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Strategic management practices as a catalyst for SMME performance in the Gauteng Province

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Entrepreneurship and New Venture Creation

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ABSTRACT

This study explores the prospect of strategic management practices in stimulating SMME performance. In a country were the SMME failure rate is 75% and one of the highest globally, avenues need to be explored to improve the performance and sustainability of SMMEs'.

The research aims to investigate the relationship between SMME performance and aspects of strategic management: scanning intensity, locus of planning, planning flexibility, planning horizon and strategic nonfinancial and financial controls. Hypotheses are created based on the performance relationship with each of the strategic management dimensions.

The study followed a quantitative research methodology. Data was collected from 99 respondents via a structured questionnaire, the respondents targeted were owners and managers of SMMEs' in the Gauteng province.

The findings of the study supports the hypotheses proving that there is a positive relationship between performance and 5 of the strategic management practices and 1 negative relationship as hypothesised.

The practical implications of the study are that owners and managers of SMMEs' can adopt effective strategic management practices that can lead to performance improvement

Key words: Small Business; Strategy; South Africa; Strategic Management; Strategic Entrepreneurship, Firm Performance

DECLARATION

I, Chidikwane Middah Tseka, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the Field of Entrepreneurship at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

(Chidikwane Middah Tseka)

Student number: 1119088

Signed at ……

On the …….. day of ……..…… 2018.

DEDICATION

This study is dedicated to my mother Mabaeng Rachel Tseka. She is a strong, smart, supportive and selfless woman. She has always emphasised the importance of education and the independence that it affords. I am the educated, independent, mature and ambitious young woman I am today because of my upbringing and have her to thank for that. I will forever be grateful that God chose her to be my mother. Will continue making you proud. Ke a leboga Mama.

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I firstly would like to thank God for this opportunity to study further and learn more about myself, for carrying me through this process with work and my business demands and still managed to complete this within 12 months. He never fails me and his timing is always perfect.

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Thank you to all my entrepreneur friends and networks that made time to complete the survey, we never realise the importance of completing surveys until we need our survey completed. Thank you to my fellow masters students who have made this journey worthwhile and in whom I found invaluable social and professional networks.

Lastly I want to thank my family. My mom “Mabaeng Rachel Tseka” , my sister and best friend “Mmatebogo Nthabiseng Thupana”, brother in law “Matome Thupana” , my nephews “Katlego Thupana” “Moloko Thupana” “Thato Thupana” thank you all for constantly being there as my pillars and support system. To the new addition to the family my fiancé “Maudi Martin Lentsoane” Thank you for staying up till late will me to encourage me, for assisting with the distribution of my research survey, for ensuring I remain sane throughout this journey. It means a lot to me to have you in my life, thank you.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

This research paper presents findings of a study undertaken to investigate the strategic management practices of Small Medium and Micro Enterprises (SMMEs') in Gauteng in relation to their performance. This first chapter of the research paper provides context of the study with specific focus on the pillars that anchor this study. The chapter clearly outlines the purpose of the study and delineates the background of the study to provide further contextualization. This section also highlights the problem statement that lead to this study as well as the significance of the study detailing the theory gap found as part of initiating this study. Lastly, the study would not be comprehensive without outlining the definition of terms underpinning this study.

1.2 Theoretical background to the study

The study has theoretical roots in the following domains: Market-Based View (MBV), Resource-Based View (RBV) and the Knowledge-Based Theory (KBT). The MBV is external orientated making it relevant for scanning the external environment for threats and/or opportunities. The RBV and KBT are internal orientated therefore are relevant for strategic planning with regards to the type of resources to involve. This theories are further discussed in the literature review.

Establishing and sustaining Small Medium and Micro Enterprises (SMMEs') is key to South Africa's economic growth. The contribution of SMME's in South Africa is of high significance thus the efforts placed by government through a number of programs to promote and support SMMEs' growth. Despite government interventions, there are still a number of challenges experienced by SMMEs' (GEM, 2014). The South African SMME failure rate is one of the highest globally sitting at 75% (Olawale & Garwe, 2010). Notwithstanding the latter, between 52% to 57% of the South African GDP can be attributed to SMMEs', 61% of private sector employment is by SMMEs' further to that, SMMEs'

contribute to an estimated 91% of the formal business entities (Abor & Quartey, 2010).

According to Thornhill and Amit (2003) lack of managerial knowledge contributes significantly to the failure of younger firms, whilst among firms that are more established the lack of acclimatisation to the environmental changes is highlighted as a key contributing factor to the firms' failure. The above stated reasons for failure in both younger and established firms may be attributed to the strategic management practices of the firm. Strategic management is defined as the managerial decisions taken by the organization to cope with the changing environment for improved short and long-term performance (Stahl & Grigsby, 1997). This definition of strategic management supports the inference that strategic management practices may contribute to SMMEs' failure in that for managers to make decisions, knowledge is required along with flexibility to survive through the ever-changing environment. Strategic management is initiated from the top to guide and lead the organisation to achieving their goals in order to obtain competitive advantage thus remain sustainable.

1.3 Context of the study

Change is inevitable and firms need to adapt to the rate at which changes occur. Failure to adapt to changes taking place in respective industries and lack of understanding of firm's target market can result in losing competitive advantage and ultimately a drop in the profits. Unprofitability is cited as the highest of the reasons why SMME's discontinue business (GEM, 2014). For SMME's to succeed and survive they need to understand where they are, where they need to be and how they plan on arriving to where they need to be. The formulation of an enterprise wide strategy could pave the path for SMME's to understand the latter, the appropriate implementation of the defined strategy could yield benefits through improved performance and consequently increased probability of sustainability.

This study investigates the strategic management practices of SMME's in Gauteng province. The strategic management dimensions that the study focuses

on are: scanning intensity, locus of planning, planning flexibility, planning horizon, and control attributes (financial and strategic controls). Section 1.7 presents the definitions of key terms in this study which will include the definitions of the strategic management terms, the literature review further elucidate the strategic management practices.

The following table contains a summarised version of the definitions of SMMEs' given in the National Small Business Act 102 of 1996. The four categories (Micro, Very Small, Small, and Medium) are distinguished based on number of employees, annual turnover as well as gross assets excluding fixed property (National Small Business Act 102 of 1996, 2004). Additional characteristics are listed in the last column to further differentiate the SMME categories.

Enterprise Size	Number of Employees	Annual Turnover (in South African Rands)	Gross Assets, Excluding Fixed Property	Other Characteristics
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 million, depending upon industry	Less than R2 million to R18 million, depending on industry	Decentralization of power to an additional management layer
Small	Fewer than 50	Less than R2 million to R25 million, depending on industry	Less than R2 million to R4.5 million, depending on industry	More complex business practices
Very Small	Fewer than 10 to 20, depending on industry	Less than R200 000 to R500 000, depending on industry	Less than R150 000 to R500 000, depending on Industry	More formal and have access to technology
Micro	Fewer than 5	Less than R150 000	Less than R100 000	Lack of formality e.g. (Minibus Taxis and Spaza shops)

Table 1: Source (Falkena, Bamber, Llewellyn, & Store, 2001)

1.4 Problem statement

Establishing and sustaining SMMEs' has been identified by the South African government as a key driver for job creation and economic growth (Amra, Hlatshwayo & McMillan, 2013). The National Development Plan further supports this view by emphasising that SMMEs' are the breeding ground for new opportunities, job creation and economic empowerment. In spite of this view and support by the South African government, SMMEs' continue to have an

enormously high failure rate. Owners and managers of SMMEs are facing challenges that limit their growth and survival (Okpara, 2011). South Africa ranked the lowest out of all GEM-sampled counties in relation to the prospects of a new SMME surviving beyond 42 months (Mohutsiwa, 2012).

In the past 10 years the number of SMME employers and self-employed people has not improved much and the actual number of people employed, their incomes and structures of production have stagnated innovation (Amra et al., 2013). With that said, the environment has extensively changed over the past 10 years and in light of the above statement SMMEs' seem to not be actively responding to the changes in the in the environment. This act of responding to the changes in the environment requires that SMMEs scan their environment to be abreast with the trends and identify threats and opportunities, SMMEs' can use this information to better position and align themselves in preparations for the future, this act is key for strategic management of the SMMEs.

There exists a knowledge gap in investigations relating to the correlation between SMME performance and strategic management practices in South Africa, thus this study aims to address that gap.

1.5 Research purpose, research question and aims of the study

1.5.1 *Purpose of the study*

The purpose of the study is to analyse the strategic management practices of Small Medium and Micro Enterprises (SMMEs') in Gauteng, in order to identify the relationship between the strategic management practices of the SMME's and their performance.

1.5.2 Research questions:

- Which of the strategic management practices do SMME's employ?
- To what extent do SMME's apply strategic management in the efforts to improve performance?

The aim of the study is to explore the probability of a relationship between dimensions of strategic management and SMME performance, following which recommendations will be made to the research beneficiaries based on the research results.

1.6 Conceptual/theoretical definition of terms

Small Medium and Micro Enterprises (SMME): are independent firms usually considered small in terms of size and turnover (National Small Business Act 1996, 2004).

Entrepreneurship – Entrepreneurship is a dynamic process of innovation, opportunity recognition and creation of a new venture to create wealth, and includes the assumption of the risks and rewards of new venture (Shane & Venkataraman, 2000).

Entrepreneurial performance: the ability of an entrepreneur to meet certain success criteria such as profitability business survival or continuation, business growth and market share among others (Urban & Sefalafala, 2015).

Strategic management: Strategic management is often seen as a process of performing an analysis of the environment, identification and development of unique strategies, and implementation of those strategies proficiently (Hoskisson et al., 1999) with a goal of gaining and sustaining a competitive advantage (Conti, Thursby & Rothaermel, 2013).

Scanning Intensity: process to identify information that could possibly be an opportunity or threat to the organisation (Muralidharan, 2003).

Locus of planning: the depth of employee involvement in the firm's strategy planning activities (Barringer & Bluedorn, 1999).

Planning flexibility: the capacity and capability of the firms plan to adapt to the changes in the environment which can be in the form of an opportunity or threat to the organisation (Kukalis, 1989).

Planning horizon: a firm's length of time that decision makers consider in planning for the firm's future (Das, 1987).

Performance: SMMEs' that have survived for the first 2 critical years and manage to achieve a greater percentage of their planned objectives and goals may be referred to as successful (Kesper, 2001).

Strategic entrepreneurship: "the entrepreneurial activity with a strategic perspective emphasizes the importance of managing the entrepreneurial sources or activities strategically in order to get the competitive advantage" (Tanţău, 2008, p. 79).

1.7 Contribution of the study

This study aims to explore the relationship between the strategic management practices and SMME performance. The study also intends to highlight aspects of strategic management practices, which could potentially improve performance of SMMEs'.

In a country were SMMEs' are struggling to grow and survive despite the various programmes that government have introduced, exploring alternatives can be an opportunity to alter the status quo. The stagnation in SMME performance has prompted and fuelled the motivation behind this research.

On a theoretical level the study expands on the body of knowledge through addressing the knowledge gap in relation to aspects of strategic management that can be a catalyst to the performance of SMMEs' in Gauteng and also through suggestions on further research in this field. On a practical level the study can benefit SMME owners and managers providing them with empirical evidence that can possibly enhance the manner in which they plan and execute their strategies towards improved performance. At a policy level the study provides policy requisite information to develop a conducive environment for SMME's and enable them to strategically plan and implement their strategies.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The literature review outlines the status of SMMEs' in South Africa, provides background on strategic management, the strategic management theories and strategic entrepreneurship. The relationship between strategic management and firm performance is discussed including the hypothesised relationships.

2.2 Literature background

2.2.1. SMME's in South Africa

South African literature on SMMEs has mainly been qualitative because of the data limitations, a large number of studies have analysed challenges of SMME's and their entrepreneurial mind-set (Bruwer, 2012). A study done by Kerr, Wittenberg and Arrow (2013) found that large corporations contribute largely to employment than SMMEs', however the findings of their study had shortcomings in that they used the Quarterly Employment Survey (QES) which does not include the informal enterprises in South Africa.

The formal small and micro enterprises are characterised by more capital, relatively advanced technologies, more employees and high income; self-employed people in the formal sector are mostly professionals or artisans, with significant skills and above average incomes, conversely self-employed people in the informal sector earn low incomes and have a high failure rate (GEM, 2017).

According to GEM (2017) formal small businesses are growing at a slower rate compared to large-scale companies, these results in slower job creation and have a high probability of restricting diversification and innovation, on the contrary, the number of informal businesses has been on the rise albeit composed of low income and largely survivalists.

Small businesses were the largest source of employment between 2008 and 2015. In 2015, there were 710 000 small business owners who employed 4.3 million people (Stats SA, 2015)

The following table depicts the number of SMME's in South Africa per province categorised by whether the SMME is formal or informal. The period covered is 2008 quarter 1 and 2015 quarter 2.

SMMEs	Number (2008Q1)				Number (2015Q2)			
	Total	Formal	Informal	Other	Total	Formal	Informal	Other
Total	**2 182 823**	**666 501**	**1 420 933**	**95 389**	**2 251 821**	**667 433**	**1 497 860**	**86 528**
Western Cape	223 933	114 976	95 212	13 745	230 324	110 107	110 188	10 030
Eastern Cape	218 865	56 579	154 631	7 655	197 366	50 670	141 739	4 957
Northern Cape	29 894	11 450	11 768	6 676	20 611	8 534	9 058	3 019
Free State	114 949	31 040	76 127	7 783	96 846	26 224	60 816	9 806
KwaZulu-Natal	418 406	102 591	289 347	26 468	373 434	74 976	283 165	15 293
North West	109 860	25 817	76 855	7 188	112 856	27 430	79 153	6 273
Gauteng	687 556	270 093	405 180	12 283	785 321	306 231	465 100	13 989
Mpumalanga	193 259	29 760	156 814	6 685	185 399	35 208	141 129	9 063
Limpopo	186 101	24 193	155 001	6 907	249 663	28 054	207 512	14 098

Figure 2: Source Stats SA Number of SMME per province

As per Stats SA (2015) there was a total of 2 215 821 SMME's in South Africa in Q2 of 2015, that is a mere 3% increase, from 2 182 823 in 2008 Q1. The GDP contribution by SME's grew by 14% over the same period of time. A bit less than half 46 % of the formal SMME's operate in Gauteng. Gauteng has the highest number of SMME's which constitute 35% of the total number of SMME's in South Africa. It is for this reason that Gauteng province was preferred as an area under study as it represents a larger portion of the SMMEs' in South Africa.

2.2.2. Strategic management background

Strategic Management has its roots in America dating as far back as the 1960's (Tan & Ding, 2015). According to Bao (2015), the focus for the firm's strategy is on the overall performance of the firm placing specific focus on the growth and survival of the firm, further to that emphasis is placed on that a strategy should refrain from becoming stopgaps measures, and highlights the significance of the integration and alignment of the firm's functional or sub strategies to the holistic strategy.

2.2.3. Strategic Management Theories

There is a plethora of theories that underpin strategic management, the following are the theories that will contribute in anchoring this research.

2.2.3.1. Market-Based View

The Market Based View (MBV) of strategy postulates that industry factors and external market orientation are the most important contributing factors of firm performance (Caves & Porter, 1977; Peteraf & Bergen, 2003; Porter 1980, 1985, 1996). Bain's (1968) structure-conduct-performance (SCP) framework and Porters (1980) five forces model (which is based on the SCP framework) are the most common theories based on the MBV (Wang, 2014).

Porters 5 forces theory places strong emphasis on the external environment with focus on the significance of the firms industry and positioning relative to the competitors, Porter's model is limited in that is assumes a perfect market and a static market structure which is not the case in the current dynamic environment , another limitation is that there are industries that are complex and are characterised by various interrelationships which makes using the five forces model challenging to use (Paladino, Widing & Whitwell, 2015)

Bain's SCP model outlines the relationship indicating how industry structure impact firm behaviour and subsequently firm performance.

Penrose (1959) and other researchers (Hamel & Prahalad, 1990; Rumelt, 1991) have highlighted the significance of competitive advantage through the use of heterogeneous resources in the firm. Strategic management research has shifted focus from the industry structures (MBV) to focus more on the internal structure of the firm including the resources and the capabilities (Furrer, Thomas & Goussevskaia, 2008; Paladino et al., 2015). This resource focused strategy approach is known as the Resource-Based View and it is elucidated in the following section.

2.2.3.2. Resource-Based Theory

Resource based theory has its origins from Penrose (1959) who suggested that organisational resources as opposed to industry structures are the source of competitive advantage. Wernerfelt (1984) introduced the term Resource-Based View and viewed the firm as a bundle of resources tied semi-permanently to the firm. Nyariki (2013) defines Resource Based Theory (RBT) as “the method of analysing and identifying a firm’s strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization”. The main distinction among assets and capabilities is that assets are physical and tangible whereas capabilities are resources that are knowledge based and are intangible (Bogaert, Martens & Van Cauwenbergh, 1994). In addition, capabilities are knowledge-based resources. When a firm identifies and develops the resource competencies, it cultivates the opportunity for competitive advantage (Pearce & Robinson, 2007).

Resource based theory assumes that resources, skills and capabilities in the different firms will need to be diverse, if the firms had the same type of resources with the exact same skills and capabilities perfect competition would exists (Kim, Song & Triche, 2015). The fact that there are rankings given to firms based on performance would suggest that the real world markets are not anywhere close to being perfectly competitive. Resource based theory also assumes that resources are immobile, this assumption expresses that resources cannot move from one firm to another and implement the same strategies; this would apply to resources such as brand and intellectual property (Lin & Wu, 2014).

For competitive advantage heterogeneous and immobile resources are key, more is required in order to achieve sustainable competitive advantage thus Barney (1991) developed the VRIN framework to determine whether resources are valuable, rare, costly to imitate and non-substitutable. The framework was later improved to VRIO with the “O” representing whether the firm is organised in a way that allows it to derive value out of the resources. Lin and Wu (2014) in their research discovered that dynamic capabilities can mediate the firm's VRIN resources to improve performance whilst the non-VRIN resources were found to have insignificant mediating effect.

Hooley et al. (1996) argues that RBV disregards the nature of market demands by solely focusing on the resources internal to the firm. Maier and Remus (2002) described the importance of a balance between the external oriented MBV and the internal oriented RBV. Both the MBV and the RBV theories are key in this study hence the measurement scales used include both internal and external factors to the firm.

2.2.1.1. Knowledge-Based View

The success of enterprises lies in its capability to generate knowledge through the conversion of implicit knowledge into explicit knowledge and the significance of the source of the information regardless of whether it is internal or external to the enterprise (Valkokari & Helander, 2007). In order for the organisation to gain competitive advantage it requires the exploration and exploitation of the organisations knowledge resources (March, 1991).

Knowledge is key not only for establishing a business but also for ensuring that is continues to survive. Survival is one of the main goals of a business and SMMEs' are vulnerable to risks and high competition in comparison to larger firms (Nunes, Viveiros & Serrasqueiro, 2012). It is difficult to imitate knowledge as opposed to imitating technology, product sources, and market share this characteristic makes knowledge a valuable resource (Tiwana, 2002). Another advantage of knowledge as a resource is that unlike material resources which decrease when used, the knowledge resources increase with use (Evans, 2003).

2.2.2. Strategic Entrepreneurship

Strategic entrepreneurship is "the entrepreneurial activity with a strategic perspective emphasizes the importance of managing the entrepreneurial sources or activities strategically in order to get the competitive advantage (Tanţău, 2008, p. 79). Entrepreneurship and strategic management both focus on utilising available opportunities and adapting to the changes in the environment.

Strategic entrepreneurship emerged in a number of strategic management and entrepreneurship literature (Simmons, 2010). The concept of strategic entrepreneurship had a combination of aspects from the two domains (Ireland, Hit & Sirmon, 2003; Simmons, 2010). Strategic entrepreneurship involves opportunity seeking and advantage seeing behaviour that lead to greater firm performance (Ireland et al., 2003).

The complex and turbulent business environment had necessitated for a number of researchers to explore the integration of entrepreneurship and strategic management (Ireland et al., 2003). Ireland and Webb (2007) identified four dimensions of strategic entrepreneurship: entrepreneurial mind-set, entrepreneurial culture, entrepreneurial leadership, and applying creativity and developing innovation. Entrepreneurial mind-set encourages the firm to be able to deal with uncertainties, and literature has proven that firms that deal better with uncertainty perform better than those that are not in a position to deal with uncertainties (Brorström, 2002). Entrepreneurial culture is very important, as the firm's culture determines its interactions with the employees as well as the external environment; locus of planning is also impacted by the firm culture. Entrepreneurial leadership is being able to influence others to manage resources strategically in order to identify and display both opportunity seeking and advantage seeking behaviours (Covin & Slein, 2002). The last dimension of strategic entrepreneurship "applying creativity and developing innovation" is key in that creativity differentiate the firm from the rest and innovation provides first mover advantage therefore outperforming the competitors.

2.2.5 Strategic Management Practices

In this study 5 dimensions "scanning intensity, planning flexibility, planning horizon, locus of planning, and control attributes" of strategic management practices will be discussed in exploring the relationship between strategic management practices of Gauteng SMMEs' and their performance. This section will delve deeper into the five strategic management dimensions.

2.2.5.1. Scanning Intensity

The origins of scanning can be found in the ancient Greeks who deemed that to be successful in war intelligence is required in order to make good strategic decisions (Box, 1991). The purpose of scanning within the strategic management process is to identify information that could possibly be an opportunity or threat to the organisation (Mohd Faudzi, 2015). Environmental scanning comprises of not only the formal means in which information is collected but also the informal ways of acquiring information (Gallupe & Jiang, 2015). In order for an organisation to develop clear goals, a vision of the internal and external environment should exist (Murimbika & Urban, 2014).

The themes in environmental scanning have over the years evolved from the focus of systems employed by large firms, to investigating relationships between scanning and strategic management , to scanning practices in various contexts and to the impact that scanning has on performance (Fabbe-Costes, Roussat, Taylor & Taylor, 2014).

Ngamkroeckjoti and Johri (2018) suggest that a multitier environmental scanning process places the organisation in a better position to identify opportunities for new products and services they do however caution companies to not base their decisions on imitating competitors as that will make them vulnerable to the turbulent changes in the environment.

The environment external to the organisation will provide information about the organisation's competitors, customers, the regulatory environment, macroeconomic changes and current and upcoming trends in the industry within which the organisation is operating (Hay & Williamson, 1997). Scanning of the environment helps to guard against the possible uncertainties that may emerge that can possibly affect the organisation. It should be noted that scanning will not eliminate the uncertainties but it is expected to reduce the uncertainties (Dibrell, Craig & Neubaum, 2014)

For firms to be successful and perform, they need to innovate and scanning provides the firms with possible opportunities for innovation. Stable environments

have longer products and service life cycles, which is the opposite for turbulent environment, therefore in stable environment scanning focuses on increasing market share, quality improvement as well at subtle changes in the environmental trends (Barringer & Bluedorn, 1999). There are cost associated with environmental scanning in the form of both time and money (Jennings & Seaman, 1994)

For survival firms in the fast changing high velocity industries need to persistently and frequently scan the environment, have a balance between short and long term planning horizons, and respond speedily to changes in order to take advantage of the opportunities in the market (Murimbika & Urban, 2014).

2.2.5.2. Locus of planning

Locus of planning refers to the depth of employee involvement in the firm's strategy planning activities, a firm can either have a shallow of a deep locus of planning organisation (Reid, 1989). Deep locus of planning is characterised by high employee involvement in the strategic planning process involving employees at different levels of the organisation contradictory a shallow locus of planning which characterised by an exclusive planning process whereby only top management is involved in the planning activities (Gathenya, 2015).

Deep locus of planning when managed properly can be beneficial to the organisation as it allows the employees that interact with the customers to be involved in the planning process. Involvement at that level means that information that would normally not be elicited in a bureaucratic environment would now reach the top level, form part of the strategy, and possibly stimulate performance of the organisation.

2.2.5.3 Planning flexibility

Planning flexibility refers to the capacity and capability of the firms plan to adapt to the changes in the environment which can be in the form of an opportunity or threat to the organisation. Kukalis (1989) introduced the concept of planning flexibility to examine the impact of the environmental and firm characteristics on

the design of strategic planning systems. Firms that are in complex environmental settings maximize performance through the adoption of flexible planning systems, this allows the firms to respond quickly to opportunities or threats in the environment (Ouakouak & Ammar, 2015)

Strategic planning processes are important to the organisation however an overly formal planning process can impede on the organisations responsiveness to the external environment (Dibrell, Craig & Neubaum, 2014).Research has proven that as the uncertainty in the environment increases the effectiveness of strategic planning processes decreases hence the debate around formal strategic planning processes being less efficient compared to flexible and adaptive planning methods (Dibrell et al., 2014). Anwar and Hasnu (2017) found that firms that are consistent in their strategic stance perform equally well as firms with flexible strategies however both firms outperform firms that are reactors.

Newman (1963, p. 62) observed that "the establishment of advanced plans tends to make administration inflexible; the more detailed and widespread the plans, the greater the inflexibility." Newman (1963) explains that executives are attached to their plans and once they have developed the plans they want the plans to work and are resistant to changing. In this rapidly changing environment organizations cannot afford to be married to their plans and strategies as there is a need to adapt to the ever-changing environment and in order for the organisation to speedily respond they need to have flexible plans in place (Craig, Dibrell & Garrett, 2014).

Koontz (1958, p. 55) proposed that "effective planning requires that the need for flexibility be a major consideration in the selection of plans." A combination of flexible planning systems and intensive scanning of the environment supports the firm in creating and maintaining of current strategic plans.

2.2.5.4. Planning Horizon

Planning horizon refers to a firm's length of time that decision makers consider in planning for the firm's future (Das, 1987). The planning horizon for a firm can range between less than one year and more than fifteen years (Cardinal, Miller,

Kreutzer & TenBrink, 2015). According to Das (1991) the planning horizon period should be long enough to cater for planning of expected changes in strategy whilst being short enough to make reasonably detailed plans available.

Firms that compete in a turbulent environment are likely to have short to average planning horizon of which the period is less than 5 years, this is because this firms have short products and service life cycles and therefore need to constantly innovate to stay ahead of the market (Barringer & Bluedorn, 1999). A combination of a short planning horizon, intensive scanning of the environment as well as higher levels of planning flexibility affords the firm capacity to speedily identify changes in the environment and develop products and services in line with the changes in the environment.

A long planning horizon, which would be a period over 5 years, can cause reluctance to diverge from the long-term view of the future even with the existence of the short-term changes in the environment (Samuelsson, Andersén, Ljungkvist & Jansson, 2016). According to Longoni and Cagliano (2016) organisations that have longer planning horizon, are responsive to uncertainty in the environment, and are able to learn from past experiences, develop a higher and increasing degree of sustainable innovativeness resulting in firm performance.

2.2.5.5. Performance Control Attributes

The rationale behind control system is to ensure that business strategies meet defined goals and objectives. The two control attributes the study discusses are strategic controls and financial controls (Hoskisson & Hitt, 1988). The basis for performance for financial control in measuring objectives are for example turnover, profit, return on sales and return on equity (Mohutsiwa, 2012). Strategic control measure performance on strategically relevant criteria, such as customer satisfaction and meeting target dates for launching new product or process. The study explores the relationship between performance (expressed as profit and turnover) and the strategic and financial controls.

2.2.5.6. Firm performance and sustainability

South Africa as a developing country is characterized by uncertain market conditions and SMME high mortality rates, therefore mere survival may be equated with sustainability and success (Urban & Naidoo, 2012). Norman and Thomas (2003) highlighted that the absence of a clearly defined strategy will lead to lack of competitive advantage in the market place and consequently reduced chances of sustainability.

SMMEs' that have survived for the first two critical years and manage to achieve a greater percentage of their planned objectives and goals may be referred to as successful (Kesper, 2001). The success of a business could also be based on surviving for over 2 years, achieving a staff complement of more than five employees and realising profit and growth through the expansion of the infrastructure (Nieman, Hough & Nieuwenhuizen, 2003).

Measuring firm performance is not easy as the concept is complex and multidimensional. Some researchers recommend the use of multiple factors to measure this construct (Lumpkin & Dess, 1996). The most used measure of firm performance is the financial performance (Slater, Olson & Venkateshwar, 1997); another approach can be to use perception of performance (Steiner, 1979). Other researchers have used satisfaction with specific factors (Luo & Park, 2001).

2.3 Strategic environmental scanning intensity and performance of SMME

Research indicates the lack of formalised business planning contributes to the high failure rate of small firms (Castrogiovanni, 1996). Management of SMME's struggle to set strategic goals, are unable to plan for the future and have lack of understating of the need to adapt to change in order to compete (Cant & Ligthelm, 2002).

In order for firms to cope in the world of uncertainty brought about by the external environment they need to regularly scan the environment in the efforts of identifying any opportunities and/or threats. The effective application of scarce

and valued resources by firms plays a significant role in identifying opportunities in the external environment (Temtime, 2003). Firms can achieve competitive advantage as well as develop strategies that will enhance their performance through gathering information in the external environment (Strandholm & Kumar, 2003). The need for the firm to explore and exploit the opportunities that arise because of the movements in the environmental conditions leads to the following hypothesis:

H1: There is a positive significant relationship between strategic environmental scanning intensity and performance of SMME's in Gauteng province.

2.4 Locus of planning and performance of SMME

Deep locus of planning involves employees in all tiers of the organisation in the strategic planning process inversely shallow locus of planning is exclusive in nature and deems top management to be the only relevant individuals in the strategic planning process. Deep locus of planning can positively affect the firm's performance as the involvement of employees at other tiers in the organisation in the planning process accelerates opportunity recognition and reduces the risk of overlooking great ideas that could potentially come from other levels in the organisation (Kuratko, 2017)

Studies have indicated that a substantial number of organizations had improved performance because of inclusive and participative management and overall teams in the work environment (Cohen & Bailey, 1997; Guzzo & Dickson, 1996). The following is the hypothesis in relation to the locus of planning:

H2: There is a positive significant relationship between deep locus of planning and performance of SMME's in Gauteng province.

2.4 Strategic management flexibility and performance

Organizations seeking to gain sustainable competitive advantage need to have flexible planning systems in line with the changing environments. High firm

performance in this globally competitive landscape requires the firm to have flexible strategic planning (Clarkin & Rosa, 2005).

Firms need to adapt to the changing environment and they need to adapt at a faster rate, having flexible strategic planning in place provides the firms with the latitude to quickly adjust their strategies to align with the changes in the external environment. It is with this thought in mind that the following hypothesis was developed:

H3: There is a positive significant relationship between strategic management flexibility and performance of SMME's in Gauteng province.

2.5 Short-term strategic management planning horizon and performance of SMME

The planning horizon of a firm is linked to the period of time that managers consider in planning for the future of the firm. This period usually corresponds with the time it takes for strategy to be executed, which can range from one year to over fifteen years. Short-term planning horizon, which is less than 5 years, is imperative for organisations operating in turbulent environments whereas long term planning horizon would not be practical for such organisations.

When short planning horizons are combined with flexible strategic planning and intensive environmental scanning the firm is in a better position to respond timeously to opportunities that come with the changes in the environment, allowing the firm to create products and services in response to the changes which lead to the firm gaining competitive advantage. The study will test the following hypothesis in relation to the firms planning horizon:

H4: There is a positive significant relationship between short-term strategic management planning horizon and performance of SMME's in Gauteng province

2.5 Strategic nonfinancial controls and performance of SMME

A firm that has well designed strategic control system is able to reward their employees for incremental but substantive progress in relation to those product and process innovations that may take time to reach the market (Goold & Campell, 1987). There are costs associated with maintaining strategic controls in the form of management time and effort. The study will test following hypothesis concerning strategic controls:

H5a: There is a positive significant relationship between management degree of emphasis on strategic nonfinancial controls and performance of SMME's in Gauteng province.

Financial controls

Financial controls are stronger in conservative as opposed to entrepreneurial firms and can create rigidness. Financial controls are deemed to not be beneficial to firms that encourage innovation and creativity (Barringer & Bluedorn, 1999). The study will examine following hypothesis:

H5b: There is a negative significant relationship between financial controls of the firm and performance of SMME's in Gauteng province.

2.6 Conceptual framework of hypotheses

The following diagram depicts the dependent and independent variables in this variables and the hypothesised relationships between this variables.

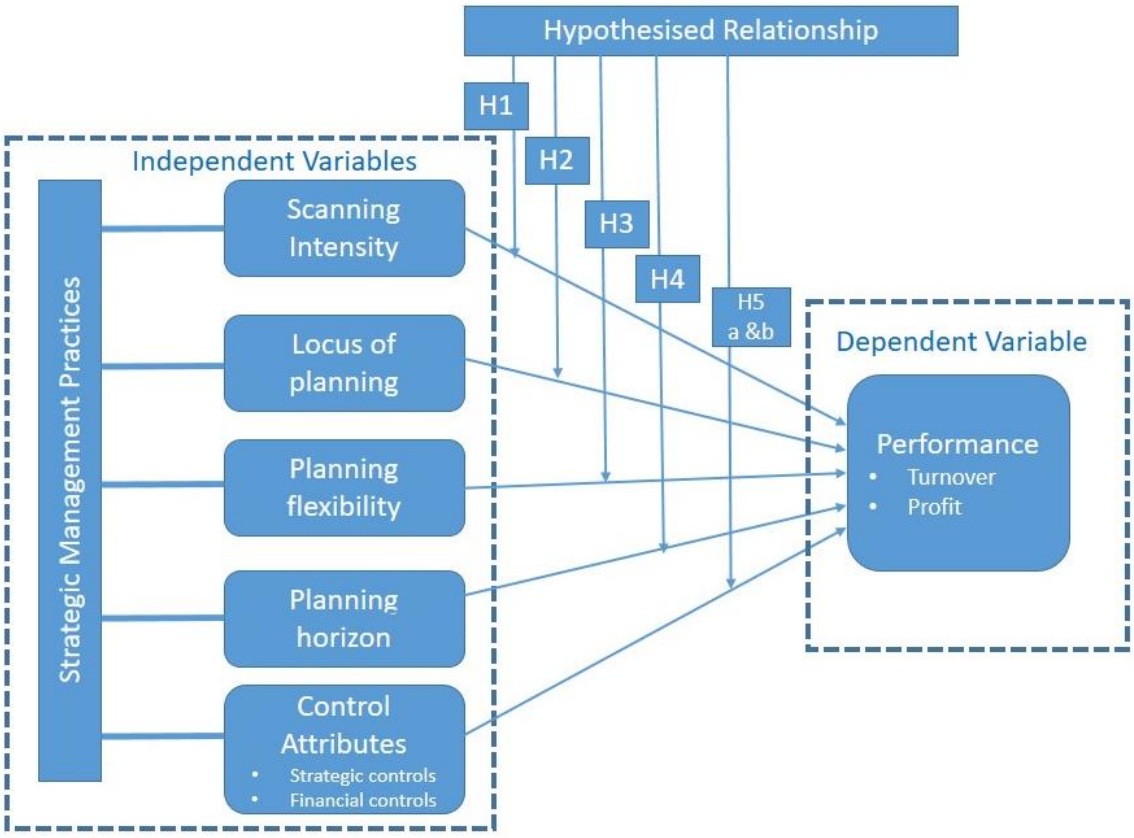


Figure 1: Contextual Diagram

(Source: Tseka, 2018)

2.7 Conclusion of Literature Review

The literature review started with a background on strategic management and a discussion of the strategic management theories to provide the theoretical foundation for the research. The elements of strategic management practices were discussed in detail as well as the status of SMME's in South Africa.

The following are the hypothesis stated:

H1: There is a positive significant relationship between strategic environmental scanning intensity and performance of SMME's in Gauteng province.

H2: There is a positive significant relationship between deep locus of planning and performance of SMME's in Gauteng province.

H3: There is a positive significant relationship between strategic management flexibility and performance of SMME's in Gauteng province.

H4: There is a positive significant relationship between short strategic management planning horizon and performance of SMME's in Gauteng province

H5a: There is a positive significant relationship between management degree of emphasis on strategic nonfinancial controls and performance of SMME's in Gauteng province.

H5b: There is a negative significant relationship between financial controls of the firm and performance of SMME's in Gauteng province.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter of the research paper outlines the adopted methodology in addressing the research questions. The population, sampling method, data collection instruments and the data analysis procedures are described in this section.

3.1 Research Methodology

The method followed in the study is a quantitative one where the researcher obtained the data through a completed structured questionnaire. This method was utilised to address the questions relating to the relationship between strategic management dimensions (scanning intensity, locus of planning, planning flexibility, planning horizon and financial and strategic controls) as independent variables and SMME performance as a dependent variable. Positivist paradigm is relevant and appropriate for this research as it provides for deductive reasoning (Hyde, 2000). A positivist epistemological position will be best suited for this research based on the objectivity it offers the researcher. The quantitative method provides for enumeration of collected data and is open to statistical handling in full support of or challenge different knowledge claims (Creswell, Plano Clark, Gutmann & Hanson, 2003).

3.2 Research Design

This study will follow a descriptive cross sectional research design. Cooper and Schindler (2003) highlight that a descriptive study is concerned with finding out the what, where and how of a phenomenon. The researcher used a questionnaire with structured close-ended questions to collect data.

3.3 Population and Sample

3.3.1 Population

A population is deemed as the overall sum of components about which findings can be made and theories can be developed (Cooper & Schindler, 2014). The target population for this study was small, micro and medium enterprises operating in Gauteng South Africa, across all the sectors of the economy. The criteria that the businesses had to meet to be part of the study was the definition of an SMME as per National Small Business Act of South Africa 1996 (amended in 2004), this definition categorized the SMMEs' based on their income and number of employees.

The study was open to owners and managers of SMME's in Gauteng, it is noted that some participant could be in the role of both owner and manager due to the nature of SMMEs' and this category was covered in the research instrument. The general workers in the business did not form part of the target participants for this study, as they would not be in a position to provide adequate, reliable and credible answers to the questions in the questionnaire therefore compromising the validity of the research results (Thindisa, 2014).

3.3.2 Sample and sampling method

Sampling includes adopting components that are part of a population and making conclusions about the overall population based on these components (Cooper & Schindler, 2014). The researcher used simple snow ball sampling method as an appropriate method to accumulate the data from the SMMEs'. The initial anticipated number to be sampled was 350 however only 99 respondents completed the survey. The number is statistically adequate to perform relevant tests. The sample comprised of owners and managers of SMMEs' using the definition of SMME as per the (National Small Business Act 1996, 2004)

3.4 The research instrument

The research instrument used was a structured survey in the form of a questionnaire. A questionnaire is an arrangement of documented fixed questions (Cooper & Schindler, 2014). The aim of the questionnaire was to collect statistically adequate data in the efforts of considering the correlation between strategic management practices and performance of SMMEs'.

The research instrument included introductory information, which provided the respondent with the background and purpose of the study, it also gave instructions and guidance concerning completing the questionnaire and finally the questionnaire included confidentiality clause and consent prior to the questionnaire completion.

The questionnaire has two sections; the first section has 12 questions (Q1.1 - Q1.12) all multiple-choice questions and including demographic information, information about the owner/manager and some financial information about the enterprise. The second section has 13 questions (Q2.1 – Q2.13) all 5 point likert scale and is composed of questions relating to strategic management practices (Scanning Intensity, locus of planning, planning flexibility, planning horizon, and control attributes). The reasoning behind the 5-point likert scale was to increase response rate and to avoid confusion that could be caused by high points likert scales (Babakus & Mangold, 1992).

Various scales are used to assess the defined constructs, measures are adopted from strategic management and firm performance studies and all the scales utilized in the study are backed by literature.

3.5 Procedure for data collection

The survey was developed on qualtrics and included a total of 28 questions, which was the reduced number of questions from 31 questions in the pilot study. A pilot study was conducted in which the survey was sent to 35 (10% of the initial parent sample) research participant through a link on Whatsapp and 31 out of the 35 research participants completed the pilot questionnaire. Connelly (2008)

recommends 10% of the projected parent study (in my case 350) can be used as a guide for the pilot study sample. The questionnaire was made mobile friendly for convenience in ensuring that the participants can compete the survey on their mobile devices. The link for the original pilot study is:

https://wits.eu.qualtrics.com/jfe/form/SV_dbXWlH0DCdgCpXn.

Post the pilot the researcher scheduled meetings with some of the respondents and solicited feedback on the overall questionnaire, this process assisted in improving the questionnaire for the final data collection for this study. The final questionnaire had 28 questions. Part of the feedback was that the questionnaire took longer period of time to complete on a mobile device than on the desktop as the 1 5-likert scale question is broken down to appear as per the number of times of the items on the scale instead of 1 question. This was valuable feedback which resulted in the larger number of surveys being sent via email than via whatsapp.

All participants could respond anonymously to the questionnaire and at their leisure, which promoted accurate results. Snow ball sampling was used to distribute the questionnaire where by the link to the online questionnaire was distributed to the researcher's network of entrepreneurs via email and shared with Mzanzi Business Forum to distribute to their database. The following link was used for the completion of the final questionnaire **https://wits.eu.qualtrics.com/jfe/form/SV_2rv6wzuAj9YcINn.**

Following a low response rate the researcher printed questionnaires and distributed some of the questionnaires in the MMENVC (Masters of Management in Entrepreneurship and New Venture Creation) class of 2018 where 15 valid responses were received, the manual questionnaires were also distributed at the launch of the Entrepreneur Hub on 27th January 2018 where 24 valid respondents were received, making the total number of manual responses 39 when combined with those of the entrepreneurs from the MMENVC 2018 class. All 39 manual responses incorporated and there was a total of 103 responses. Out of the 103 responses, 99 valid responses were used for this study.

3.6 Data analysis and interpretation

The 99 responses were exported to excel, cleaned and recorded using STATA software version 14, analysis was conducted using descriptive statistics, correlations (bivariate), and multivariate analysis in form of Structural Equation Models (SEM). As in any social science study, data were analysed at 95% Confidence Interval, and at a significance level of 5%. Frequency tables and descriptive statistics (means and standard deviation) are presented, followed by testing normality of the data. Non-normal data can occur because of the scaling of variables (e.g. ordinal rather than interval) or the limited sampling of subjects. Inferential statistics often rely on the assumption that the data is normally distributed. Data that is skewed (lack of symmetry) or more frequently occurring along one part of the measurement scale will affect the variance–covariance among variables.

3.6.1. Descriptive statistics

Descriptive statistics was used to categorise the data collected, demographics of the entrepreneur (owner or manager) and the demographics of the firm. The demographics of the entrepreneur included gender, age, number of years of experience in business management, number of previous ventures , role in the company and education level. The demographics for the firm included the number of years in operation, the sector within which it operates and number of employees. The mean and standard deviation are computed at a 95% confidence level. The mean is the average, the median splits the ordered data into two and mode is the value that occurs regularly (Cooper & Schindler, 2014)

3.6.1 Multiple regression

The researcher used multiple regression to analyse the relationship between the independent and the dependent variables, this analysis determined the strength direction and shape of the relationship between strategic management dimensions (scanning intensity, locus of planning, planning flexibility, planning horizon and the strategic and financial controls) and firm performance.

The minimum sample required to confidently perform regression analysis is 50 (Hair, Black, Babin & Anderson, 2010). The 99 responses received were adequate for this analysis.

3.6.2 Cronbach alpha

The reliability was tested using Cronbach's Alpha which is designed to calculate the "average of all possible split-half reliability coefficients"(Bryman & Bell, 2014). This method evaluates the degree to which the chosen set of items measures a single one-dimensional latent construct, internal consistency or scale reliability of the research instruments. In other words, the Cronbach's alpha value was computed to examine the homogeneity of internal consistency of the underlying items given by the function (Cronbach, 1951). Seven thematic sub scales were created by computing new variables under each dimension and tested for reliability.

3.7 Validity and reliability of research

Validity relates to the accuracy of the data obtained and represents the variables of the study whereas reliability describes the degree to which a research instrument produces consistent results after repeated trials to determine its reliability (Saunders, Jenkin, Derwent & Pilling, 2003).

3.7.1 Internal validity

Internal validity indicates the level of accuracy in that the independent variable produced an observable effect (Rowley, 2002). The researcher had ensured that the statements in the questionnaire have a logical link to issues under study in order to strengthen the validity of the responses (Kumar et al., 1999).The scales used in this research are scaled that have been tested and used by various researchers to measure the same constructs as in this study. The scales have not been modified or altered in any way of form hence increased validity can be assumed. The scales used have been referenced as seen on Appendix A.

3.7.2 External validity

External validity refers to extent to which the findings of the study can be generalised to the rest of the population (Struwig & Stead, 2001). This study sampled 99 owners and managers of SMMEs' from the various sectors in Gauteng; the sample partially represents the population, the generalisation of the results may be limited as a result of the sample size however because the study used valid measures to measure the construct there is heightened legitimacy for the study (Slave & Drnovsek, 2012).

3.7.3 Reliability

Reliability refers to the extent to which a study could be repeated and yield the same results (Rowley, 2002). To ensure reliability data must be gathered in a transparent and consistent method. The reliability has been determined through a pre-test of the questionnaire on a pilot scale, with 31 respondents. The pre-test allows for clarification and demystifying of any shortcomings.

CHAPTER 4: PRESENTATION OF RESULTS

4.1 Introduction

The aim of this study is to investigate to what extent SMMEs' apply strategic management in the efforts to improve performance. This chapter provides analysis from STATA software version 14. As in all social science studies, the data was analysed with a confidence interval of 95%, with significance level of $p<0.05$ (5%). The chapter focuses on the data analysis and interpretation of the findings resulting from this study. The results are presented by means of tables. The presentation of the results begins with the demographic characteristics of the respondents, followed by frequency tables on each section, correlations, hypothesis testing and lastly structural equation modelling.

4.2 Demographic profile of respondents

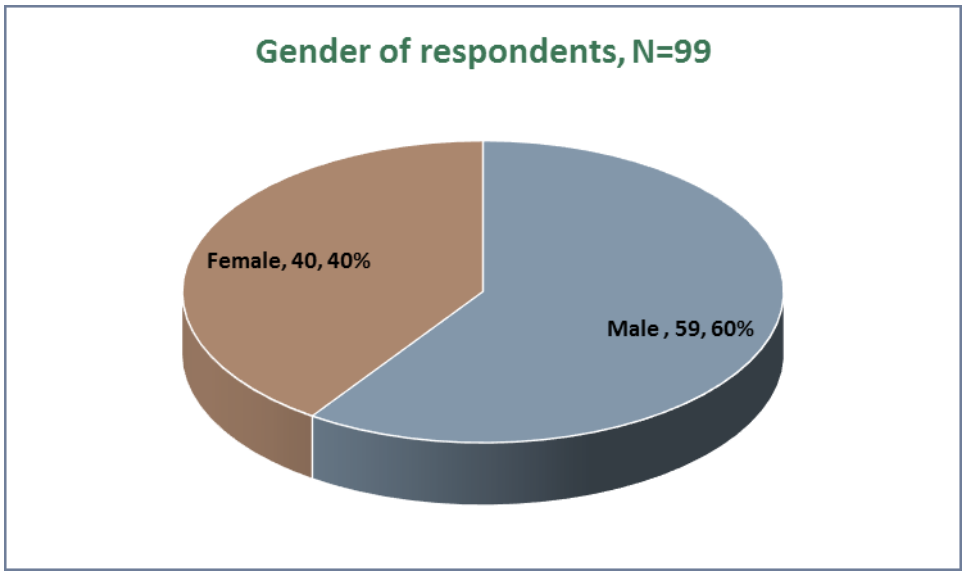


Table 2: Gender

Four out of ten (n=40; 40%) respondents are female; and six out of 10 (n=59; 60%) respondents are male

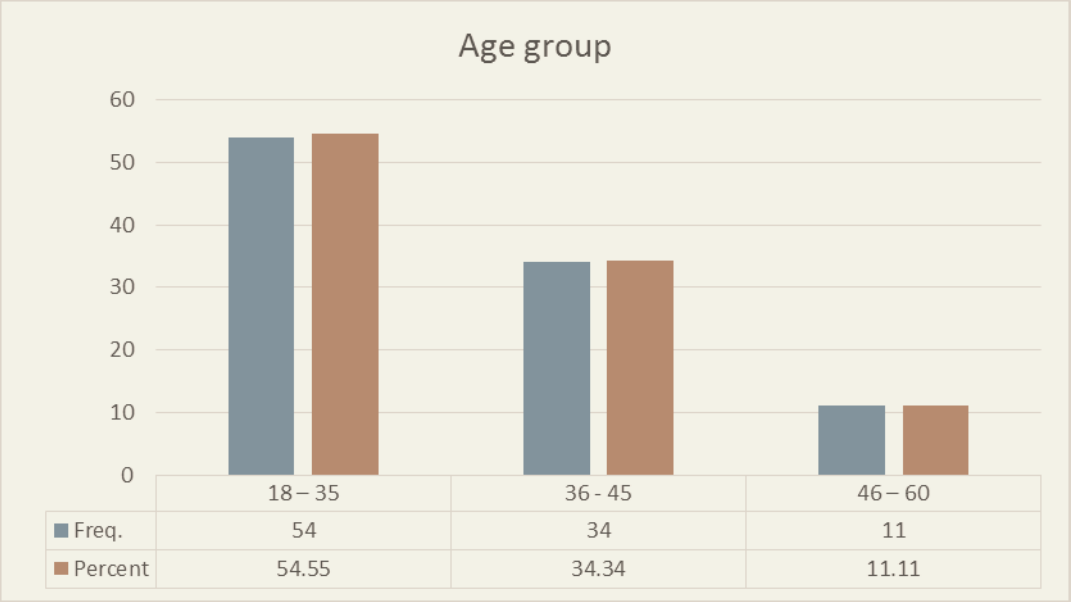


Figure 2: Respondents' age group

There were 99 responses that were collected in this study. Out of these, 54 were aged 18-35 years (55%), while those aged 36-45 years and 46-60 years constituted 34% and 11% respectively.

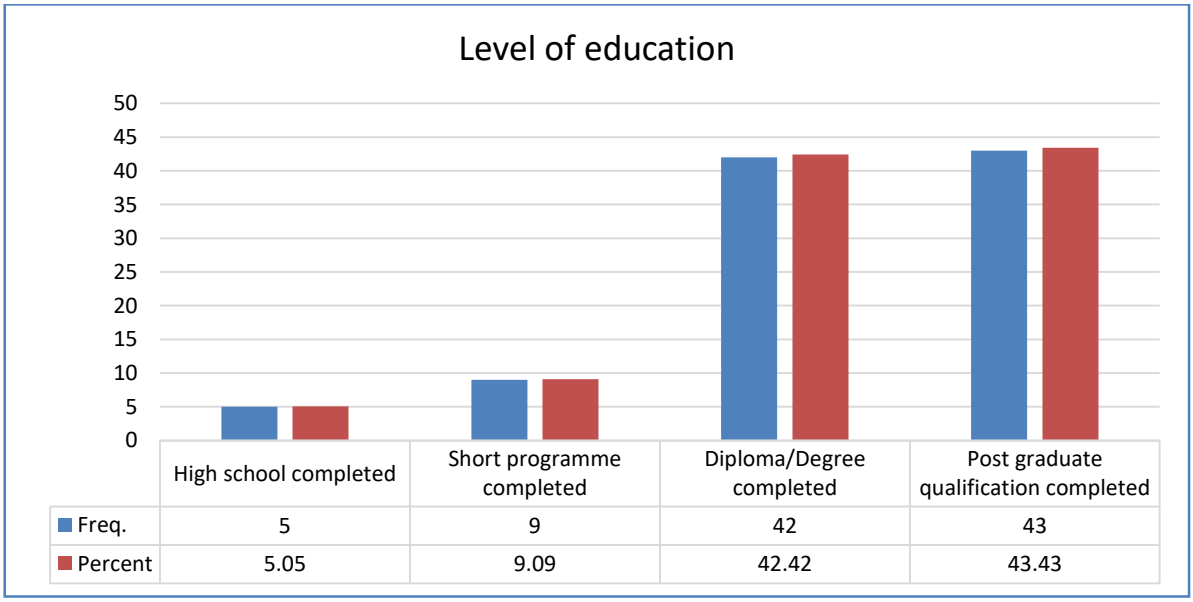


Figure 3: Education attainment

Four out of ten (n=43; 43.4%) respondents had postgraduate completed; the same proportion (n=42; 42.2%) had a Diploma/Degree while less than 10% had a short programme and high school completed.

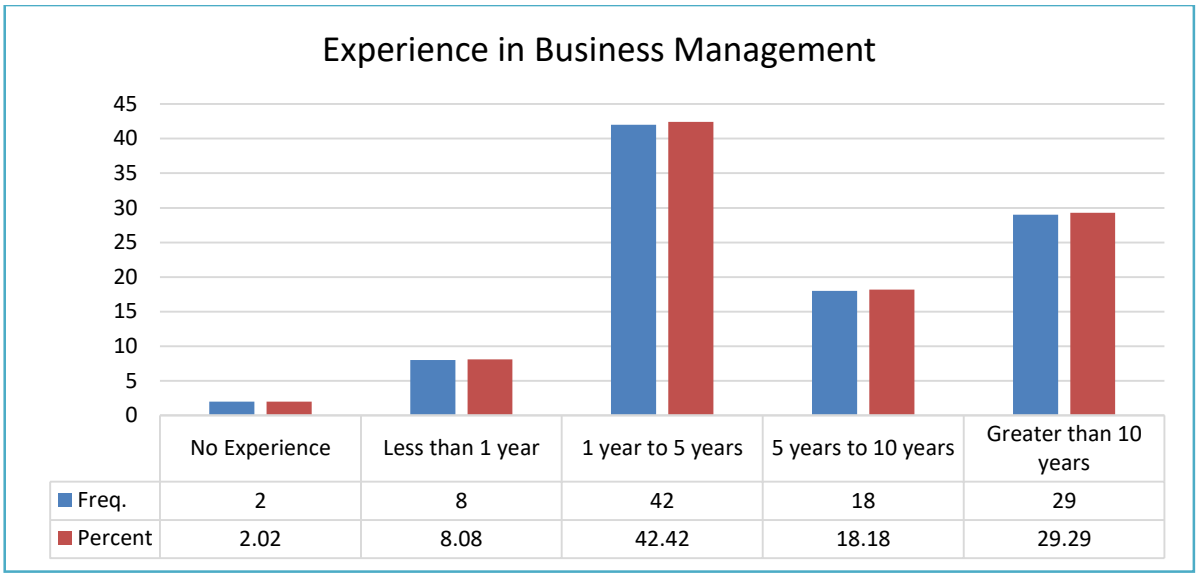
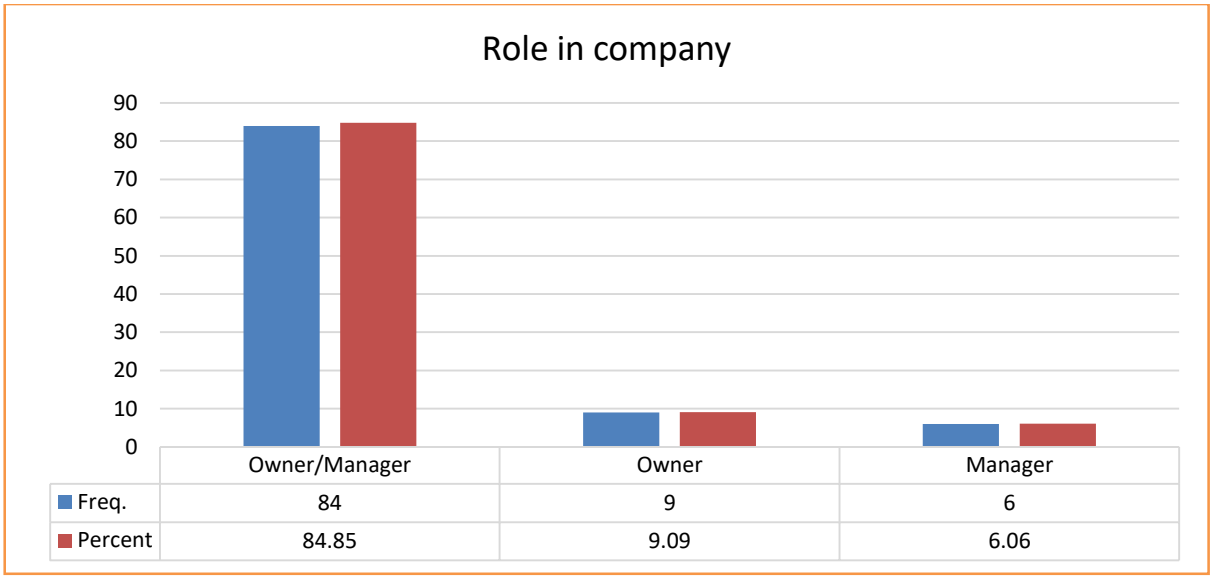


Figure 4: Experience in business management

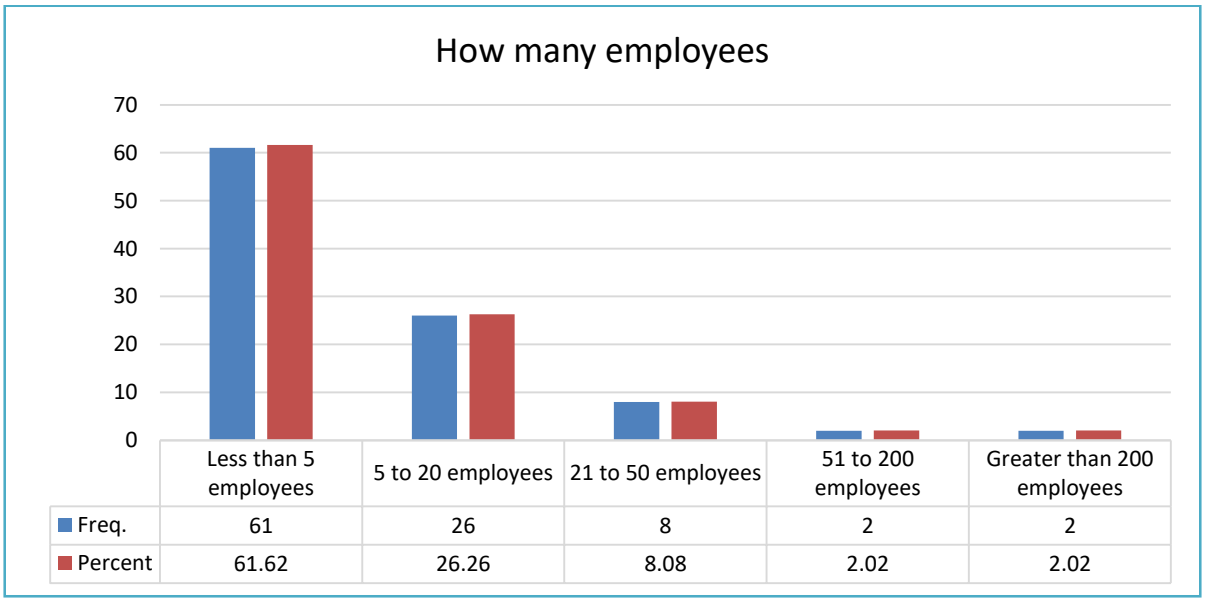
Four out of ten (42.4%) of respondents had 1-5 years' experience in their business management, 3 out of ten (29.3%) had greater than 10 years. Nearly a fifth (18.2%) of respondents had 5-10 years of experience. Very few had less than a year's experience and two participants had no experience at all.



	Owner/Manager	Owner	Manager
Freq.	84	9	6
Percent	84.85	9.09	6.06

Figure 5: Role in company

The majority (84.9%) of respondents had a dual role of owner/manager in the companies, with a minority who were owners but not managing (9%) and few who were managers and not necessarily the owners (6%).



	Less than 5 employees	5 to 20 employees	21 to 50 employees	51 to 200 employees	Greater than 200 employees
Freq.	61	26	8	2	2
Percent	61.62	26.26	8.08	2.02	2.02

Figure 6: Number of employees

Six out of ten (61.6%) of SMMEs' had less than 5 employees, a quarter (26.3%) of them had 5-20 employees, while less than 20% had more than 20 employees.

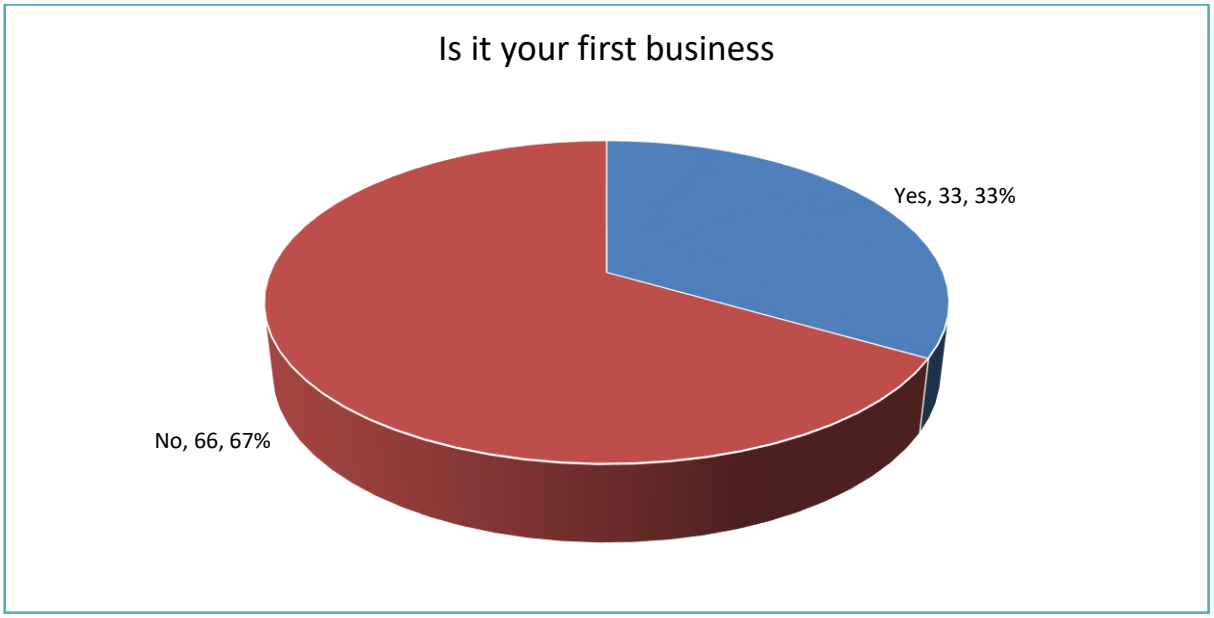


Figure 7: Previous business establishment

Figure 7 indicates that two-thirds (66.7%) of the respondents have had businesses before, while a third (33%) had this as their first business.



Figure 8: Number of previous businesses established

Four out of ten (40.9%) of respondents had had more than two businesses before, more than a third have had 2 businesses, a fifth (22.7%) have had 1 business before.

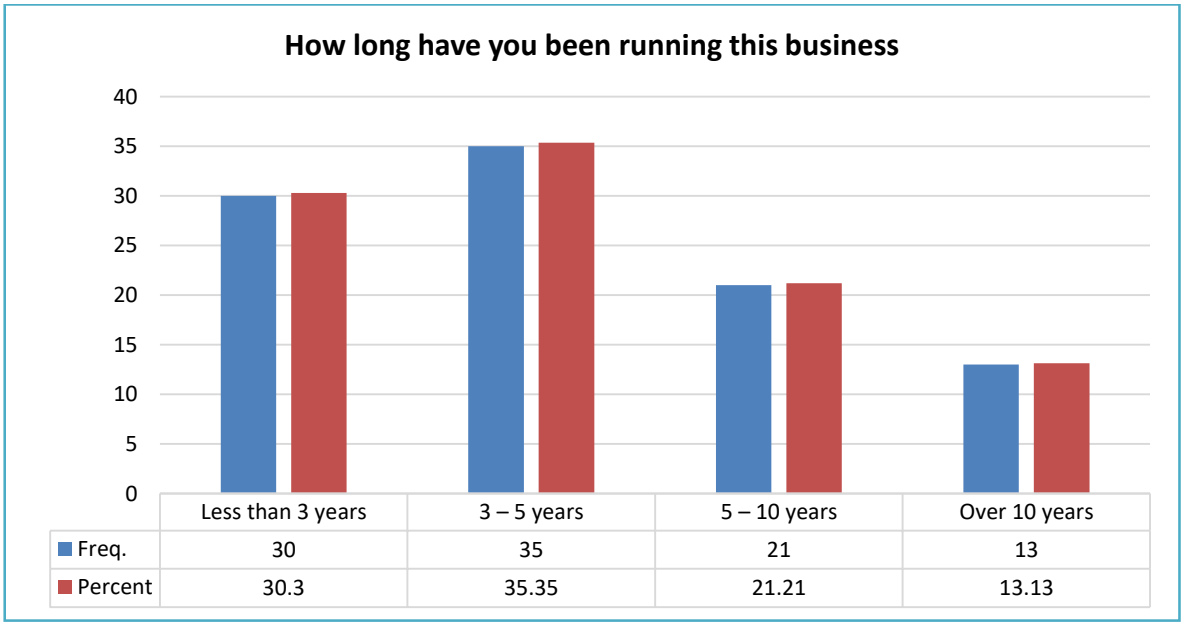
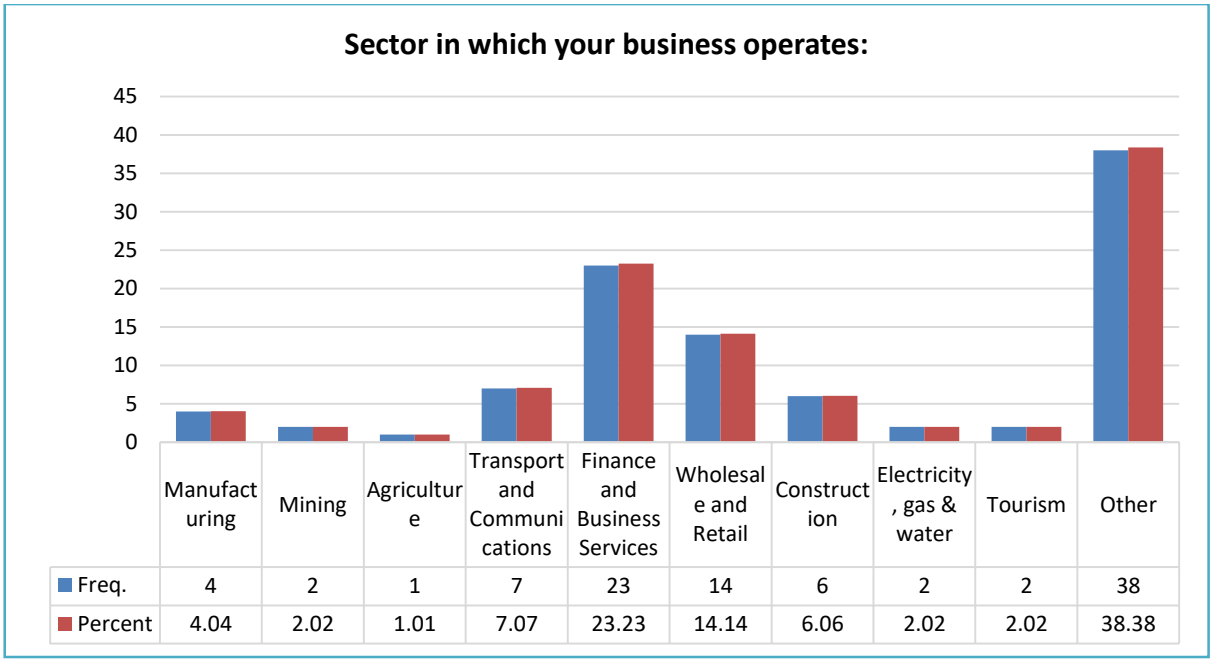


Figure 9: Business number of years in operation

Figure 9 indicates that a third of the respondents had been running this business for 3-5 years (35%), three out of ten (30%) had less than 3 years, while a fifth (21%) had 5-10 years of experience in running their business. A few (13%) had over 10 years of experience in running this type of business.



	Manufacturing	Mining	Agriculture	Transport and Communications	Finance and Business Services	Wholesale and Retail	Construction	Electricity, gas & water	Tourism	Other
Freq.	4	2	1	7	23	14	6	2	2	38
Percent	4.04	2.02	1.01	7.07	23.23	14.14	6.06	2.02	2.02	38.38

Figure 10: Business Sector

Figure 10 indicates that there were various businesses being run by the respondents, without a majority. A fifth of them (23.2%) were in finance and business services, 14% were in wholesale and retail, while 38% were in other-unclassified business sectors. There were very few who were in manufacturing, construction, transport and communication, electricity and water, tourism, and agriculture.

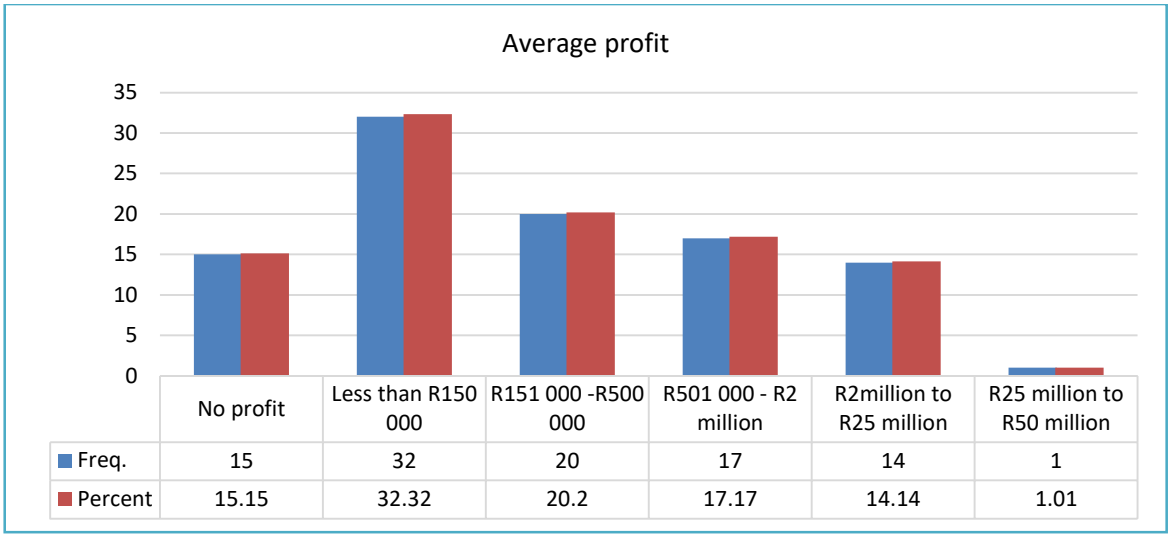


Figure 11: Business average profit

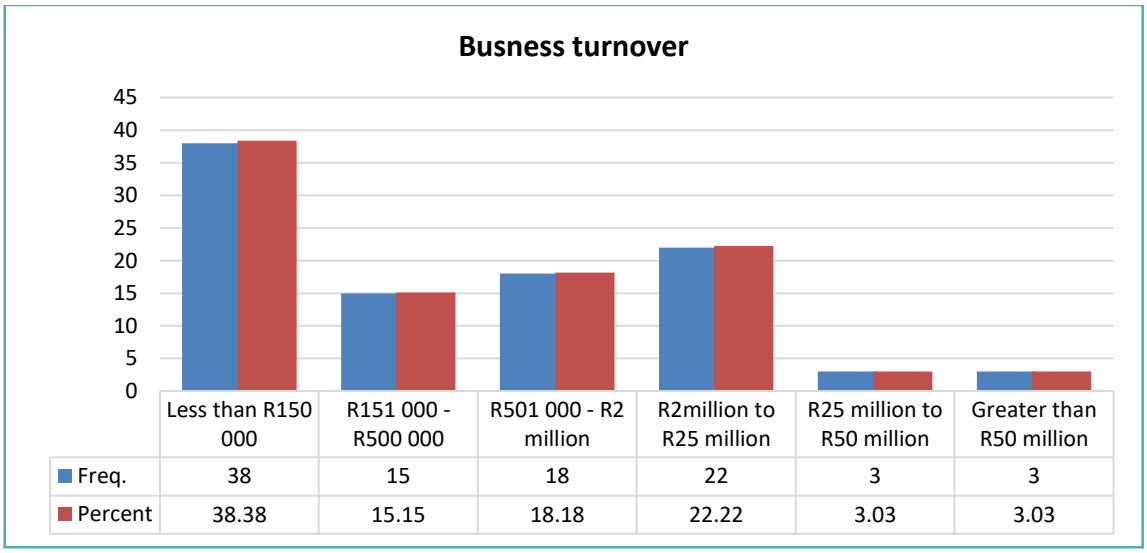


Figure 12: Business average turnover

Figures 11 and 12 demonstrate that a third (32.2%) of respondents made an average of less than R150,000 per annum in the past 3 years, with 38% of them having a turnover of the same amount. A fifth (20.2%) of them made an annual average profit of between R151-R500,000, with a turnover of a similar amount recognised by 18.2% of the SMMEs'. There were about a third (32%) of respondents who made an annual average profit above R500,000. Four to five (46%) of SMMEs' had a business turnover above R500,000. A minority of respondents indicated that they did not make a profit (15%).

SECTION A: THE SCANNING INTENSITY SCALE

Scanning Intensity Scale, N=99					
Rate the extent to which the following scanning devices are used by your business to gather information about the business environment	*No usage*	*Some usage*	*Moderate*	*High*	*Very high*
Routine gathering of options	19.19	17.17	36.36	18.18	9.09
Explicit tracking of the politics and tactics of competitors	16.16	25.25	32.32	17.17	9.09
Forecasting sales, customer preferences, technology, etc.	8.08	14.14	30.3	32.32	15.15
Special marketing research studies	21.21	22.22	24.24	20.2	12.12
Trade magazines ,government publications, news media	26.26	27.27	20.2	20.2	6.06
Gathering of information from suppliers and other channel	9.09	17.17	28.28	32.32	13.13

Table 3: Scanning intensity scale.

The respondents were asked to rate the extent to which the following scanning devices were used by their business to gather information about the business environment. A fifth (19.2%) of them felt that routine gathering of options was not used to gather information about the business environment, while 17% reported some usage, and moderate usage (36%). At least a quarter (27.3%) believed there was high use of routine gathering of options in this process of information gathering about the businesses. Less than 20% of respondents felt that there was no usage of explicit tracking of the politics and tactics of competitors, a quarter felt there was some usage, and three out ten (32.3%) felt there was moderate use.

A quarter of respondents felt that there was high usage (26.3%) and some usage (25.3%) of explicit tracking of politics and tactics of competitors.

Very few respondents (8.1%) felt that there was no usage of forecasting sales, customer preferences, technology, etc., while three out of ten (30.3%) felt there was moderate use. Four to five (47.5%) of respondents felt usage was high in this regard, while 14.4% felt there was some usage in the forecasting strategies. A fifth (21.2%) of respondents felt that special marketing research studies were

not used, while a fifth cited little usage (22.2%). While a quarter felt there was moderate usage (24.4%), almost a third felt there was high usage.

A quarter (26.3%) of respondents believed that trade magazines, government publications, news media was not used, while another quarter felt there was little/some usage. While a fifth of the respondents felt there was moderate use of special marketing research studies (20.2%), a quarter (26.3%) felt there was high usage. Very few (negligible) felt that gathering of information from suppliers and other channel was not used as a scanning intensity strategy in business management. Less than 20% cited little usage, slightly above a quarter (28.3%) felt moderate use. Four to five out of ten respondents felt there was high use of gathering information from suppliers.

Variable	Obs	Mean	Std. Dev.	Min	Max
Forecasting sales, customer preferences, technology, etc.	99	3.32	1.141	1	5
Gathering of information from suppliers and other channel	99	3.23	1.159	1	5
Routine gathering of options	99	2.81	1.209	1	5
Special marketing research studies	99	2.80	1.317	1	5
Explicit tracking of the politics and tactics of competitors	99	2.78	1.183	1	5
Trade magazines ,government publications, news media	99	2.53	1.248	1	5

Table 4: Scanning intensity descriptive table

The highest score in this subscale was forecasting sales, customer preferences, technology, etc. (M=3.3), followed by gathering of information from suppliers and other channel (M=3.2). Routine gathering of options (M=2.8) and special marketing research studies (M=2.8) were next. The least mean scores in this sub scale was that explicit tracking of the politics and tactics of competitors were moderately used (M=2.78) and least trade magazines, government publications, news media (M=2.5). In summary, the respondents felt that there was generally moderate usage of the six aspects in gathering information about the business environment.

SECTION C: SCANNING FREQUENCY

Scanning frequency scale, N=99					
How often do you collect information to remain abreast of changes of the following areas?	**Never**	**Less frequently**	**Moderate frequency**	**Frequency**	**Very frequency**
Demographic (Life style, social values of society)	10.1	29.29	27.27	21.21	12.12
Economic factors (interest rate GDP **etc.)**	12.12	22.22	25.25	25.25	15.15
Political factors (New processes, materials, law)	11.11	24.24	24.24	30.3	10.1
Technological factors (new products, processes, systems, materials	5.05	14.14	27.27	33.33	20.2
Competitor strategies (pricing, Distribution)	6.06	18.18	25.25	32.32	18.18
Gathering of information from suppliers	9.09	25.25	20.2	27.27	18.18

Table 5: Scanning frequency scale

The respondents were asked how often they collected information to remain abreast of changes in specific areas related to scanning frequency. One in ten (10%) of the respondents never collected demographics (Life style, social values of society), 29% less frequently did so while slightly above a quarter (27.3%) reported moderate collection of such data. A third (33.3%) of the respondents frequently collected information to remain abreast of changes of the demographic aspects.

A tenth (12.1%) never collected information to remain abreast of changes in economic factors (interest rate GDP etc.), while a fifth (22.2%) cited that the collection was less frequent. While a quarter felt collection of this information was moderately done, four out of ten (40.4%) felt collection was frequent. A tenth (11.1%) of respondents felt that information regards political factors were never collected, while close to a quarter (24.2%) felt this was less frequently and moderately done. Four out of ten (40.4%) were of the opinion that collection was done frequently. Above half (53%) of the respondents believed that there was frequent collection of information regarding technological factors, while a quarter (27%) of them felt moderate collection. Few of the respondents felt there was less

frequent collection of this data to assist them in updating them in such aspects of scanning.

Half of the respondents said that collection of information about competitor strategies (pricing, distribution) was frequent, while a quarter (25.3%) felt that this was done moderately done. Few respondents (24%) felt they never collected such information to make them abreast of this scanning aspect. Four to five respondents (45.5%) felt that collection of gathering of information from suppliers was frequently done, a fifth (20%) felt it was moderately done. In addition, a third (34%) of them thought this information was not collected.

Variable	Obs.	Mean	Std. Dev.	Min	Max
Technological factors (new products, processes, systems, materials	99	**3.49**	1.12	1	5
Competitor strategies (pricing, Distribution)	99	**3.38**	1.16	1	5
Gathering of information from suppliers	99	**3.20**	1.26	1	5
Economic factors (interest rate GDP etc.)	99	**3.09**	1.25	1	5
Political factors (New processes, materials, law)	99	**3.04**	1.19	1	5
Demographic (Life style, social values of society)	99	**2.96**	1.19	1	5

Table 6: Scanning intensity descriptive table

The aspect with the highest mean score was technological factors (M=3.8) (frequent). The second highest (moderate to frequent) were competitor strategies (M=3.4, gathering information from suppli*ers (M=3.2), economic factors (M=3.04), and political factors (M=3.09). The least rated factor was* demographic factors (M=2.9), less frequent to moderate level of collection of information.

SECTION D: THE PLANNING FLEXIBILITY SCALE

Indicate how difficult it is for your business to change its strategic plan to adjust to each of the following possibilities	*Extremely easy*	*Slightly easy*	*Neither easy nor difficult*	*Slightly difficult*	*Extremely difficult*
The emergence of new technology	11.11	27.27	31.31	24.24	6.06
Shifts in the economic condition	5.05	24.24	24.24	35.35	11.11
Market entry of new competition	8.08	19.19	33.33	26.26	13.13
Changes in government regulations	6.06	25.25	37.37	22.22	9.09
Shifts in customer needs and preferences	13.13	33.33	18.18	25.25	10.1

Modification in supplier strategies	8.08	26.26	29.29	27.27	9.09
Emergence of an unexpected opportunity	16.16	29.29	30.3	18.18	6.06
Emergence of unexpected threat	4.04	16.16	41.41	32.32	6.06
Political developments that affect your industry	9.09	14.14	38.38	25.25	13.13

Table 7: Planning flexibility scale

The respondents were asked how difficult it was for their business to change its strategic plan to adjust to aspects of planning flexibility. Three to four (38.4%) of respondents felt that emergence of new technology was difficult for their business to change its strategic plan. Three out of ten (30.3%) felt that emergency of this technology made things difficult, while another three out of ten (31.3%) were undecided. Four to five (46.5%) of respondents thought that shifts in the economic condition made things difficult for them their business to change its strategic plan, 30% felt this was easy while a quarter (24.2%) were undecided. Almost four out of ten (39.4%) of respondents felt that it was difficult to change its strategic plan to adjust to market entry of new competition, while a quarter (27.3%) felt it was easy and a third (33.3%) were undecided.

Three out of ten (31,3%) of respondents felt that it was difficult to change its strategic plan to adjust to changes in government regulations, the same proportion (31.1%) felt that was easy while above a third (37%) were uncertain. Above a third (35.4%) of respondents felt it was difficult to change its strategic plan to adjust to shifts in customer needs and preferences, four to five (46.5%) felt it was easy and less than 20% were uncertain. Above a third of respondents (36.4%) felt it was difficult to change its strategic plan to adjust to modification in supplier strategies, the same proportion (34.4%) felt that was easy, and 29.3% were uncertain. A quarter of the respondents (24.2%) was it was difficult to change its strategic plan to adjust to emergence of an unexpected opportunity, 30% were uncertain while 45.5% felt that was easy.

Nearly four out of ten (38.4%) of the respondents felt it was difficult to change its strategic plan to adjust to emergence of unexpected threat, the same function (41%) were undecided while a fifth (20%) felt it was easy. Four out of ten (38%)

of respondents felt it was difficult to change its strategic plan to adjust to political developments that affect their industry, the same proportion were undecided while a fifth (23.2%) thought that was easy.

Variable	Obs	Mean	Std. Dev.	Min	Max
Shifts in the economic condition	99	3.23	1.10	1	5
Emergence of unexpected threat	99	3.20	0.93	1	5
Political developments that affect your industry	99	3.19	1.12	1	5
Market entry of new competition	99	3.17	1.13	1	5
Changes in government regulations	99	3.03	1.04	1	5
Modification in supplier strategies	99	3.03	1.11	1	5
The emergence of new technology	99	2.87	1.09	1	5
Shifts in customer needs and preferences	99	2.86	1.23	1	5
Emergence of an unexpected opportunity	99	2.69	1.13	1	5

Table 8: Planning flexibility descriptive table

Table 8 indicates that shifts in the economic conditions (M=3.2) and emergence of unexpected threat (M=3.2) were rated highly (M=3.2). The least rated aspects in this sub scale were Shifts in customer needs and preferences (M=2.9) and emergence of an unexpected opportunity (M=2.7).

SECTION E: THE PLANNING HORIZON SCALE

What degree of emphasis do you/decision makers place on the length of planning horizon of the business?	Very little emphasis	Some emphasis	Emphasis	Moderate emphasis	Considerable emphasis
Less than a year	6.06	23.23	15.15	23.23	32.32
1 to 2 years	7.07	19.19	26.26	25.25	22.22
3 to 5 years	17.17	22.22	17.17	14.14	29.29
More than 5 years	30.3	17.17	18.18	11.11	23.23

Table 9: Planning Horizon Scale

The respondents were asked what degree of emphasis they had in decision makers place on the length of planning horizon of the business. At least half of the respondents felt that there was moderate to considerable (55.6%) emphasis

in decision-making regards to planning horizon of the business in less than a year, less than 20% were uncertain. Around 25% of them felt there was little to some emphasis decision making on this aspect. Four to five (47.7%) of respondents felt 1-2 years of decision-making was moderate to considerable; while a quarter (26%) felt there was little emphasis. Four to five (43.3%) of respondents felt 3-5 years of decision making was moderate to considerable, while 39% of them felt there was little emphasis. Four to five (34.3%) of respondents felt more than 5 years of decision making was moderate to considerable, while an above 40% of them felt there was little emphasis. Less than 20% were undecided. These results show that the respondents felt there was emphasis to moderate emphasis on decisions regards length of planning horizon of the business.

Variable	Obs	Mean	Std. Dev.	Min	Max
Less than a year	99	3.53	1.32	1	5
1 to 2 years	99	3.36	1.22	1	5
3 to 5 years	99	3.16	1.49	1	5
More than 5 years	99	2.80	1.55	1	5

Table 10: Planning horizon descriptive table

Those with less than a year (M=1.3) and those with 1-2 years' experience showed very little degree of emphasis do you/decision makers place on the length of planning horizon of the business. Those with 3 years and above expressed the highest emphasis.

SECTION F: THE LOCUS OF PLANNING SCALE

To what extend is each of the following categories involved in		*No Involvement*	*Some Involvement*	*Involvement*	*Moderate Involvement*	*Substantial Involvement*
GOAL FORMATION PHASE	Owners		3.03	11.11	9.09	76.77
	Management	5.05	1.01	13.13	27.27	53.54
	Rank-and-file employees	14.14	26.26	22.22	19.19	18.18
SCANNING THE BUSINESS	Owners	1.01	3.03	15.15	10.1	70.71
	Management	4.04	9.09	15.15	23.23	48.48

ENVIRONMENT PHASE	Rank-and-file employees	16.16	26.26	27.27	17.17	13.13
STRATEGY FORMULATION PHASE?	Owners	1.01	3.03	12.12	8.08	75.76
	Management	4.04	9.09	10.1	28.28	48.48
	Rank-and-file employees	23.23	21.21	22.22	20.2	13.13
STRATEGY IMPLEMENTATIO N PHASE?	Owners	1.01	3.03	11.11	25.25	59.6
	Management	4.04	3.03	13.13	16.16	63.64
	Rank-and-file employees	9.09	4.04	31.31	13.13	42.42
STRATEGY EVALUATION AND CONTROL PHASE?	Owners	1.01	3.03	11.11	25.25	59.6
	Management	4.04	3.03	13.13	16.16	63.64
	Rank-and-file employees	9.09	4.04	31.31	13.13	42.42

Table 11: Locus of planning scale

The majority of respondents (>80%) thought that owners and management of the businesses were moderate to substantial involvement in the goal formation phase, compared to <20% who seemed not to have any involvement. The majority of respondents (>70%) thought that owners and management of the businesses were moderately to substantial involvement in the business environment phase, compared to 30% who seemed not to have any involvement. The majority of respondents (>70%) thought that owners and management of the businesses were moderately to substantial involvement in the strategy formulation phase, compared to 30% who seemed not to have any involvement. The majority of respondents (>75%) thought that owners and management of the businesses were moderately to substantial involvement in the strategy implementation phase, compared to 25% who seemed not to have any involvement. The majority of respondents (>80%) thought that owners and management of the businesses were moderately to substantial involvement in the strategy evaluation and control phase, compared to 25% who seemed not to have any involvement. The Rank and file employees seemed to have little to some involvement in all the five sub scales.

SECTION G: STRATEGIC PLANNING AND BUSINESS STRATEGIES

Level of Emphasis Business Puts on Strategic Planning Processes

Please indicate to what level of emphasis your business puts on strategic planning processes	*Very Little Emphasis*	*Some Emphasis*	*Emphasis*	*Moderate Emphasis*	*Considerable Emphasis*
Development of mission statement	5.05	12.12	14.14	19.19	49.49
Long-term plans	3.03	10.1	22.22	18.18	46.46
Annual goals	2.02	6.06	14.14	21.21	56.57
Short-term action plans	2.02	7.07	13.13	23.23	54.55
Evaluation of strategic objective	5.05	11.11	17.17	25.25	41.41

Table 12: Strategic planning process scale

The respondents indicated that the level of emphasis regards to how business puts on strategic planning processes regards development of mission statement was moderate to considerable. The level of emphasis that business puts on strategic planning processes regards development of long-term plans moderate (19.2%) to considerate (49.5%). The level of emphasis that business puts on strategic planning processes regards to long term plans were moderate (18.2%) to considerate (46.5%). The level of emphasis that business puts on strategic planning processes regards to short term plans were moderate (21%) to considerate (56.6%). The level of emphasis that business puts on strategic planning processes regards to evaluation of strategic objective were moderate (25.3%) to considerate (41.1%). There were few respondents who felt that there was little emphasis of their business strategic processes affecting the five aspects in their sub scale.

Variable	Obs	Mean	Std. Dev.	Min	Max
Development of mission statement	99	3.96	1.26	1	5
Long-term plans	99	3.95	1.17	1	5
Annual goals	99	4.24	1.04	1	5
Short-term action plans	99	4.21	1.05	1	5
Evaluation of strategic objective	99	3.87	1.22	1	5

Table 13: Strategic planning process descriptive table

Business Employees and Business Strategies Meet the Objectives

How important is each of the following in ensuring that the business employees and	Not at all Important	Slightly Important	Important	Moderately Important	Extremely Important

business strategies meet the objectives?					
Face to face meetings between management	1.01	4.04	11.11	19.19	64.65
Informal face to face meeting between	4.04	6.06	22.22	28.28	39.39
Measuring performance against subjective strategic areas	2.02	9.09	19.19	27.27	42.42
Annual goals	2.02	6.06	18.18	21.21	52.53
Short-term action plans	2.02	3.03	18.18	27.27	49.49
Evaluation of strategic objective	4.04	7.07	17.17	25.25	46.46

Table 14: Strategies meeting objectives

In ensuring that the business employees and business strategies meet the objectives, the respondents thought face to face meeting were the most important (83.8%), followed by short term action (76.7%), annual goals (73.7%), evaluation of the strategy (71.7%), measuring performance (69.7%) and informal face to face (67.7%). Fewer of them regarded all of the processes as of less importance.

Variable	Obs	Mean	Std. Dev.	Min	Max
Face to face meetings between management	99	4.42	0.92	1	5
Informal face to face meeting between managers and functional personnel	99	3.93	1.11	1	5
Measuring performance against subjective strategic areas such as customer satisfaction	99	3.99	1.08	1	5
Annual goals	99	4.16	1.06	1	5
Short-term action plans	99	4.19	0.98	1	5
Evaluation of strategic objective	99	4.03	1.14	1	5

Table 15: Strategy meeting objectives descriptive table

SECTION H: EVALUATION PERFORMANCE (Financial Controls)

Evaluating Performance

How important is each of the following in evaluating performance?	Extremely Dissatisfied	Slightly Dissatisfied	Satisfied	Moderately Satisfied	Extremely Satisfied
Return on Investment	2.02	3.03	10.1	19.19	65.66

Cash flows		4.04	7.07	18.18	70.71
Operating profit	1.01	2.02	12.12	21.21	63.64
Sales Growth Rate	2.02	5.05	11.11	22.22	59.6
Market Share	6.06	10.1	22.22	25.25	36.36
Market Development	3.03	8.08	21.21	24.24	43.43
New Product Development	6.06	12.12	18.18	23.23	40.4

Table 16: Evaluation of performance

In evaluating performance, the respondents indicated most satisfaction in return on investments (84.6%), followed by cash flows (88.9%), followed by operating profit (84.9%), and sales growth rate (81.8%). The three lowly rated aspects in this subscale were market share (61.6%), market development (67.7%), and new product development (63.3%). Fewer respondents felt they were dissatisfied with the aspects in this subscale; they were optimistic.

Variable	Obs	Mean	Std. Dev.	Min	Max
Return on Investment	99	4.43	0.94	1	5
Cash flows	99	4.56	0.80	2	5
Operating profit	99	4.44	0.86	1	5
Sales Growth Rate	99	4.32	1.00	1	5
Market Share	99	3.76	1.22	1	5
Market Development	99	3.97	1.12	1	5
New Product Development	99	3.80	1.26	1	5

Table 17: Evaluation of performance descriptive table

Performance Areas in Your Business

Indicate your level of satisfaction with the performance areas in your business	Extremely Dissatisfied	Slightly Dissatisfied	Satisfied	Moderately Satisfied	Extremely Satisfied
Return on Investment	10.1	19.19	29.29	25.25	16.16
Cash flows	12.12	30.3	23.23	19.19	15.15
Operating profit	9.09	24.24	24.24	25.25	17.17
Sales Growth Rate	11.11	35.35	25.25	14.14	14.14
Market Share	21.21	29.29	25.25	12.12	12.12
Market Development	18.18	29.29	29.29	11.11	12.12
New Product Development	18.18	28.28	26.26	10.1	17.17

Table 18: Satisfaction with performance

Regards satisfaction with the performance areas in their businesses, the respondents indicated less satisfaction in return on investments (41.4%). They also felt less satisfied with cash flows (34.4%), followed by operating profit (42.4%). Less than 30% of them rated satisfaction with the performance of the business much lower: sales and growth (28.2%), market share (23.2%), market development (24.4%) and new product development (27.2%). The three lowly rated aspects in this subscale were market share (61.6%), market development (67.7%), and new product development (63.3%). Fewer respondents felt they were dissatisfied with the aspects in this subscale; they were optimistic.

Variable	Obs	Mean	Std. Dev.	Min	Max
Return on Investment	99	3.18	1.22	1	5
Cash flows	99	2.95	1.26	1	5
Operating profit	99	3.17	1.24	1	5
Sales Growth Rate	99	2.85	1.22	1	5
Market Share	99	2.65	1.28	1	5
Market Development	99	2.70	1.24	1	5
New Product Development	99	2.80	1.33	1	5

Table 19: Satisfaction with performance descriptive table

Table 21 shows that Return on Investment (M=3.1) was highest rated followed by operating profit (M=2.96). The least rated aspects in the sub scale were market share and market development.

Item	Obs	corr.	Alpha
1.SCANNING INTENSITY	99	0.4505	**0.8616**
2.SCANNING FREQUENCY	99	0.5948	**0.853**
3.PLANNING FLEXIBILITY	99	0.2589	**0.8688**
4.PLANNING HORIZON	99	0.5999	**0.8552**
5.1 Goal Formation	99	0.6449	**0.8496**
5.2 Scanning business environment	99	0.5746	**0.8537**
5.3 Strategy Formulation	99	0.6976	**0.8463**
5.4 Strategy Implementation	99	0.6952	**0.8464**
5.5 Strategy Evaluation	99	0.6609	**0.8486**
6.Level of emphasis business puts on strategic planning processes	99	0.7718	**0.8403**
7. Business employees and business strategies meet the objectives?	99	0.6816	**0.8472**
8. How important is __ in evaluating performance?	99	0.6321	**0.8504**
9. Level of satisfaction with the performance areas in your business	99	0.3977	**0.8699**

5.0 THE LOCUS OF PLANNING	99	0.8259	**0.8416**
mean(unstandardized items)			**0.8617**

Table 20: Scale test = mean (unstandardized items)

Table 22 indicates that the all results are reliable; response consistency is high as indicated by the Cronbach's alpha coefficient which is above 0.88. The fact that all questions produced results that were reliable means that the questions asked what they were supposed to ask, hence valid.

SPEARMAN'S CORRELATION

The Spearman rank-order correlation is a nonparametric measure of the strength and direction of association that exists between two variables measured on at least an ordinal scale. These numbers measure the strength and direction of the linear relationship between the two variables. The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. Negative correlation also means that low scores on the first are associated with high scores on the second (Ritchie et al., 2001). In other words, the variables move in the same direction when there is a positive correlation. The variables move in opposite directions when there is a negative correlation. In a sample it is denoted by r. The following table provides results for the association between performance and strategic management practices variables. The statistical significance was set at 5% level.

	PROFIT	TURNOVER
Profit (PR)	1	
Turnover (TO)	0.8046*	1
1.Scanning Intensity	0.2036*	0.1866
2.Scanning Frequency	0.144	0.1363
3.Planning Flexibility	-0.267*	-0.1937
4.Planning Horizon	0.127	0.2063*
5.1 Goal Formation	0.0917	0.1803
5.2 Scanning business environment	0.01	0.0808
5.3 Strategy Formulation	0.0559	0.1207
5.4 Strategy Implementation	0.1917	0.2681*
5.5 Strategy Evaluation	0.0825	0.068

5.0 The Locus Of Planning	0.1074	0.1696
6.Level of emphasis business puts on strategy planning processes	0.1492	0.2665*
7. Business employees and business strategies meet the objectives?	0.12	0.2328*
8. How important is __ in evaluating performance?	0.0711	0.1205
9. Level of satisfaction with the performance your business	0.2623*	0.2391*

Table 21: Spearman's rank correlation

Factors associated with average annual profit

Table 21 indicates that there are positive significant associations between profit (PR) and three elements; scanning intensity ($r=0.203$; $p<0.05$), and level of satisfaction with the performance business-sustainability ($r=0.262$; $p<0.05$). The associations are weak and indicate that a unit increase in the scanning intensity factors and level of satisfaction factors are likely to result in a unit increase in average annual profits. There is a negative weak association between planning flexibility and profit ($r=-0.267$; $p<0.05$). A unit decrease in planning flexibility is likely to cause a reduction in annual profits. There is a very high positive association between turnover and profits ($r=0.805$; $p<0.05$). A unit increase in turnover will trigger an increase in profits.

Factors associated with average annual turnover

The five factors that were associated with average turnover in the past three years had weak correlations. There were positive significant associations between turnover and the following factors: planning horizon ($r=0.206$, $p<0.05$), strategy implementation ($r=0.268$, $p<0.05$), emphasis business puts on strategy planning processes ($r=0.266$, $p<0.05$), business strategies meet the objectives ($r=0.233$, $p<0.05$) and satisfaction with the performance your business ($r=0.239$, $p<0.05$). These results suggest that a unit increase in the five factors is likely to contribute to a slight increase in average annual turnover.

Demographic factors associated with average annual turnover

	PROFIT	TURNOVER
PROFIT	1	
TURNOVER	0.8046*	1
Your age in years:	-0.1653	-0.148
Indicate your highest level of education	0.0592	0.0706

Indicate your experience in business management years	0.4322*	0.5851*
Is this your first business?	0.0572	0.1432
How long have you been running this business	0.4239*	0.4452*
How many employees do you employ?	0.4743*	0.5070*
Indicate the sector in which your business operates:	-0.056	0.0487
What is your role in the company?	0.0365	0.0846

Table 22: Demographic factors and annual turnover

*Significant at 5% level

Table 22 indicates that there are two demographic factors that are correlated with profit and turnover. There are moderate associations between experience in business management and annual average profit (r=0.432, p<0.05) and number of employees and average profit (R=0.474, p<0.05). There are positive stronger correlations between annual turnover the following factors: experience in business (r=0.585, p<0.05), length in running business (r=0.445, p<0.05) and number of employees (r=0.507, p<0.05). These results suggest that a unit increase in experience and in number of employees is likely to increase both annual profits and annual turnover.

4.3 Results pertaining to Hypothesis 1

H1: There is a positive significant relationship between strategic environmental scanning intensity and performance of SMME's in Gauteng province

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
SCAN_INT	99	1.75	0.05	0.50	1.647	1.846
PERFORM	99	1.55	0.05	0.50	1.446	1.645
Diff	99	0.20	0.06	0.64	0.073	0.329

Table 23: Paired t-test- scanning intensity and performance of SMMEs'

Mean (diff) = mean (SCAN_INT - PERFORM) t = 3.106 Pr(|T| > |t|) = 0.0025

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for strategic environmental scanning intensity and performance of SMME's in this study. The p-value associated with the t-test is statistically

significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. The t-statistics is positive (t=3.1), hence a conclusion can therefore be made that that *there is a positive relationship between scanning intensity and performance of SMME's.*

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
Scanning _Frequency	99	1.92	0.05	0.51	1.816	2.019
PERFORM	99	1.55	0.05	0.50	1.446	1.645
Diff	99	0.37	0.07	0.67	0.237	0.506

Table 24: Paired t-scanning frequency and performance

Mean(diff) = mean(SCAN_FREQ - PERFORM) t = 5.48 Pr(|T| > |t|) = 0.000

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for strategic environmental scanning frequency and performance of SMME's in Gauteng province. The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. The t-statistics is positive (t=5.5), hence a conclusion can therefore be made that that *there is a positive relationship between scanning frequency and performance of SMME's.*

4.4 Results pertaining to Hypothesis 2

H2: There is a positive significant relationship between deep locus of planning and performance of SMME's in Gauteng province.

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
LOCUS	99	2.34	0.04	0.38	2.261	2.412
PERFORM	99	1.55	0.05	0.50	1.446	1.645
Diff	99	0.79	0.06	0.60	0.671	0.911

Table 25: Paired t - locus of planning and performance

Mean (diff) = mean(LOCUS - PERFORM) t = 13.09 Pr (|T| > |t|) = 0.00

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for deep locus of planning and performance of SMME's in this study.

The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. The t-statistics is positive (t=13.1), hence a conclusion can therefore be made that that *there is a positive relationship between locus of planning and performance of SMME's.*

4.5 Results pertaining to Hypothesis 3

H3: There is a positive significant relationship between strategic management flexibility and performance of SMME's in Gauteng province

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
Planning flexibility	99	1.82	0.04	0.41	1.733	1.899
PERFORM	99	1.55	0.05	0.50	1.446	1.645
Diff	99	0.27	0.07	0.72	0.126	0.415

Table 26: Paired test- strategic management flexibility and performance

mean (diff) = mean (PLAN_FLEX - PERFORM) t = 3.72 Pr (|T| > |t|) = 0.003

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for deep locus of planning flexibility and performance of SMME's in this study. The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. The t-statistics is positive (t=3.7), hence a conclusion can therefore be made that that *there is a positive relationship between planning flexibility and performance of SMME's.*

4.6 Results pertaining to Hypothesis 4

H4: There is a positive significant relationship between short term strategic management planning horizon and performance of SMME's in Gauteng province

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
PLAN_H~Z	99	1.95	0.06	0.62	1.828	2.075
PERFORM	99	1.55	0.05	0.50	1.446	1.645
Diff	99	0.41	0.07	0.74	0.258	0.554

Table 27: Paired test- planning horizon and performance

mean (diff) = mean (PLAN_HORIZ - PERFORM) t = 5.44 Pr (|T| > |t|) = 0.00

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for deep locus of *planning horizon* and performance of SMME's in this study. The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. The t-statistics is positive (t=5.4), hence a conclusion can therefore be made that that *there is a positive relationship between planning horizon and performance of SMMEs'.*

4.7 Results pertaining to Hypothesis 5

H5a: There is a positive significant relationship between management **degree of emphasis on strategic nonfinancial controls** and performance of SMMEs' in Gauteng province

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
MEETOBJ	99	**1.83**	0.04	0.38	1.753	1.904
PERFORM	99	**1.55**	0.05	0.50	1.446	1.645
Diff	99	**0.28**	0.06	0.57	0.169	0.397

Table 28: Paired test- strategic control and performance

mean (diff) = mean(MEETOBJ - PERFORM) t = 4.92 Pr(|T| > |t|) = 0.0000

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for non-financial control variable of the importance of ensuring that the business employees and business strategies meet the objectives, and the performance of SMME's in this study. The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no positive relationship is rejected. The t-statistics (t=4.9) suggests that *there could be a 4.9 times positive relationship between strategic nonfinancial controls and performance of SMME's.*

H5b: There is a negative significant relationship between **financial controls** of the firm and performance of SMME's in Gauteng province.

Satisfaction with performance and business performance

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
SATISFACTION WITH PERFORMANCE	99	1.24	0.04	0.43	1.157	1.328
PERFORM	99	1.55	0.05	0.50	1.446	1.645
Diff	99	- 0.30	0.06	0.63	- 0.429	- 0.177

Table 29: Paired t-test-Satisfaction with performance

mean(diff) = mean (SATISFAC - PERFORM) t = -4.78 Pr(|T| > |t|) = 0.0000

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for *financial controls in terms of satisfaction with performance,* and the performance of SMME's in this study. The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. The t-statistics is negative (t=-4.78), suggesting that that *there could be a negative relationship between financial controls and performance of SMME's.*

Evaluation of performance and performance

Variable	Obs	Mean	Std. Err.	Std. Dev.	[95% Conf.	Interval]
EVAL	99	**1.81**	0.04	0.40	1.729	1.887
PERFORM	99	**1.55**	0.05	0.50	1.446	1.645
Diff	99	**0.26**	0.07	0.66	0.130	0.395

Table 30: Paired t-test-Evaluation of performance and Business Performance

mean(diff) = mean (EVAL - PERFORM) t = 3.94 Pr (|T| > |t|) = 0.0002

The results indicate that there is a difference (Ho: mean (diff) > 0) between the mean scores for *financial controls in terms of Evaluation of performance,* and the performance of SMME's in this study. The p-value associated with the t-test is statistically significant at 5% level (p <0.05), hence, the null hypothesis (Ho: mean (diff) = 0) of no relationship is rejected. However, the t-statistics is positive (t=12.9), suggesting that that *there could be a positive relationship between Evaluation of performance (financial controls) and performance of SMME's.*

Pathway Analysis

Different authors define the meaning of structural models in different ways. Bollen (1989, p. 4) defines a structural model as “the parameters being not of a descriptive nature of association but instead of a causal nature”. It is a statistical model that combines both regression analysis and confirmatory factor analysis (Hox & Bechger, 1998). This model was chosen because it will assist in proving how the variables are connected. The SEM Builder creates path diagrams for SEMs, fit those models, and show results on the path diagram following the following equation.

(y<-x1 x2 x3)

The analysis in this case followed an ordinal mode. Ordinal models have two or more possible outcomes that are ordered, such as responses of the form “a little”, “average”, and “a lot”; or “strongly disagree”, “disagree”, : : : , “strongly agree”. The following are the three equations followed by output.

Equation 1: sem (SCAN_INT -> PROFIT,) (SCAN_INT -> TURNOVER,) (SCAN_FREQ ->PROFIT,) (SCAN_FREQ -> TURNOVER,)

Equation 2: sem (PLAN_FLEX -> PROFIT,)(PLAN_FLEX -> TURNOVER,) (PLAN_HORIZ -> PROFIT,) (PLAN_HORIZ ->TURNOVER,) (LOCUS -> PROFIT,) (LOCUS - TURNOVER,)

Equation 3: sem (PROFIT ->PERFORM,) (TURNOVER -> PERFORM,)

In structural equation modelling, models are often illustrated in a path diagram below;

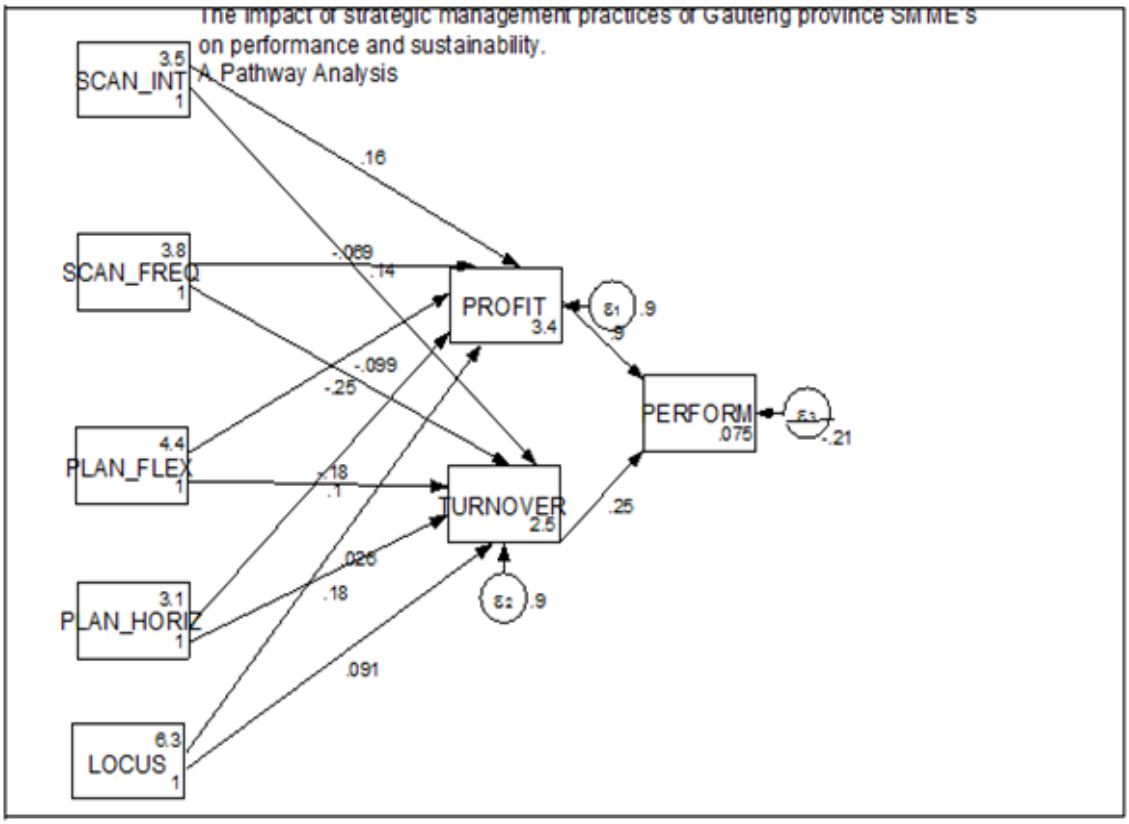


Figure 13: Pathway analysis: structured equation modelling

Figure 14 is constructed from the set of hypothesis that are based on the various hypotheses in the study. The unidirectional arrows indicate effects of scanning, planning and locus on profit and turnover on SMMEs'. In turn profit and turnover act as mediators. The following section provides multiple regression analysis to indicate the strength (magnitude of effect) of each.

Multiple Regression Analysis

In this multiple regression, the endogenous variables are the observed PROFIT TURNOVER PERFORM variables. The exogenous variables are the observed SCAN_INT SCAN_FREQ PLAN_FLEX PLAN_HORIZ LOCUS

	Coef.	Std.err	z	P>z	[95%	Conf.
Structural						
PROFIT	<-					
SCAN_INT	0.158	0.130	1.220	0.223	- 0.096	0.412
SCAN_FREQ	- 0.069	0.137	- 0.500	0.615	- 0.338	0.200
PLAN_FLEX	- 0.248	0.097	- 2.550	0.011	- 0.438	- 0.058
PLAN_HORIZ	0.101	0.110	0.920	0.359	- 0.115	0.318

	Coef.	Std.err	z	P>z	[95%	Conf.
LOCUS	0.026	0.102	0.260	0.798	- 0.174	0.227
_cons	3.364	0.923	3.640	-	1.555	5.173
TURNOVER	<-					
SCAN_INT	0.138	0.130	1.060	0.288	- 0.117	0.394
SCAN_FREQ	- 0.099	0.137	- 0.720	0.473	- 0.368	0.171
PLAN_FLEX	- 0.175	0.099	- 1.760	0.078	- 0.370	0.020
PLAN_HORIZ	0.180	0.109	1.650	0.100	- 0.034	0.394
LOCUS	0.091	0.102	0.890	0.373	- 0.109	0.291
_cons	2.457	0.933	2.630	0.008	0.628	4.286
PERFORM	<-					
PROFIT	0.901	0.026	34.170	0.000	0.849	0.953
TURNOVER	0.254	0.058	4.390	0.000	0.141	0.368
_cons	0.075	0.096	0.780	0.436	- 0.114	0.263
var(e.PROFIT)	0.896	0.057	0.792	1.014		
var(e.TURNOVER)	0.901	0.056	0.799	1.017		
var(e.PERFORM)	0.081	0.015	0.055	0.117		

Table 31: Multiple regression table

Equation 1 indicates that it is only scanning flexibility that was significant in influencing annual profit in this sample. The results show that a unit decrease in planning flexibility was likely to cause negative effects on annual profits by 24%. Equation 2 provides similar results, negative influence of planning flexibility on annual turnover (B=-0.17, P<0.1), results significant at 10% level (weak effect). Further results indicate that negative effects of scanning frequency on annual turnover (B=0.099, P>0.05), although results are not significant. Planning horizon does have positive effects on annual turnover (B=0.18, p<0.05).The third equation shows that there were positive relationships between turnover and profit and performance. Profit had up to 90% influence on performance (p<0.90, p<. 0.05), while annual turnover has 25% effect on performance (B=0.25, p<0.05).

4.5 Summary of the results

This chapter presented the data acquired from the 99 respondents. It provided the demographics of both the individual (SMME owner/manager) and the firm. Correlation analysis conducted confirmed the existence of a relationship between the independent and the dependent variables as indicated in the table below

Hypothesis	Statement	Outcome
H1	There is a positive significant relationship between strategic environmental scanning intensity and performance of SMME's in Gauteng province	True
H2	There is a positive significant relationship between deep locus of planning and performance of SMME's in Gauteng province.	True
H3	There is a positive significant relationship between planning flexibility and performance of SMME's in Gauteng province.	True
H4	There is a positive significant relationship between short planning horizon and performance of SMME's in Gauteng province	True
H5a	There is a positive significant relationship between strategic non-financial controls and performance of SMME's in Gauteng province	True
H5b	There is a negative significant relationship between financial controls of the firm and performance of SMME's in Gauteng province	True

Table 32: Hypotheses Results

The data analysis has confirmed all the hypotheses to be true, there exists a positive relationship between performance and scanning intensity, deep locus of planning ,planning flexibility, short planning horizon and strategic non-financial controls (H1,H2,H3,H4,H5a), and there exist a negative relationship between performance and financial controls. Regression analysis tested the intensity of the relationships 5 out of 6 relationships were weak, the only relationship with strong intensity was the one between planning flexibility and performance. The following chapter will discuss and interpret this results.

CHAPTER 5: DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter discusses and interprets the findings presented in chapter 4 of this study. The discussion commences with discussing the demographic profile of the respondents, outlining the characteristics of the entrepreneur which is the owner and/or manager of the SMME and the characteristics of the actual enterprises. The five tested hypothesis will then be discussed and the implications thereof. At the end of the chapter, a summary of the findings is presented. The following are the hypothesis that will be discussed later in the chapter:

H1: There is a positive significant relationship between strategic environmental scanning intensity and performance of SMME's in Gauteng province.

H2: There is a positive significant relationship between deep locus of planning and performance of SMME's in Gauteng province.

H3: There is a positive significant relationship between planning flexibility and performance of SMME's in Gauteng province.

H4: There is a positive significant relationship between short planning horizon and performance of SMME's in Gauteng province

H5a: There is a positive significant relationship between management degree of emphasis on strategic nonfinancial controls and performance of SMME's in Gauteng province.

H5b: There is a negative significant relationship between financial controls of the firm and performance of SMME's in Gauteng province.

5.2 Demographic profile of respondents

The demographics of the respondents takes into account the profile of the entrepreneur and the profile of the business ventures. The factors that account for the demographic of the entrepreneur are age, gender, level of education, experience in business management, role in company and the number of previous businesses established if any. The factors that account for the demographic of the business ventures are the number of people it employs, the number of years of operation, the sector in which it operates and the turnover and profit of the business.

5.2.1 Profile of respondents

Literature has highlighted that in South Africa the number of men in business is double that of women in business (DTI, 2005). Women entrepreneurs make up 40% of the informal sector whilst within the formal sector they make a mere 26% (Statistics SA labour Market Dynamic database, 2015), this is supported by the findings in this study as the female respondents made up 40% of the total respondents with males accounting for the 60%.

The findings of this study indicate that entrepreneurs between the ages of 18 and 35 are the largest in percentage thus 55% of overall sample. According to the (Stats SA, 2015) young people under the age of 35 accounted for 15%-20% in the formal business, this does not corroborate with the research finding of 60% based on the sample. GEM (2017) does however mention that a larger number of young people are found within the informal business sector operating micro enterprises with no employees.

The same proportion of people have diploma/degree and postgraduate degrees at 43% each , very few respondents had short certificates and only high school completed with 5% and 9% respectively. The total of 86% of the sample are educated entrepreneurs placing them at a better position to grow their business as they are able to understand various perspectives and have skills that can assist in decision making for the business (Amra et al., 2013). This finding is not in line with literature that suggests that South Africa lacks high level of education,

signified by a Global Competitive Index ranking 86 out of 144 countries in the 2014-15 World Economic Forum.

42% of the sampled entrepreneurs have between 1-5 years business management experience, 10% have less than one year experience with 2% of that having no experience of managing a business. The remainder of the entrepreneurs 48% have over 5 years' experience in managing a business. Literature has indicated a correlation between numbers of years of experience with the success of the business. More than half (67%) of the respondents stated that they have established a business prior to the current business in operation, 41% of them had established more than 2 businesses, 36% established 2 businesses and 23% had established 1 business.

The findings suggest that most (85%) SMMEs' are run by their owners, there was only 9% of owners not managing their businesses and 6% of managers who manage businesses they do not own.

5.2.2 Profile of organisation

Literature has indicated that most SMME's do not exist beyond 5 years (Mohutsiwa, 2012), the findings in this study indicate that over 65% of SMME's are less than 5 years in operation this corroborates with literature as it argues that most SMME's either grow out of the SMME categorization or discontinue with the operations.

The sectors within which the businesses operate were taken from (Stats SA 2015). The largest number of respondents 23% operate within the finance and business service sector followed by retail, which accounts for 14%, the least was agriculture with only 1%. According to the (Stats SA, 2015) around half of the formal micro and small businesses are in businesses services and retail, and agriculture was the smallest represented industry which, from this it can be deduced that the findings of the study align with literature with regards to industry representation in small businesses. According to the evidence from literature and the study findings, it can be resolved that the agriculture sector is not favourable for SMMEs'.

Most (61%) of the sampled SMMEs' have less than 5 employees followed by 26% who have between 5-20 employees. South Africa has a large number of self-employed entrepreneurs hence the country is still struggling with high unemployment rates. This might have to do with the sectors which the country's SMMEs' are active in, South Africa does not have high activity within the manufacturing, agriculture and mining sector which could be sectors that create high employment.

According to literature a large number of SMMEs' have a turnover of less than R500 000, this is in line with the findings of the research as the largest number of SMMEs' (38%) had a turnover of less than R150 000. The findings also indicate that 22% of the SMMEs' have a turnover of between 2 million and 25 million. Even with the impressive turnover numbers there are still 15% of the SMMEs' that have not had profit for 3 years. Overall 54% of the SMME's sampled have been consistently growing for the past 3 years compared to the 34%, which seem be unstable in relation to growth and 11% that are deemed to be declining with incremental losses for 3 successive years.

One third of the SMMEs' have been operating for less than 3 years, a bit more than a third had been operating for 3 to 5 years, then 5-10 years and over 10 years were 21% and 13% respectively.

5.3 Discussion pertaining to Hypothesis 1

H1: There is a positive significant relationship between strategic environmental scanning intensity and performance of SMMEs' in Gauteng province.

The analysis for hypothesis 1 indicate that the p-value associated with the t-test is statistically significant at 5% level ($p<0.05$), thus the null hypothesis of no relationship is rejected. The t-statistics is positive ($t=3.1$) resulting in a conclusion that there exists a positive relationship between scanning intensity and performance of SMME's. Even though there is a relationship between scanning intensity and SMME performance the intensity of the relationship is weak ($\beta=0.16$,

p>0.05). The relationship between the 2 variables suggest that it is to an extent important for SMME's to scan their environment in order to identify opportunities or threats to their business which can have an impact on their performance. Literature has confirmed that for firms to gain competitive advantage and perform they need to scan the external environment (Strandholm & Kumar, 2003). The conclusion is that SMMEs' need to scan their external environment in order to improve performance.

5.4 Discussion pertaining to Hypothesis 2

H2: There is a positive significant relationship between deep locus of planning and performance of SMME's in Gauteng province.

The study explored the existence of a relationship between locus of planning and performance of SMME's. The p-value associated with the t-test is statistically significant at 5% level ($p<0.05$), therefore the null hypothesis of no relationship is rejected. The t-statistics is positive ($t=13.09$), this suggest that a conclusion can be reached that a positive relationship exists between deep locus of planning and performance of SMME's. The relationship is however weak ($\beta=0.03$, $p<0.05$. This finding suggests that deep locus of planning which means the involvement of all levels of the organisation in the planning has some but very little impact on performance of SMMEs'. Deep locus of planning has proven to have a positive impact on performance of big corporations (Cohen & Bailey, 1997; Guzzo & Dickson, 1996). As seen with information in the study, large number of SMMEs' have less than 5 employees and the most owners are in a dual role of manager and owner this could be the reason deep locus of planning has a positive but weak relationship with performance. The fact that the study confirms a positive relationship requires that SMMEs' even with fewer employees need to include their employees in strategic planning. The lower level employees are the ones that interact directly with the consumers of the product or service, therefore they are at a better position to have valuable inputs that can feed into the strategy planning.

5.5 Discussion pertaining to Hypothesis 3

H3: There is a positive significant relationship between planning flexibility and performance of SMMEs' in Gauteng province.

The study discovered that there is a positive relationship between planning flexibility and performance of SMME's. The p-value associated with the t-test is statistically significant at 5% level ($p<0.05$), therefore the null hypothesis of no relationship is rejected. The t-statistics is positive ($t=3.72$). Out of all the hypothesis tested in this study this is the relationship with the strongest intensity ($B=-0.17$, $P<0.1$). This finding is supported by Clarkin and Rosa (2005) indicating that high performance by firms requires a flexible strategic planning process. Literature has indicated that formal and rigid strategic plans are not conducive for a dynamic firm that needs to constantly innovate, for SMMEs' to perform and be sustainable they require this flexible planning processes, this provides the firm with agility to respond to and experience high level of performance (Clarkin & Rosa, 2005; Dibrell et al., 2014; Anwar & Hasnu, 2017)

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5.6 Discussion pertaining to Hypothesis 4

H4: There is a positive significant relationship between short strategic management planning horizon and performance of SMMEs' in Gauteng province

Planning horizon looks into how far in the future the organisations plan. The study examined the relationship between planning horizon and performance of SMMEs'. The p-value associated with the t-test is statistically significant at 5% level ($p<0.05$), therefore the null hypothesis of no relationship is rejected. The t-statistics is positive ($t=5.44$), the finding support the notion that there is a positive relationship between planning horizon and performance of SMMEs'. The intensity of the relationship is however weak ($\beta=0.101$, $p>0.05$. This finding suggests that short planning horizon has a positive impact on performance of SMMEs'. Barringer and Bluedorn (1999) suggest that firms that are in turbulent environment require shorter planning horizons less than 5 years as their need to

innovate is key to the firms' performance. This finding suggest that for SMMEs' to perform they need to plan in the short term aligning the plans with the current environment. Long term planning in a turbulent environment is not practical as by the time the plan is to be executed the environment would have changed and require a new plan. The study finding confirm that short term plans are performance enhancers.

5.7 Discussion pertaining to Hypothesis 5

H5a: There is a positive significant relationship between management degree of emphasis on strategic nonfinancial controls and performance of SMMEs' in Gauteng province.

In the investigation of the association between non-financial strategic controls and SMME performance, the results confirmed that there exist a positive significant relationship between the two variables (t=4.9). This suggests that SMMEs' deem it important that the employees meet the strategic objectives of the firm and that the more this measures are seen as key to the business the higher the chance of performance in profits and turnover.

H5b: There is a negative significant relationship between financial controls of the firm and performance of SMME's in Gauteng province.

The firm's satisfaction with their financial performance represents financial controls. The test conducted confirmed a negative relationship does exist between firm performance and the financial controls (t=-4.78). This proves the negative association as hypothesised and literature supports this notion as Barringer and Bluedorn (1999) argue that firms that encourage creativity and innovation deem financial controls not beneficial. The second factor representing financial controls was the evaluation of performance, this factor in contrary to the first factor representing financial control proved to have a positive relationship with performance (t=12.9). This can be because not all firms promote creativity and innovation, conservative firms would find financial controls important for performance. This hypothesis is therefore partially supported. Lastly meeting the

strategic objectives has a positive influence on performance (5a), is not of benefit to the small business to have plans and not ensure that they are executed.

5.8 Conclusion

Clarkin and Rosas (2005) suggest that planning flexibility must be a requirement to allow optimal firm performance (supported by H3), the finding in this study support this statement as the association between planning flexibility and performance came out the strongest of all the hypothesized relationships. Practically, the implication of these results are that SMME's need to have in place strategic planning processes that can easily adapt to the turbulent environment and they need the right resources with the right skills and knowledge to be able to scan the environment (supported by H1). They need to find ways to include some of the employees who are not necessarily in management in part of the strategic management phases (supported by H2), and they need to have short-term plans for immediate implementation (H4) and adaptation to the various changes in the environment. There needs to be a balance in financial controls to ensure they work towards promoting performance (H5b) this means promoting creativity whilst still ensuring that performance is evaluated.

CHAPTER 6: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1 Introduction

This chapter discusses the conclusion of this study based on the empirical evidence presented in chapter 4 and 5. The chapter covers the summary of the hypothesis and the overall contribution of this research paper to the SMMEs' and the entrepreneurship body of knowledge. The chapter will also include the implications, recommendation and limitations of the study. Lastly, suggestions for future research are presented.

6.2 Conclusions of the study

The aim of this study was to examine whether strategic management practices could be a catalyst to SMME performance. Data for this study was collected from 99 managers and owners of SMMEs' in Gauteng province. The study evaluated the following constructs under strategic management: scanning intensity, locus of planning, planning flexibility, planning horizon and strategic and financial control attributes. The above constructs have to do with being aware of the environment within which the SMME's operate in order to identify opportunities or discover threats and position the firm to exploit this opportunities and manage the threat for improved performance. The study uses turnover and profit to measure performance of the SMMEs'. The hypotheses explore an association between each factor of the strategic management practices and the SMME performance factors.

The findings have indicated that there is a significant association between all the factors of strategic management and SMME performance. The hypothesized relationship between SMME performance and the factors of strategic management (scanning intensity, deep locus of planning, planning flexibility, short planning horizon and strategic and financial control attributes) measured

was proven true through correlation analysis, respectively H1 (t=3.1), H2 (t=13.09), H3 (t=3.72). H4 (t=5.44), H5a (t=4.9). H5b (t=-4.78) and (t=12.9).

After confirming that all the hypothesized relationships exist, multiple regression was conducted to determine the intensity of the relationships. The findings revealed that only the relationship between planning flexibility and SMME performance was strong, the rest of the relationships were weak.

6.3 Implications and Recommendations

The study has implications on theory, practice and policy.

6.3.1 Theory

Theoretically, the study provides an opportunity to explore theoretical methods to examine aspects of strategic management that can be a catalyst to the performance of SMMEs' in Gauteng. The research has also closed the identified knowledge gap within enterprise development and strategic entrepreneurship and has added to the entrepreneurship body of knowledge, the research findings from the study will form a base for further research.

6.3.2 Practical

Practically, the study provides recommendations for SMME owners and managers that can be implemented and increase their chances of improved performance through strategic management.

6.3.3 Policy

The study will assist policy makers with the necessary information required to develop policies that are supportive of SMME activities and will place them at a better position to improve their strategic management practices.

6.3.4 Recommendations

Based on the correlation between SMME performance and scanning intensity, locus of planning, planning flexibility and planning horizon government need to exert effort into assisting SMME to effectively implements the strategic management practices that will aid in improving performance.

The external environment places pressure on firm performance (Kroeger, 2007) making it more important for SMME managers and owners to have the necessary knowledge and skills so scan the environment. To ensure that the owners and managers build on this knowledge and skills required government can intervene. Government and its agencies can develop training programmes for SMME managers and owners that will focus on strategy management. According to GEM (2014) a large number of formal and informal SMME have shown interest in attending training that would assist them with their businesses. More than 50% of formal businesses and more than 70% of informal businesses would attend training that is offered at no charge whilst 78% of informal business owners are prepared to pay a small fee (Lekhanya, 2015)

SMMEs' are not in a position to pay for consultant to assist them with their strategy management, as part of the services offered to SMMEs' , government could have a consulting house, as part of the department of small businesses; the focus of the consulting house will be to assist SMMEs in with their strategic planning and evaluation. There is imperial evidence that proper strategic management practices can lead to performance of SMMEs, this can potentially lead to more successful SMMEs' therefore more employment creation, which is high on government's agenda.

The policy makers can include strategy management as part of the incubation programmes currently offered by government. Large corporates can assist small businesses in strategy management; this will ensure that post the incubation stage the SMME is in a position develop and manage growth strategies without the support of the big corporates.

6.4 Limitations of the study

The data in this study was collected from one SMME database (Mzanzi Business Forum) and other SMME networks of the researcher, which yielded the 99 participant responses used in the study compared to the initially anticipated sample of 350. There was difficulty in attaining SMME databases one of which was the Chamber of Small Businesses, which was contacted and confirmed they are prohibited from sharing their database or distributing the questionnaire to their database.

The response rate was really slow, the researcher needed to constantly send reminders for the questionnaire to be completed, and this is because the target was managers and owners of SMMEs' who are extremely busy and therefore did not prioritise completing the questionnaire

6.5 Suggestions for further research

The study was limited to the Gauteng area as the province with the largest number of SMMEs' in South Africa; therefore, researchers can conduct a study including all the other provinces in South Africa to cover the South African Context or another emerging country to determine the outcome differences and similarities.

Future researches can conduct a similar study for a specific sector, as this study was not sector specific.

A further study can investigate what are the specific strategic management needs or services that SMMEs believe government can assist in offering.

Sustainability through strategic management can be explored as possible future research.

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APPENDIX A

Research instrument

Strategic Management Practices as a catalyst for SMME performance in the Gauteng province

Who I am

I am Middah Tseka (Student Number: 1119088). I have enrolled for a Masters of Management in Entrepreneurship and New Venture Creation at Wits Business School as part of the programme I am conducting this research in the efforts of successfully completing the masters programme.

What I am doing

I am conducting a quantitative study to investigate the influence of SMME's strategic management practices on performance SMMEs' in the Gauteng province

Your participation

I am asking for 15 minutes of your time to complete a survey. Kindly note that your participation is voluntary and should you wish not to participate you will not be prejudiced in any way.

Consent

I hereby agree to participate in the research on strategic management practices as a catalyst to SMME's performance in the Gauteng province. I understand that I am participating voluntarily and that should I wish to stop participation at any point I will not be prejudiced.

I understand that this research project purpose in not necessarily of benefit to me personally in the immediate or short term.

I understand that my participation will remain confidential

I consent ☐

1. The following questions will help me find out more about you and your business. Where relevant select the block that best corresponds to your answer.

1.1 Your age in years:

1. 18 – 35 ☐
2. 36 - 45 ☐
3. 46 – 60 ☐
4. Older than 60 ☐

Your gender: 1. Female ☐ 2. Male ☐ 3. Other ☐

1.2 Indicate your highest level of education

1. Some primary school ☐ 2. Primary school completed (grade 7) ☐
3. Some high school ☐ 4. High school completed ☐
5. Short programme completed ☐ 6. Diploma/Degree completed ☐
7. Post graduate qualification completed ☐

1.3 Indicate your experience in business management years

1. No Experience ☐
2. Less than 1 year ☐
3. Greater than 1 year to 5 years ☐
4. Greater than 5 years to 10 years ☐
5. Greater than 10 years ☐

1.4 Is this your first business? 1. Yes ☐ 2. No ☐

1.5 If no to 1.6 above how many businesses have you previously started?

1. 1 Business ☐
2. 2 Businesses ☐
3. Greater than 2 businesses ☐

1.6 How long have you been running this business

1. 3 – 5 years ☐
2. 5 – 10 years ☐
3. Over 10 years ☐

1.7 How many employees do you employ?

1. Less than 5 employees ☐
2. 5 to 20 employees ☐
3. 21 to 50 employees ☐
4. 51 to 200 employees ☐
5. Greater than 200 employees ☐

1.8 Indicate the sector in which your business operates: (**Select only one option**)

1. Manufacturing ☐ 2. Mining ☐
3. Agriculture ☐ 4. Transport and Communications ☐
5. Finance and Business Services ☐ 6. Wholesale and Retail ☐
7. Construction ☐ 8. Electricity, gas & water ☐
9. Tourism ☐ 10. Trade and accommodation ☐
11. Other ☐

1.9 What is your role in the company?

Owner/Manager ☐
Owner ☐
Manager ☐

1.10 Which of the following would best describe your business in the past 3 years?

Growing (Consistent growth, profit for 3 years) ☐
Declining (No profit for 3 years) ☐
Not stable (Both growth and decline in the past 3 years ☐

1.11 What was your average turnover for the past 3 years?

Less than R150 000	☐
R151 000 -R500 000	☐
R501 000 - R2 million	☐
R2million to R25 million	☐
R25 million to R50 million	☐
Greater than R50 million	☐

1.12 What was your average profit for the past 3 years?

No profit	☐
Less than R150 000	☐
R151 000 -R500 000	☐
R501 000 - R2 million	☐
R2million to R25 million	☐
R25 million to R50 million	☐

2 STRATEGIC MANAGEMENT QUESTIONS

THE SCANNING INTENSITY SCALE

Please indicate which response aligns with the frequency of scanning device by circling the number that best represents your observation (Selecting 1 means no usage, selecting a 5 means very high usage, and selecting a 3 means neutrality)

2.1 Rate the extent to which the following scanning devices are used by your business to gather information about the business environment

		No Usage	Some Usage	Moderate Usage	High Usage	Very High Usage
a.	Routine gathering of options	1	2	3	4	5
b.	Explicit tracking of the politics and tactics of competitors	1	2	3	4	5
c.	Forecasting sales, customer preferences, technology, etc.	1	2	3	4	5
d.	Special marketing research studies	1	2	3	4	5
e.	Trade magazines ,government publications, news media	1	2	3	4	5
f.	Gathering of information from suppliers and other channel members	1	2	3	4	5

(Source: Miller and Friesen, 1982).

SCANNING FREQUENCY

The following statements are aimed at determining the frequency of factors collected and used by your business.

Please indicate which response aligns with the frequency of scanning device by circling the number that best represents your observation (Selecting **1** means no collection of information, selecting a **5** means very high frequency of collection of information, and selecting a **3** means neutrality)

2.2. How often do you collect information to remain abreast of changes of the following areas?

		Never	Less Frequently	Moderate Frequency	Frequently	Very Frequently
a.	Demographic (Life style, social values of society)	1	2	3	4	5
b.	Economic factors (interest rate GDP etc.)	1	2	3	4	5
c.	Political factors (New processes, materials, law)	1	2	3	4	5
d.	Technological factors (new products, processes, systems, materials)	1	2	3	4	5
e.	Competitor strategies (pricing, Distribution)	1	2	3	4	5
f.	Gathering of information from suppliers	1	2	3	4	5

(Source: Hambrick, 1982).

THE PLANNING FLEXIBILITY SCALE

2.3. Please indicate how difficult it is for your business to change its strategic plan to adjust to each of the following possibilities (Selecting 1 means high level of difficulty, selecting a 5 means no difficulty at all, and selecting a 3 means neutrality)

	Extremely easy	Somewhat easy	Neither easy nor difficult	Somewhat difficult	Extremely difficult
a. The emergence of new technology	1	2	3	4	5
b. Shifts in the economic condition	1	2	3	4	5
c. Market entry of new Competition	1	2	3	4	5
d. Changes in government regulations	1	2	3	4	5
e. Shifts in customer needs and preferences	1	2	3	4	5
f. Modification in supplier strategies	1	2	3	4	5
g. Emergence of an unexpected opportunity	1	2	3	4	5
h. Emergence of unexpected threat	1	2	3	4	5
i. Political developments that affect your industry	1	2	3	4	5

(Source: Barringer and Bluedorn, 1999).

THE PLANNING HORIZON SCALE

Planning horizon is the length of the future time that decision makers consider in planning

2.4. What degree of emphasis do you/decision makers place on the length of planning horizon of the business?

		Very little emphasis	Some emphasis	Emphasis	Moderate emphasis	Considerable emphasis
a.	Less than a year	1	2	3	4	5
b.	1 to 2 years	1	2	3	4	5
c.	3 to 5 years	1	2	3	4	5
d.	More than 5 years	1	2	3	4	5

THE LOCUS OF PLANNING SCALE

There are 5 stages within strategic management namely:

1. Goal formation
2. Scanning the business environment
3. Strategy formulation
4. Strategy implementation
5. Evaluation and control phase

2.5. To what extend is each of the following categories involved in the GOAL FORMATION PHASE?

(1 represents no involvement, 5 represents substantial involvement and 3 represents neutrality)

		No Involvemen	Somewhat Involvemen	Involvement	Moderate Involvement	Substantial Involvement
a.	Owners	1	2	3	4	5
b.	Management	1	2	3	4	5
c.	Rank-and-file employees	1	2	3	4	5

2.6. To what extend is each of the following categories involved in the SCANNING THE BUSINESS ENVIRONMENT PHASE?

(1 represents no involvement, 5 represents substantial involvement and 3 represents neutrality)

	No Involvemen	Somewhat Involvemen	Involvement	Moderate Involvement	Substantial Involvement
a. Owners	1	2	3	4	5
b. Management	1	2	3	4	5
c. Rank-and-file employees	1	2	3	4	5

2.7. To what extend is each of the following categories involved in the STRATEGY FORMULATION PHASE?

(1 represents no involvement, 5 represents substantial involvement and 3 represents neutrality)

	No Involvemen	Somewhat Involvemen	Involvement	Moderate Involvement	Substantial Involvement
a. Owners	1	2	3	4	5
b. Management	1	2	3	4	5
c. Rank-and-file employees	1	2	3	4	5

2.8. To what extend is each of the following categories involved in the STRATEGY IMPLEMENTATION PHASE?

(1 represents no involvement, 5 represents substantial involvement and 3 represents neutrality)

	No Involvemen	Somewhat Involvemen	Involvement	Moderate Involvement	Substantial Involvement
a. Owners	1	2	3	4	5
b. Management	1	2	3	4	5
c. Rank-and-file employees	1	2	3	4	5

2.9. To what extend is each of the following categories involved in the STRATEGY CONTROL AND EVALUATION PHASE?

(1 represents no involvement, 5 represents substantial involvement and 3 represents neutrality)

		No Involvemen	Somewhat Involvemen	Involvement	Moderate Involvement	Substantial Involvement
a.	Owners	1	2	3	4	5
b.	Management	1	2	3	4	5
c.	Rank-and-file employees	1	2	3	4	5

2.10. Please indicate to what level of emphasis your business puts on strategic planning processes.

(1 indicates the business places no emphasis on strategic planning process, 5 represents strong emphasis and 3 represents neutrality)

		Very little emphasis	Little emphasis	Emphasis	Moderate emphasis	Considerable emphasis
a.	Development of mission statement	1	2	3	4	5
b.	Long-term plans	1	2	3	4	5
c.	Annual goals	1	2	3	4	5
d.	Short-term action plans	1	2	3	4	5
e.	Evaluation of strategic objectives	1	2	3	4	5

(Source: Boyd and Reuning-Elliot, 1988)

THE STRATEGIC CONTROL SCALE

MANAGEMENT CONTROL FACTOR

2.11. How important is each of the following in ensuring that the business employees and business strategies meet the objectives.

(1 represents unimportant, 5 represents extremely important and 3 represents neutrality)

		Not at all important	Slightly important	Important	Moderately important	Extremely important
a.	Face to face meetings between management	1	2	3	4	5
b.	Informal face to face meeting between managers and functional personnel statement	1	2	3	4	5
c.	Measuring performance Against subjective strategic areas such as customer satisfaction	1	2	3	4	5
d.	Annual goals	1	2	3	4	5
e.	Short-term action plans	1	2	3	4	5
f.	Evaluation of strategic objectives	1	2	3	4	5

(Source: Barringer and Bluedorn, 1999)

2.12. How important is each of the following in evaluating performance.

(1 represents unimportant, 5 represents very important and 3 represents neutrality)

		Not at all important	Slightly important	Important	Moderately important	Extremely important
a.	Return on Investment	1	2	3	4	5
b.	Cash flows	1	2	3	4	5
c.	Operating profit	1	2	3	4	5
d.	Sales Growth Rate	1	2	3	4	5
e.	Market Share	1	2	3	4	5
f.	Market Development	1	2	3	4	5
g.	New Product Development	1	2	3	4	5

SATISFACTION

2.13. Please review the following and indicate your level of satisfaction with the performance areas in your business.

(1 represents extremely dissatisfied, 5 represents extremely satisfied and 3 represents neutrality)

		Extremely dissatisfied	Slightly dissatisfied	Satisfied	Moderately satisfied	Extremely satisfied
a.	Return on Investment	1	2	3	4	5
b.	Cash flows	1	2	3	4	5
c.	Operating profit	1	2	3	4	5
d.	Sales Growth Rate	1	2	3	4	5
h.	Market Share	1	2	3	4	5
i.	Market Development	1	2	3	4	5
j.	New Product Development	1	2	3	4	5

(Source: Gupta and Govindarajan, 1984)

END OF QUESTIONNAIRE

Thank you very much for agreeing to participate in the study. Your inputs are highly valued

APPENDIX B

Consistency matrix

Research problem: Assess strategic management practices of SMMEs' in Gauteng province and establish their influence on SMME performance.					
Sub-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
Evaluate the impact of strategic environmental scanning intensity on performance of SMME's in Gauteng province.	(Box 1991). (Muralidharan, 2003). (Aguilar, 1967). (Murimbika & Urban, 2014). (Hay & Williamson, 1997); (Barringer & Bluedorn, 1999); (Temtime, 2003); (Strandholm and Kumar, 2003)	**H1:** There is a positive significant relationship between strategic environmental scanning intensity and performance of SMME's in Gauteng province.	Survey data gathered using research instrument: Section 1 Question 1.6 – 1.18 and Section 2 Questions 2.1 and 2.2	Nominal	Correlation Analysis Regression analysis
Evaluate the impact of strategic locus of planning and performance of SMME's in Gauteng province	(Reid, 1989); (Cohen & Bailey, 1997); (Guzzo & Dickson, 1996).	**H2:** There is a positive significant relationship between deep strategical locus of planning and performance of SMME's in Gauteng province.	Survey data gathered using research instrument: Section 1 Question 1.6 – 1.18 and Section 2 Questions 2.5 - 2.10	Nominal	Correlation Analysis Regression analysis

Research problem: Assess strategic management practices of SMMEs' in Gauteng province and establish their influence on SMME performance.					
Sub-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
Evaluate the impact of strategic management flexibility on performance of SMME's in Gauteng province	(Kukalis, 1989); (Newman, 1963); (Kroontz, 1958)	**H3:** There is a positive significant relationship between strategic management flexibility and performance of SMME's in Gauteng province.	Survey data gathered using research instrument: Section 1 Question 1.6 – 1.18 and Section 2 Questions 2.3	Nominal	Correlation Analysis Regression analysis
Evaluate the impact of short term strategic management planning horizon and performance of SMME's in Gauteng province.	(Das, 1991); (Das, 1987); (Clarkin & Rosa, 2005)	**H4:** There is a positive significant relationship between short strategic management planning horizon and performance of SMME's in Gauteng province	Survey data gathered using research instrument: Section 1 Question 1.6 – 1.18 and Section 2 Questions 2.4	Nominal	Correlation Analysis Regression analysis

Research problem: Assess strategic management practices of SMMEs' in Gauteng province and establish their influence on SMME performance.					
Sub-problem	**Literature Review**	**Hypotheses or Propositions or Research questions**	**Source of data**	**Type of data**	**Analysis**
Evaluate the impact of control attributes (strategic financial and non-financial controls) on performance of SMME's in Gauteng province.	(Goold & Campbell, 1987)	**H5a:** There is a positive significant relationship between management degree of emphasis on strategic nonfinancial controls and performance of SMME's in Gauteng province.	Survey data gathered using research instrument: Section 1 Question 1.6 – 1.18 and Section 2 Questions 2.11	Nominal	Correlation Analysis Regression analysis
	(Barringer & Bluedorn, 1999)	**H5b:** There is a positive significant relationship between financial controls of the firm and performance of SMME's in Gauteng province.	Survey data gathered using research instrument: Section 1 Question 1.6 – 1.18 and Section 2 Questions 2.12 and 2.13	Nominal	Correlation Analysis Regression analysis