning for companies across all industries, especially those that are in the SME sector.

5.6.2 Significance of the Study

The conclusions of this study should be crucial to the Small Business Development Department, which is responsible for providing financial and non-financial assistance to SMEs. The study's findings give a helpful insight of the effect of strategic planning on SMEs when it is employed and, by definition, when it is not used. Furthermore, the findings present the perceived benefits of adopting strategic planning at SMEs, as well as the reasons that prevent SMEs from utilizing strategic planning. Additionally, the findings of the study provide insight and awareness about the high failure rate of SMEs that do not use strategic planning. These insights can be used by the Department of Business Development when planning new innovations meant to improve the survival rate of SMEs.

The study's conclusions are critical for SME managers, owners, strategists, and other decision-makers. Decision-makers should be aware of the need of long-term planning in order to run businesses efficiently. Additionally, decision-makers should be aware of the benefits of using SP to grow, increase and sustain business performance, increase business success, provide competitive advantage and increase the chance of financial accessibility.

5.7 Recommendations of the Study

Based on the findings of the study, these are the recommendations suggested.

- The government should encourage SMEs' decision-makers to attend managerial training in order to improve their managerial capabilities. These seminars might focus on the effect of strategic planning by SMEs, and they might become part of the government's effort to assist SMEs develop and flourish, which will benefit the country's economy.
- SME decision-makers who do not have a formal business management qualification should take at least a short course to learn about strategic planning and how it is used by SMEs.

- SMEs should formulate a well-documented vision, mission and long-term business objective statement. These three elements of management constitute the pillar of strategic planning on which every planned strategy, policy and the matter of ethics are based in a company.

5.8 Limitations of the Study

Regardless of the useful insights offered by this study, it, like all other research, has limitations, which are listed below;

- The research focuses on the effects of SP on the success of SMEs in Cape metropole. As a result, the study's conclusions may not be applicable to all SMEs in South Africa. The study's findings, on the other hand, might serve as a guideline for future research on strategic planning by SMEs.
- The scarcity of literature on strategic planning by South African SMEs limits the scope of the study. As a result, the purpose of this study is to fill a gap in the literature on SMEs in the Cape metropole and to serve as a reference for future research on strategic planning by South African SMEs.
- The only decision-makers of SMEs deemed relevant for the purpose of this research study were managers, owners and strategists. Although, in reality, decision-makers in small and medium enterprises are not only limited to owners and managers, the latter were deemed relevant to the study because they are the only ones likely to be familiar with the use and benefits of strategic planning in an enterprise.
- The study made use of a survey in the form of a questionnaire, an approach that is usually limited in terms of a low response rate, non-response or respondents skipping questions. However, the study made use of some precautionary measures discussed in Chapter 3, such as a mixed-methods approach to mitigate these limitations.
- In early 2020, the Corona virus hit South Africa and by March 2020 the president, Mr Cyril Ramaphosa, declared a nationwide lockdown to control and flatten the curve of people infected with the virus. This lockdown signified businesses would remain closed and individuals restricted from going out unless they needed medical assistance and food. This limited the research in terms of time because the research data-collection process could not be carried out until the lockdown restrictions had been lifted.

Despite the limitations indicated, the study's findings contribute greatly to our understanding of the usage of strategic planning and its effects on SMEs. As a result, the limitations listed above do not outweigh the insights gained by this study.

5.9 Suggestions for Further Research

The limitations of this study, as indicated above, suggest potential avenues for further research, which are summarised below.

- Firstly, the study only focuses on the effect of SP on the performance of SMEs in the Cape metropole, future research could investigate the effect of SP on the performance of SMEs in the rest of South Africa.
- Second, the research implies that the only decision-makers in SMEs are the owners, managers, and strategists, which is not the case. As a result, future study should involve other SMEs' decision-makers.
- Third, future study should employ a larger sample size to provide more generalisable conclusions.
- Finally, a comparative study could be conducted to compare SP by SMEs and the effect of the same at bigger enterprises. Further comparative studies could be conducted to compare strategic planning in South Africa and the effect of the same in a different country.

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APPENDIX A: CONSENT LETTER



Consent to participate in an academic study

Research conducted by: Hugor Tshienda Tshienda

Student number: 213128810

Dear Sir/Madam,

Invitation to participate in an academic research study

You are kindly invited to participate in a research study titled “The effects of Strategic planning on the performance of Small and Medium Enterprises (SMEs) in Cape Metropolis”. This study is conducted by Mr Hugor Tshienda Tshienda, a Masters student at the Cape Peninsula University of Technology (CPUT). The purpose of this study is to explore the effect of strategic planning on the performance of SMEs in the Cape Metropole.

Because you are a decision maker of a South African SMEs operating in the retail sector, your opinions are very valuable to this study. Your participation in this study is voluntary and you are free to withdraw from it at any time without obligation. There are no risks associated with participating in this study. The study will not collect any information that can identify you as all responses will be recorded anonymously. While you will not receive any compensation for participating, the information collected in this study will positively contribute to the sustainability of the SMEs operating in the retail sector, in South Africa.

Your consent to participate in this study is highly appreciated. For further inquiries, you may contact me on 071 284 3332 or via email: tshendahugor@gmail.com.

If you consent to participate in this study, please sign this form to indicate that:

- you have read and understood the information provided above
- you hereby consent to participate in this study voluntarily

Name of the Enterprise: _____

Respondent's signature: _____ Date: _____

APPENDIX B: QUESTIONNAIRE

**THE USE OF CASH BUDGETS BY SMALL AND MEDIUM-SIZED ENTERPRISES IN
THE CAPE METROPOLE**

SECTION A – RESPONDENT AND BUSINESS PROFILE (Please mark “X” in the appropriate box)	
Respondent’s Demographics	
1. Gender	
a. Male	
b. Female	
2. Age of Respondents(years)	
a. 20-30	
b. 31-40	
c. 41-50	
d. 51-60	
e. 61-70	
f. 70 and above	
3. How long have you been in this position? (years)	
a. 1-10	
b. 11-20	
c. 21-30	
d. 31-40	
e. 41 and above	
4. What is your highest level of education?	
a. Matric	
b. Short course	
c. Diploma	
d. Bachelor/Degree	
e. Masters	
f. Doctorate	
g. Other	

5. Was the above qualification business strategy related?	
a. Yes	
b. No	
6. What level are you in the organization structure?	
a. Operational	
b. Managerial	
c. Strategic	
Business Demographics	
7. What is the number of employees	
a. 1-10	
b. 11-20	
c. 21-30	
d. 31-40	
e. 41-50	
f. more than 50	
8. What is your annual turnover	
a. 1-99999	
b. 100000-499999	
c. 500000-999999	
d. 1000000-1499999	
e. 2000000-2499999	
f. over 2500000	
9. How long has this organization been in operation (years)	
a. 1-5	
b. 6-10	
c. 10-15	
d. 15-20	
e. more than 20	

SECTION B – THE EXTENT OF STRATEGIC PLANNING USAGE(Please mark “X” in the appropriate box)

<p>10. Does your enterprise have a formulated vision?</p> <p>Yes/No</p> <p>Please state your vision if your answer above is Yes.</p>	
<p> </p>	
<p> </p>	
<p> </p>	
<p>11. Does your organization have a mission?</p> <p>Yes/No</p> <p>Please state your mission if your answer above is Yes.</p>	
<p> </p>	
<p> </p>	
<p>12. Does your enterprise have long term objectives?</p> <p>Yes/No</p> <p>Does your organisation have a formulated and documented plan on how to achieve the above?</p>	
<p>a. Very Precisely</p>	<p> </p>
<p>b. Approximately</p>	<p> </p>
<p>c. No If No, Please check Question 14 and 15</p>	<p> </p>
<p>13. Who are involved in the planning process?</p>	
<p>a. The business owners only</p>	<p> </p>
<p>b. The business owners and chief executives</p>	<p> </p>
<p>c. Senior Management</p>	<p> </p>
<p>d. Management from all levels</p>	<p> </p>
<p>e. Other If others, Please specify _____</p>	<p> </p>

SECTION C

CHALLENGES FACED IN THE ADOPTION OF STRATEGIC PLANNING (Please mark "X" in the appropriate box)

14. What are the elements that inhibit your enterprise from adopting strategic planning (Please Select more than one answer)	
a. Insufficient and/or lack of knowledge on strategic planning	
b. Decision making is based on assumptions, intuitions or experiences	
c. Planning is expensive	
d. Planning is time consuming	
e. Change is not welcomed in the enterprise	
f. Strategic plans are not flexible	
g. Size of the enterprise	
h. Strategic planning is not appropriate for our type of business operations	
i. Other If others, Please specify _____	

Use the following information scale to answer question 15.

0= Not at all, 1= To a small extent, 2= To a moderate extent, 3= To a great extent, 4= To a very great Extent

15. To what level do the elements stated above affect strategic planning in your organization?					
Elements	Not at all	To a small extent	To a moderate extent	To a great extent	To a very great extent
a. Insufficient and/or lack of knowledge on strategic planning					
b. Decision making is based on assumptions, intuitions or experiences					
c. Planning is expensive					
d. Planning is time consuming					

e. Change is not welcomed in the enterprise					
f. Strategic plans are not flexible					
g. Size of the enterprise					
h. Strategic planning is not appropriate for our type of business operations					
i. Other If others, Please specify					

SECTION D – THE USE OF STRATEGIC PLANNING HELPED TO SUSTAIN BUSINESS OPERATIONS
16. How does the use of strategic planning help you achieve your vision?
17. How does the use of strategic planning help you achieve your mission?
18. How does the use of strategic planning help attain your objectives?
19. How does the use of strategic planning help you compete in your business environment?

SECTION E – THE EFFECTS OF STRATEGIC PLANNING ON THE PERFORMANCE OF SMEs (Please mark “X” in the appropriate box)	
20. Does formulating a vision, mission and determining business objectives increase the performance of your organization?	
(a) Yes	
(b) No	
21. What strategy does your organisation use to influence the performance of employees	
a. Increase Pay	
b. Pay bonuses	
c. Paid sick leave	
d. Friendly workplace	
e. Other	
f. None	
22. Does your Organisation use Asset/Resource strategies?	
Yes/No	
If yes which strategy do you use to increase the performance of your enterprise?	
a. Forecasting	
b. Disposal of asset strategy	
c. Asset maintenance strategy	

d. Asset management system	
e. Other If others, Please specify _____	
<p>23. Does your enterprise plan about System, Process, Data and information needed to achieve high business performance?</p> <p>Yes/No</p> <p>If Yes how does it affect the performance of your enterprise?</p>	
SECTION D – INTERVIEW QUESTIONS	
<p>1. Do you set long-term business objectives for your enterprise? Please give an example if you do.</p>	
<p>2. What are the activities involved in the planning process?</p>	
<p>3. Which activity is the most important in the process above?</p>	
<p>4. What strategic planning tools do you use?</p>	

5. What approach does the enterprise apply to survive competition?
Thank you for your participation. If you would like feedback on the findings of this study, please E-mail Mr Hugor Tshienda using the following E-mail address: Tshindahugor@gmail.com