DURBAN UNIVERSITY OF TECHNOLOGY

# Strategic Management in Construction Firms with Focus on Small and Medium Enterprises

By

Amit Rambaruth

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**Supervisor:**
Professor J.K Adam

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## DECLARATION

I, Amit Rambaruth, declare that:

The dissertation submitted is my original work. It has not been submitted to any other Tertiary Institution. Where use of the work of others was made, it has been duly acknowledged in the text.

SIGNED DATE: 02/05/2021

**A RAMBARUTH**

I hereby certify that the above statement is correct.

SIGNED: _ DATE: 02/05/2021

**PROFESSOR J.K. ADAM**

**M.Med Sc, HED, D.TECH: Clinical Technology**

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This study is dedicated to:

The omnipotent and omnipresent Bhagawan Sri Sathya Sai Baba, who as guided and protected me throughout my journey in life. He has taught me to be patient, truthful and to be selfless. I am forever grateful to Swami and will continue to live by the divine values; truth, non-violence, right conduct, peace and love.

Love all, Serve all. Help ever, Hurt never.
- Sathya Sai Baba -

To my parents, thank you for all the love and support. You have instilled good values in me and for that I am forever grateful to you.

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# ABSTRACT

Small and Medium Enterprises (SMEs) play a vital role in the economy and have contributed significantly to the growth of the economy, however, there is still a high failure rate. Many face a threat of failure within the first few months of establishment and the lack of strategic planning may prevent them from achieving their full potential.

The aim of the study is to investigate Strategic Management in Construction Firms with Focus on Small and Medium Enterprises. The study intends to conduct a full investigation into the use of strategic management amongst SMEs. The findings will provide insight for SMEs on whether or not there are any benefits in adopting a strategic plan. The research will address the factors that influence the adoption of Strategic Management in an organisation, to identify influencing factors that contribute to strategic management to improve performance and to identify challenges faced by SMEs in implementing a strategic plan. There is a need for a clear understanding of the extent to which SMEs use strategic management in their organisation and the challenges that they are experiencing in strategic management.

The data were collected from 105 small and medium enterprises in the eThekwini region using an online survey tool. The respondents were asked to complete a self-administered questionnaire. The data for this study was then analyzed using Statistical Packages for the Social Sciences (SPSS) version 26.0. The research concluded that that majority of the eThekwini-based SMEs in the construction industry are applying strategic management practices in their business and through this application they have improved the performance of their business. The study also concluded that there were high levels of agreement with the influencing factors that drove SMEs to adopt a strategic plan and high levels of agreement with the contributing factors of strategic planning in improving performance of the business. Furthermore, the

study found that there were high levels of agreement with the challenges facing the implementation of a strategic plan in an organisation. Given, the positive results of strategic management, it is recommended that SMEs adopt strategic management in their businesses and attain the necessary knowledge that is required to implement a strategic plan. It is also recommended that SMEs develop procedures and policies to address the challenges faced in implementing a strategic plan, thereby, ensuring effective strategic planning in their operations.

# Table of Contents

# ACRONYMS

| | | |
|---|---|---|
| SMEs | - | Small and Medium Enterprises |
| SMMEs | - | Small, Medium and Micro Enterprises |
| CIDBS | - | Construction Industry Development Board |
| B-BBEE | - | Broad-Based Black Economic Empowerment |
| E-V-R | - | Environment, Values and Resources |
| SWOT | - | Strengths, Weaknesses, Opportunities and Threats |
| RBV | - | Resource-based view |
| PESTEL | - | Political, Economic, Sociocultural, Ecological, Technological and Legal |
| SPSS | - | Statistical Packages for the Social Sciences |
| BEE | - | Black Economic Empowerment |
| CIPC | - | Companies and Intellectual Property Commission |
| CC | - | Close Cooperation |

# LIST OF TABLES

# LIST OF FIGURES

# LIST OF APPENDICES

# CHAPTER ONE
# INTRODUCTION

## 1.1 Introduction

This chapter presents an understanding of strategic management in the construction firms, with focus on Small and medium enterprises (SMEs). The construction industry is known for their contribution to the South African economy. The sector is considered the drivers of employment creation and is well known for their contribution to infrastructure development (Anamalay, 2014). Ntuli (2015) adds that the industry is sensitive to political environment and socio-economic environment. South Africa acknowledges the importance of active participation of Small and medium enterprises in the economy. They contribute to the growth of economy by creating employment and alleviating the social ills that exist in the country (Anamalay, 2014). Even though, these businesses contribute significantly to the economy, there is still a high failure rate of SMEs in the sector (Anamalay, 2014).The strategic management process "which develops and implements decisions on the future direction of the organisation is vital for the survival of any organisation because it helps companies adapt to changing environment and is applicable to all management levels and all types of organisations" (GICĂ, 2011). This study seeks to investigate strategic management in construction firms with focus on small and medium enterprises to establish if there are any factors that influence the adoption of strategic management in organisations, to identify the contributing factors of the strategic management in Small to Medium Enterprises to improve performance and to identify the challenges faced by Small to Medium Enterprises in implementing a strategic plan.

## 1.2 Background

Globally, Small, Medium and Micro Enterprises (SMMEs) remain the driving force of economies. They contribute significantly to the growth of employment, alleviating poverty and contributing to innovations in the sector. However, there is a high failure rate and poor performance among small and medium enterprises. According to research by Global Entrepreneurship Monitor, “small businesses create 50 percent of all employment opportunities in South Africa and contribute more than 45 percent of the country’s gross domestic product” (Zulu, 2014). Statistics have shown that only 37 percent of small businesses survive in the first four years and a 9 percent chance of survival leading up to 10 years. Statistics also indicate that 70 to 80 percent of SMEs fail in the first year (Zulu, 2014).

Although most firms agree that a good strategy lays the foundation for growth and development, many of these firms do not know or agree on what constitutes a good strategy (Barney and Hersterly, 2006). According to Barney and Hesterly (2006), having a good strategy can add value to an organisation, however, many seem to be divided in agreeing on what a strategy is and what contributes to a good strategy. According to George (n.d), a business strategy is a set of guidelines that must be followed to achieve a specific goal. Without a coherent strategy, a business has no direction in pursuing opportunities and cannot identify its objective, which results in lack of focus and vision needed to move the organisation forward.

## 1.3 Problem Statement

Small and Medium Enterprises have contributed greatly to the growth of the economy, however, there is still high failure rate (Anamalay, 2014). Many face a threat of failure within the first few months and the lack of strategic planning may prevent them from achieving their full potential (Corman and Lussier, 1996). When starting a business there is always a possibility of success or failure (Anamalay, 2014). Many experts cite “lack of planning, improper financing and poor management as the main cause of business failure” (Corman and Lussier, 1996). There are many benefits of running a small business however owners face a greater or equal number of challenges of running a small business. Challenges involve the inability to hire qualified staff, lack of funds for expansion, limited or non-existence credit with suppliers and poor planning and management (Corman and Lussier, 1996). Many of these disadvantages can be linked to improper planning and misuse of funds (Corman and Lussier, 1996).

In addition, Mtshali (2017) indicated that the high failure rate of small businesses is a global issue. However, South Africa and other developing countries face greater challenges such as poverty and social issues (Mtshali, 2017). Furthermore, post-apartheid South Africa encountered social issues such as skills shortages, basic education, unemployment, crime and racism (Nhleko, 2017). Small businesses play a vital role in the South African economy. They create the much-needed jobs which help resolve some of the social issues (Mtshali, 2017). In view of that, it is imperative for government and other stakeholders to address these issues by empowering small businesses (Nhleko, 2017). Moreover, there is a need to understand how small businesses can utilize the strategic management processes to better manage their businesses (Mtshali, 2017).

In South Africa, the construction industry has received much growth in the sector over the years. The growth of the sector is due to the amount of investment made by the public and private sector. Many of these construction firms have the skill and resources to complete projects (Ntuli, 2015). However, they did not plan for the uncertain times. Having the knowledge to predict trends in the business cycles is important for the survival of a construction firm. Products and services are always changing or improving in the market (Ntuli, 2015).

The construction industry operates in an environment that is always changing and dictates that management adopt varying approaches to manage change based on their experience. The strategies that are adopted by construction firms reflects the quality of their services and control over finances. The nature of the construction environment has forced organisations to adopt strategies that can adapt to the uncertain environment. Insolvency is the inability of an organisation to meet its financial obligations. The high failure rate is mostly among the small and medium enterprises in South Africa. Construction Industry Development Board (CIDB) statistics presented, as of 24 June 2015 (Table 1.1) that there were 94 987 companies registered, whereby, 17 453 were suspended, expired or deregistered. Statistics revealed that 90% of emerging black contractors did not survive the first five years in the construction industry (Ntuli, 2015).

Table 1.1: Number of Construction Companies Registered as of 24 June 2015

| Grade | Number of Registered Companies | Active Companies | Expired / Suspended / Deregistered Companies |
|---|---|---|---|
| 1 | 84 306 | 66 849 | 17 457 |
| 2 | 3 709 | 3 709 | 0 |
| 3 | 1 385 | 1 386 | -1 |
| 4 | 1 831 | 1 833 | -2 |
| 5 | 1 276 | 1 276 | 0 |
| 6 | 1 363 | 1 364 | -1 |
| 7 | 724 | 724 | 0 |
| 8 | 279 | 279 | 0 |
| 9 | 114 | 114 | 0 |
| **Total** | **94 987** | **77 534** | **17 453** |

Source: Adapted from Ntuli, 2015.

Strategic planning involves formulating and implementing long and short-term goals of an organisation. Small, Medium and Micro Enterprises (SMMEs) in South Africa play a vital role in the economy and government considers SMMEs as an economic empowerment vehicle for disadvantage people. SMMEs receives support from government, however, they still face challenges in the market. Some of these challenges relate to education and training, limited excess to financial resources and technological changes in the environment. Management competencies are critical in the growth of a business. These management competencies can be defined as sets of knowledge, skills, and behaviour. Inadequate training and education has resulted in SMMEs having a high failure rate (Chimucheka, 2013).

According to Kristi Webb, construction business owners have made it through tough times, and this has been happening for decades. The common thread among these businesses is the willingness to survive in the tough markets. In this tough economic time’s businesses need to do more than just survive. They need to grow and prepare for the uncertainty. Having a strategic plan today can help organisation reap the benefits of future opportunities and give them that competitive advantage in the market.

Research has shown that there is a high failure rate of SMEs, and therefore, a need for this study was established. This study intends to conduct a full investigation into the use of strategic management amongst SMEs. The findings will provide insight for SMEs on whether or not there are any benefits in adopting a strategic plan. Furthermore, there is a need to identify:

- The factors that influence the adoption of strategic management in organisations.
- The contributing factors of the strategic management in Small to Medium Enterprises to improve performance.
- The challenges faced by Small to Medium Enterprises in implementing a strategic plan.

In view of the above factors, this research will consist of a quantitative study of Small to Medium Enterprises that operate in the eThekwini Municipality.

## 1.4 Focus of the Study

The aim of the study is to investigate strategic management in construction firms with focus on small and medium enterprises. Literature has shown that SMEs are critical role players to the economy. However, it is disappointing that majority of the SMEs fail in the volatile markets. Their high failure rates are due to the challenges that they face.

## 1.5 Research Questions

1. What are the factors that influence the adoption of strategic management in an organisation?
2. What are the influencing factors of strategic management that contribute to the organisation’s performance?

3. What are the challenges faced by small and medium enterprises in adopting a strategic plan?

## 1.6 Objectives

The objective of this research are as follows:

1. To investigate the factors that influence the adoption of strategic management in an organisation.
2. To identify the contributing factors of the strategic management in Small to Medium Enterprises to improve performance.
3. To identify challenges faced by Small to Medium Enterprises in implementing a strategic plan.

## 1.7 Delimitation

The study investigates Strategic Management in Construction Firms with Focus on Small and Medium Enterprises. The geographic delimitation for the research is the eThekwini Municipality. The survey, which is the primary source for data collection, will be directed to managers and employees who are involved in the strategic planning process.

## 1.8 Research Methodology

A detailed review of literature was conducted using academic material such as, journal articles, books and web resources. A survey of hundred and six (106) selected SMEs that are registered with the Construction Industry Development Board and that fall within the eThekwini region will be carried out. The study will focus on a sample population of eThekwini-based contractors that are registered with the Construction Industry Development Board and who are actively involved in civil work. The research will adopt a quantitative research and the data collection instrument will be a questionnaire. The questionnaires will be distributed to SMEs via an online survey tool and once the data is received, it will be analysed using SPSS statistical package and the necessary statistical tests will be conducted.

## 1.9 Chapter Outline

- Chapter 1 - Introduces the background and general overview of the study.
- Chapter 2 – Provides a detailed literature review of the research.
- Chapter 3 – Provides details of the research methodology.
- Chapter 4 – Presents the results of the questionnaire.
- Chapter 5 – Presents the conclusion and recommendations of the study.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 The South African Construction Industry

The construction industry is known for its complex characteristics and risks associated with projects. In the past decade, construction projects have proven to be more challenging and this is mainly due to tough budgets and project schedules (Gunduz and Yahya, 2015). The construction industry operates in an environment that is always changing and dictates that management adopt varying approaches to manage change based on their experience. The strategies that are adopted by a construction firm reflect the quality of their services and their control on finances. The nature of the construction environment has forced organisations to adopt strategies that can adapt to the uncertain environment (Ntuli, 2015). In the 1960's the sector was characterized by having long-term stability in the construction market. Furthermore, in the 1980's and 1990's there were low levels of demand for construction work as the role of government as key players in the sector declined (Ntuli, 2015). The tried and tested methods could not be used, and organisations struggled to remain in business.  South Africa has been subjected to all of these trends (Ntuli, 2015).

According to Cokayne (2019), 2018 has been the one of the toughest years for the construction industry. The economy is facing a number of challenges. Cutbacks on government spending, poor performing state-owned entities (SOEs) and corruption are underlined as major risks to the construction industry. The industry recorded a decline of 14.3% in the face value of construction projects awarded compared to 2017 and reported a decrease in tender activity following the elections period. In 2019, the infrastructure budget was cut by 12% and as result, it left the construction industry unsettled (Gaultier, 2019). The civil construction sector relies on government spend to keep the industry afloat and their performance plays a critical role in the sector.

SOEs are the big spenders of government’s budget. Government expects to spend at least 43% of the infrastructure budget in the next three years (Cokayne, 2019).

The decline in infrastructure projects is of great concern to the construction industry. However, the industry remains optimistic. The industry is struggling and as a result, several construction companies are filing for business rescue (Gaultier, 2019). Sustainability is the key element to success for small businesses in the construction industry (Gunduz and Yahya, 2015).

The barriers to entry for the construction industry remains low, which encourages black entrepreneurs to enter the market, thereby, increasing competition. Many of these start-up companies are inexperienced and may experience difficultly with finances or a lack of technical or managerial expertise and as a result, many businesses fail. Therefore, government has taken initiatives, such has Broad-Based Black Economic Empowerment (B-BBEE) and the Construction Industry Development Board (CIDB) to support black owned companies (Anamalay, 2014).

## 2.2 Small, Medium and Micro Enterprises (SMMEs) In South Africa

The definition of a small and medium enterprise differs from one country to another. The guiding piece of legislation that defines and classifies a South African Small, Medium and Micro Enterprise is the National Small Business Act of 1996 as amended in 2003 and 2004 (Anamalay, 2014). According to Kibuuka and Tustin (2019), “the National Small Business Act of 1996 as amended in 2003 and 2004 describes Small, Medium and Micro Enterprises (SMMEs) as: A separate and distinct business entity, including co-operative enterprises and nongovernmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy and which can be classified as micro, a very small, a small or medium enterprise”. The National

Small Business Act of 1996 as amended in 2003 and 2004 rank SMMEs according to the number of employees employed, turnover and gross business value. The factors such as number of employees employed, turnover and gross business value differ across the various business sectors. Table 2.1 below illustrates the classification of SMMEs in the construction industry:

Table 2.1: Classification of SMMEs in construction industry

| **Column 1** | **Column 2** | **Column 3** | **Column 4** | **Column 5** |
|---|---|---|---|---|
| **Sector or subsector in accordance with the Standard Industrial Classification** | **Size of class** | **The total full-time equivalent of paid employee** | **Total turnover** | **Total gross asset value (fixed property excluded)** |
| Construction | Medium | 200 | R 26m | R 5m |
| | Small | 50 | R 6m | R 1m |
| | Very Small | 20 | R 3m | R 0.5m |
| | Micro | 5 | R 0.20m | R 0.10m |

Source: Adapted from National Small Business Amendment Act, 2003 and 2004.

Small to Medium Enterprises is the key to future growth, transformation and job creations. They are critical in delivering the millions of jobs and lessening the unemployment rate and poverty of the country (Chiloane-Tsoka and Boya, 2014). South Africa will not achieve sustainable growth if the private sector is not competitive and innovative. SMEs play a critical role in job creation and their contribution to the economy comes from various sectors (Chiloane-Tsoka and Boya 2014; Williams Jr. *et al,* 2018; Bruwer *et al,* 2018; Karadag, 2015; Anamalay, 2014; Singh, 2019; Kibuuka and Tustin 2019). They considered as economic units that drive socioeconomic policies, both nationally and internationally (Karadag, 2015).

Although Small to Medium Enterprises have contributed to the sector, many are plagued by high failure rates and poor performance (Wang, Elizabeth and Redmond, 2007; Singh, 2019). Approximately 70% of South African SMMEs fail in the first four years of operations (Bruwer *et al.,* 2018).The failure of these businesses results in the increase in the countries social ills; unemployment and crime. Small and medium enterprises play a vital role in social-economic growth of the country. In South Africa, SMMEs contribute approximately 52% of the country's gross domestic product (GDP). They have the capacity to reduce unemployment and poverty in the country through job creation and innovations (Kibuuka and Tustin, 2019). Small businesses tend to cease opportunities in the market and provide the necessary products and services which intern satisfies the market (Williams Jr. *et al*, 2018). It is, therefore, imperative that South Africa and the various stakeholders develop and equip these SMMEs in achieving their success in the corporate world (Chiloane-Tsoka and Boya, 2014).

According to Singh (2019), small businesses do not evaluate the environment they operate in and as a result, they do not take advantage of the opportunities in the environment. Furthermore, small firms do not have the strategic vision to direct the firm to these opportunities and growth. The two major factors that contribute to the high failure rate in small businesses are inadequate managerial support and poor planning within the business. Muspratt (1984) mentioned that the construction industry is inexperienced in strategic planning procedures and that some managers have little or no knowledge of strategic planning.

Small and Medium Enterprises (SMEs) tend to distant themselves from the traditional practices of strategic management. The traditional approach entails a formal plan and controlled activities. Due to the nature in which SMEs operate and the lack of resources, they tend to adopt a more flexible approach to strategic management (Karadag, 2015). Although SMEs tend to have an informal approach to strategic management, there is still a need for formal planning in the environmental scanning and strategy formulation phases. SMEs can allow for flexibility in the strategy implementation phase (Karadag, 2015).

The implementation of strategic management is the focus in Small to Medium Enterprises. Although strategic management has advantages, many SMEs do not use it because they believe it is only for large firms. Some organisational strategies are informal and unstructured. However, they have some sort of direction as to where they are heading compared to an organisation that have no strategy. Studies have shown that there are benefits in empowering managers and employees in an organisation. SMEs must adopt a practical and proactive approach (Christou, 2015). The strategic management process has this approach to decision making, i.e., it is logical, systematic, and objective in determining an organisation's future direction (Christou, 2015).

The global economic crisis affects small businesses negatively, however, Chiloane-Tsoka and Boya (2014) claims that having the necessary mitigating strategies in place could assist businesses in better managing potential risks. SMMEs tend to overlook strategic management in their organisation. Going through a strategic management process allows an organisation to identify its challenges, opportunities and assist an organisation to develop a competitive advantage over rivals to achieve their goals (Karadag, 2015). According to Kibuuka and Tustin (2019), SMEs that adopt a strategic objective tend to be more focused on growth within the business and it provides a formalized structure of the business. For example, an informal small business may want to formally register a business and create a business plan in order to attract investments. Therefore, it is imperative for SMEs to consider adopting a strategic approach in their businesses.

## 2.3 Introduction to Strategic Management

The definitions of strategy vary from one author to another, yet they all have the same characteristics. According to Ehlers and Lazenby (2010), strategy refers to a deliberate action that an organisation pursues, with the intention to gain a competitive advantage over rivals. Similarly, the purpose of strategy is to "beat the competition" by creating business design that emphasizes on target market (customer), finances (profits), rivalry (Competitive strategies) and opportunities (Abraham, 2006). Furthermore, strategies are basically a set of plans that an organisation creates. These plans state the organisations mission and objectives (Hunger and Wheelen, 2007). The main objective of strategy is to develop a business design that creates value for the customer and business (Abraham, 2006). Strategic management is an ongoing process that involves analysis of decisions and actions taken by an organisation. McCabe (2010) compares strategy to a form of 'art and science', where the science component refers to be one of scientific calculations and the art form to be intuitive skills, like having a hunch and 'good judgment'.

Considering that strategic management was a new concept in the early twentieth century, literature suggests that the origin of the concept date back to ancient times (McCabe, 2010). The term strategy, expressed in Greek "*stategos*" refers to a military general, who is the highest ranked and leader in the army (McCabe, 2010). The word "*stategos*" is a combination of *stratos* (army) and *ago* (lead). With these definitions in mind the concept of strategic management developed and evolved over time (McCabe, 2010).

The main priority of the Romans and Greeks were to attack and defend their territory. Men were recruited to create armies and those who effectively organized their men were highly ranked and promoted (McCabe, 2010). In order to achieve the desired outcome, the General of the Army formulated strategies on how to defeat their opponents and deployed his warriors (resources) to undertake the mission (McCabe, 2010). Notably, the men who led their armies to victory possessed certain skills and attributes, i.e., confidence and courage in their decision-making. These characteristics are prevalent in today's managers and business owners (McCabe, 2010). The term tactics in the battlefield refers to actions that were formulated and executed on the field (McCabe, 2010).

From the above, it is apparent that the concept of strategic management had evolved over time and the key concepts such as strategy, planning and competitive advantage had been used back in the day. In the light of this discovery, it is also evident that the strategic management concepts and processes are prevalent in today’s cooperate world.

## 2.4 Understanding Strategic Management

Strategic management can be defined as a science of formulating, implementing and evaluating decisions (David, 2013). The main purpose of strategic management is to exploit new opportunities and gain a competitive advantage over rivals. There are three stages to the strategic management process that assist organisations in gaining a competitive advantage over rivals, i.e., strategy formulation, strategy implementation and strategy evaluation (David, 2013).

Strategic Management refers to a series of long-term decisions and action taken by the organisation. The purpose of having strategic management is to strengthen the organisations market position and to accrue internal resources to gain an advantage over rivals (Parthasarthy, 2007). Small and medium enterprises (SMEs) tend to overlook strategic management in their organisation. The processes of strategic management allow an organisation to identify opportunities and challenges. The process also aids in the development of competitive advantage for the organisation (Karadag, 2015).

Strategic planning consists of practices that question, where the organisation is heading, what is the current position of the organisation, where the organisation wants to be and what are the challenges encountered. Organisations envisage a place or position that they want to be in and set out a plan of action to position themselves in the near future. The concept of strategic planning is known worldwide and adopted across all sectors because of its effectiveness. Strategic planning is the systematic process where decisions are made for the organisation's future, goals, resources, market, performance and tools of measurement are determined. (Sandada, Pooe and Dhurup, 2014). Strategic planning involves decision-making. Small business leaders must decide on which management practices or approach that they need to take in order to increase performance in their organisation (Williams Jr. *et al*., 2018).


Figure 2.1: E-V-R (Environment, Values and Resources) Strategy
Source Adapted from Thompson, Scott and Martin 2017, *Strategic Management: Awareness and Change.* Eight-edition pg. 114.

According to Thompson, Scott and Martin (2017), E-V-R strategy (Figure 2.1) represents the three forces (Environment, Values and Resources) that affect the organisation development. Organisations must be mindful of these forces and leaders must be able to identify the changes in the environment and be able to respond to the opportunities presented or potential threats (Thompson, Scott and Martin, 2017). Furthermore, the strategic leader must manage the resources effectively to gain a competitive advantage over rivals and to take advantage of opportunities presented (Thompson, Scott and Martin, 2017). Likewise, the culture and values must be aligned to the vision and mission of the organisation (Dess, Lumpkin, and Eisner, 2007). The traditional definition of strategic management can be defined as a process that involves the formulation, implementation and monitoring of strategies, however, Thompson, Scott and Martin (2017) have noted a component that is now critical in managing strategies, which is the "ability to manage strategic change". The environment in which organisation operate in is forever changing (Dess, Lumpkin, and Eisner, 2007). Innovations and creativity are required to better manage the change (Thompson, Scott and Martin, 2017). An organisation can take advantage of the opportunities presented in the markets through innovations – "spotting key opportunities". Destructive or negative change also affects the business. It is, therefore, critical for organisations to label these changes as threats to the organisation (Thompson, Scott and Martin, 2017). Strategies that were implemented can now be improved or changed to adapt to the environment (Ehlers and Lazenby, 2010). There is a need for business to understand the "strategic value of the resources" (Thompson, Scott and Martin, 2017). Furthermore, these resources contribute to the organisation's performance and objectives.

## 2.5 Strategic Management Process

Every organisation has a vision, mission and objectives. They might not be formal, but they do exist. Strategy formulation, implementation and evaluation activities should be an ongoing process. Organisations must start of by evaluating the existing strategies and make the necessary changes. The existing strategy or plan will inform the new strategy of the strengths that the firm has and even dictate a particular course of action (David, 2013).

According to Dess, Lumpkin, and Eisner (2007), there are three ongoing processes in the strategic management process:

1. *Strategic Analysis*

   Strategic Analysis refers to the study of the organisations, goals and objectives, internal and external environment, and the assessment of the firm's intellectual assets.

2. *Strategy formulation*

   There are several levels to strategy formulation. An organisation must identify the market it wants to operate in and how it plans to operate in the market to gain a competitive advantage.

3. *Strategy implementation*

   Strategy implementation involves corporate governance, effective plans and structures of the organisation, and ethical leadership. In addition, strategic controls are implemented to achieve the business objectives, "effective strategies are of no value if they are not properly implemented". Therefore, it is imperative that organisations identify the barriers to strategy implementation.

   Factors to consider when making a strategic choice (Chiloane-Tsoka and Boya, 2014):

   - Appropriateness
     Refers to an organisations available resources and how it responds to the environment it operates in.

- Feasibility
  Is it feasible to take on the strategy and do we have the necessary resources?

- Desirability
  Looks at the strategies that meet the organisation objectives and stakeholders' expectations.

- Validity
  Refers to the logic and accuracy or strength of the strategy in question.

- Attractiveness to Stakeholders
  Refers to the stakeholder's perceptions of an organisation. Organisations requires the stakeholders buy in when making strategic choices.

- Consistency
  Relates to the strategic direction of the organisation. Is the strategy in line with the organisations objectives and are they consistent in their approach?

According to Ehlers and Lazenby (2010), there are various benefits in adopting strategic management in your business. However, these benefits may differ from business to business – depending on the internal and external factors that influence the organisation. Organisations that adopt strategic management in their business tend to show improvements in their profits and turnover, increased productivity through structured planning of resources and materials, improved communications with internal and external stakeholders and improved employer and employee relations. It also creates a sense of belonging and commitment amongst employees – employees feel empowered. Additionally, strategic management provides an outline for employees to better understand and contribute to the process (Ehlers and Lazenby, 2010).

## 2.6 Vision & Mission statements

Strategy formulation involves vision and mission statements, long-term objectives and a selection of the strategies (Figure 2.2). The formulation of strategies begins with a plan and the process of creating this plan is known as strategic planning. The formulation of strategies begins with long-term plans and analysis of the organisation (David, 2013).

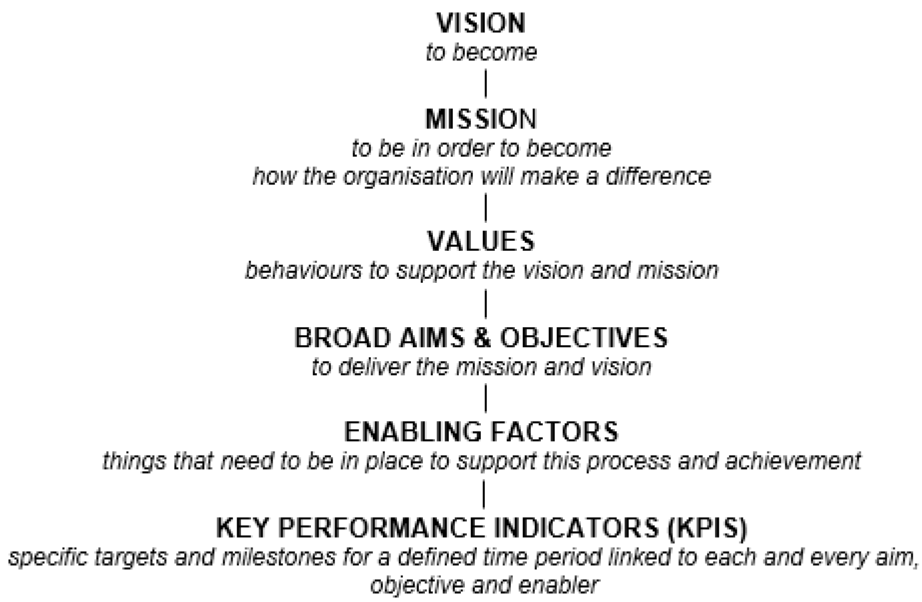


Figure 2.2: Vision, mission and objectives: a hierarchy of terminology
Source Adapted 0from Thompson, Scott and Martin 2017, *Strategic Management: Awareness and Change.* Eight-edition pg. 80.

A vision is considered to be an idea that is imaginary. A vision statement is a shared idea by leaders; it displays the desired approach or image of the organisation in the near future (Abraham, 2006). According to Dess, Lumpkin, and Eisner (2007), “A vision may or may not succeed.” A vision statement is not a one fit all remedy; it may at times erode the organisation's credibility. Hence, there is a need to understand why visions fail. Listed below are some of the failures identified by Dess, Lumpkin, and Eisner (2007):

- The vision presented by an organisation does not relate to actual or desired outputs by management. Employee morale and enthusiasm can change if senior management's behaviour is not aligned with the vision of the organisation. Often, vision statement has catchy slogans such as "total quality" or "teamwork" which are not backed up by management thus losing the desired outcome.
- The vision is disconnected to the environment it operates in. It is unable to identify the strengths, weakness, opportunities and threats of the business.
- Managers tend to search for that one vision to solve the firm's problems when they fall short of their expectations. A vision alone is not the remedy for deficiencies in the organisation and managers must stand accountable for their actions.
- The organisation is constantly focusing on vision statements and employees buy in, thus leading to missed opportunities or innovative thinking. The vision proposes a promising future but takes no account of the hostile environment.

The strategic management process has a mission statement, which determines what the firms does now and wants to do in the future (Parthasarthy, 2007). The mission statement reflects the purpose of the business, "who the company is and what it does." It describes the status of the business and the future intent of the business: the strategic vision of the organisation. A mission statement is specific in the manner in which one competes. It promotes the values of the business and identifies the scope of services and/or products (Hunger and Wheelen, 2007).

Thompson, Scott and Martin (2017) argue that a vision and mission statement should not state the obvious or be generic in nature. Each organisation has its own unique purpose and competitive advantage. Therefore, a generic statement is of no value to an organisation. An effective mission statement comprises of all aspects of business including stakeholder engagements. The components of a mission statement, as defined by Ehlers and Lazenby (2010) are as follows:

- Product/Service, Market and Technology

  An organisation must specify the product and/or service, the market it intends in operating in and the technology that will be used in the delivery of goods and services. The three components combined describes the organisations activities. Therefore, it is essential to label these components as a minimum requirement when drafting a mission statement.
- Survival, Growth and Profitability

  Businesses need to generate a profit in order to survive and grow. There is no specific reference to the term survival in a mission statement. Yet it is considered to be the goal of the organisation.
- Philosophy of the organisation

  The philosophy of an organisation refers to the beliefs and values of the organisation. These beliefs and values are often used in the mission statement or form part of the statement as a framework. It provides a guideline of conduct on how an organisation should be managed.
- Public Image

  The image or perception of the organisation is illustrated through the mission statement. A mission statement can change the way the public or customers perceive the organisation.
- Self-concept of the Organisation

  The expression self-concept of the organisation describes the way an organisation perceives itself. The concept allows an organisation to identify its strengths and weaknesses, and to take advantage of opportunities and reduce the effective threats.

- Customer and Quality

  The addition of customer and quality to mission statements has gained popularity amongst organisations. The customer component identifies the customers' needs and target market, whereas the quality component displays the excellence of the organisation.

## 2.7 Strategic Objectives and Goals

According to Dess, Lumpkin, and Eisner (2007) strategic objectives are the key elements in achieving organisations goals. A mission statement describes the purpose of the business and the market it intends on competing in, whereas strategic objects provide the detail or breakdown on how the organisation intends on achieving its vision and mission. The objective must be aligned with vision of where the organisation is going (Thompson, Scott and Martin, 2017). They are specific in nature and provide guidance in achieving the goals that are set out (Dess, Lumpkin, and Eisner 2007). Thompson, Scott and Martin (2017) simplify the terms objective and strategy. An objective is linked to the goal of the organisation and deals with the "why" segment in the organisation - the reason for operating in the industry. Whereas, strategy relates to the "what", what are the plans to achieving the desired objective?

(Dess, Lumpkin, and Eisner, 2007), For objectives to be meaningful, they need to satisfy certain criteria:

- The objective must be measurable.
- There must be a display of the progress in achieving the desired objective.
- It must be specific.
- The objective must specify what needs to be done.
- It must be appropriate.

- The objective must be aligned with the vision and mission statement of the organisation.
- It must be realistic.
- The targets set out must be achievable.
- It must have a period.
- There must be a stipulated time in achieving the objective.

## 2.8 Stakeholders in Strategic Management

The King III report introduces an inclusive approach, where the interests of stakeholders are now relevant to the organisation's strategic intent (Ehlers and Lazenby, 2010). A stakeholder is defined as a "group or individual who can affect, or is affected by, the performance of the organisation". Stakeholders have an influence in the organisation's strategic decisions. An organisation may want to improve the quality of their products and services by investing in new technology, thus leading to higher profits for the organisation, which benefits the shareholders and customers. However, the decision is not that simple considering the possible effect it has on employees and managers. The new advancement (Figure 2.3) could result in job losses and dissatisfied employees and trade unions (Thompson, Scott and Martin, 2017).

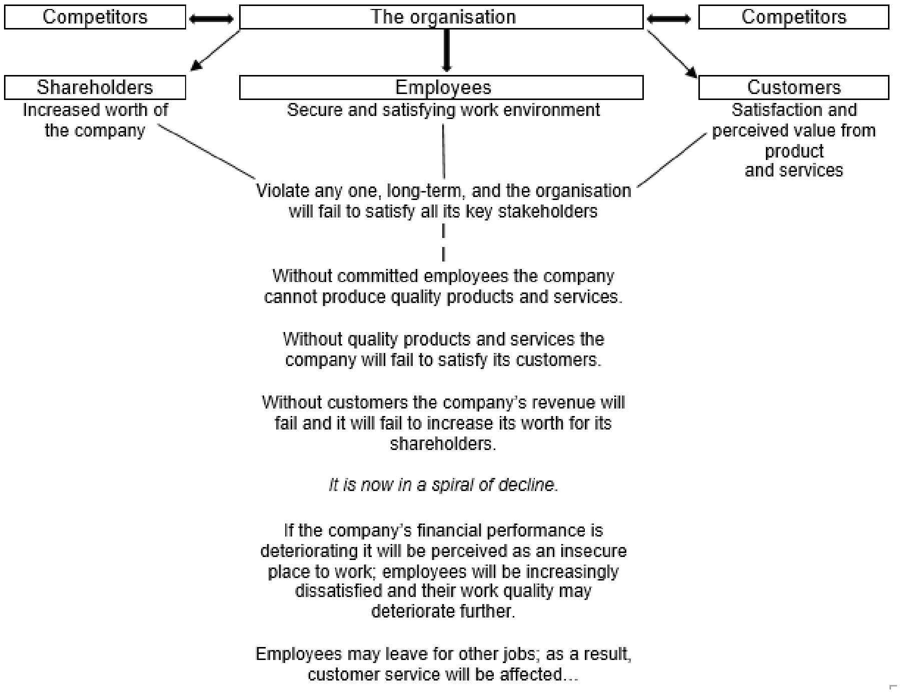


Figure 2.3: Satisfying stakeholders

Source Adapted from Thompson, Scott and Martin 2017, *Strategic Management: Awareness and Change.* Eight-edition pg. 90.

Dess, Lumpkin, and Eisner (2007), explains the role of stakeholder management in the strategic management process. Managers tend to view the role of stakeholders in two ways:

The first perspective relates to the view that all stakeholders are competing for the organisation's attention and resources, and that the stakeholders are at opposing ends. This concept is termed the "zero sum" perspective (Dess, Lumpkin, and Eisner, 2007). For example, the decision to increase employees' wages may satisfy the demand by employees. However, the organisation must factor in the effects it has on profits and shareholders. Similarly, suppliers may increase the price of goods and services. The increase from supplier results in higher production cost for the organisation, thus leading to lower profits and dissatisfied shareholders. The zero-sum perspective stems from the conflict

between employees and management. This conflict has led to the separation between employees and management (Dess, Lumpkin, and Eisner, 2007).
The second perspective explores the concept of dependency amongst stakeholders – “stakeholders are dependent upon each other for their success and well-being”. This concept is termed the “symbiosis” perspective, where two or more groups of individuals work together and benefit from each other’s contribution (Dess, Lumpkin, and Eisner, 2007).

According to Ehlers and Lazenby (2010), stakeholders play a vital role in creating organisational wealth. The key components to sustaining a good relationship amongst the diverse stakeholders lies in the manner in which organisations balance out the interests of stakeholders (Ehlers and Lazenby, 2010). Moreover, communications are equally important – building relationships that will strengthen the organisation rather than it just being transactions between the various stakeholders (Ehlers and Lazenby, 2010). It is, therefore, imperative for managers and business owners to understand the needs or concerns of the stakeholders when formulating the mission statement and strategies of the organisation.

## 2.9 Environmental Scanning

### 2.9.1 Internal Environmental Scanning of the Organisation

An organisation’s internal environment consists of various resources and capabilities. Improving on these resources and capabilities could lead to a competitive advantage for the organisation. For organisations to create a competitive advantage through capabilities and resources, one needs to evaluate the internal environment. By doing so, the organisation can reconfigure itself to achieve its strategy (Ehlers and Lazenby, 2010). This process allows the organisation’s an opportunity to identify gaps in the organisation structure and gives a realistic view of the requirements (Ehlers and Lazenby, 2010). Additionally, it allows for theories and techniques such as, the SWOT analysis, resource-based view and value chain analysis to be applied (Figure 2.4).

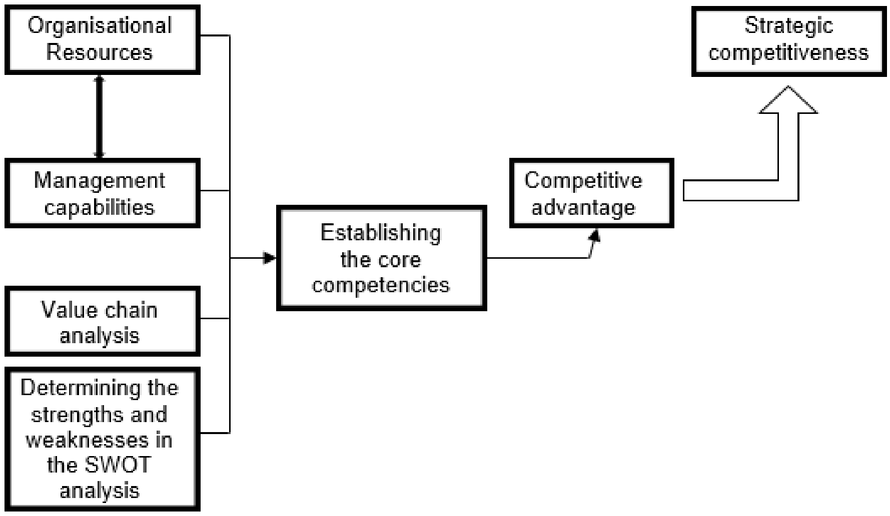


Figure 2.4: The relationship between internal analysis and strategic competitiveness

Source Adapted from Ehlers and Lazenby 2010, *Strategic Management: Southern African Concepts and Cases.* Third-edition pg. 111.

#### 2.9.1.1 SWOT Analysis

According to (Hunger and Wheelen, 2007), “SWOT is an acronym” that describes the organisations strengths, weaknesses, opportunities and threats. The SWOT analysis provides a framework the internal environmental analysis (Strengths and Weaknesses) and the external environmental analysis (Opportunities and Threats). From the analysis, managers and owners can assess the internal capabilities and resources of the organisation and identify the trends in the external environment (Ehlers and Lazenby, 2010).

The goal in achieving a successful strategy lies in the strategic fit between the internal and external conditions, where the capabilities and resources are equipped for the needs of the external environment (Abraham, 2006). Furthermore, an organisation must capitalize on their strengths and take full advantage of their opportunities (Abraham, 2006). The strengths of the organisation identify the areas in which the organisation has done well in (Abraham, 2006). Whereas weaknesses identify the areas for improvements (Abraham, 2006). The term “opportunity” refers to a favourable time for one to act (Ehlers and Lazenby, 2010). Opportunities are presented in many forms, e.g., a drop on interest rates, shutting down of a competitor, improved market conditions (Ehlers and Lazenby, 2010). The term “threat” refers to situation or circumstance that has a negative impact on the organisation (Ehlers and Lazenby, 2010).

According to Dess, Lumpkin, and Eisner (2007), the SWOT analysis tool provides a simplistic approach in identifying an organisation’s strengths, weaknesses, opportunities and threats. However, it must not be the only theory or methodology in evaluating the organisations internal and external environment. The SWOT analysis only identifies the organisations strengths, weaknesses, opportunities and threats; it does not propose methods in achieving a competitive advantage (Dess, Lumpkin, and Eisner, 2007). It is akin to listing a “highly creative product designer” as a strength to the organisation that intends to produce low-cost products (Dess, Lumpkin, and Eisner, 2007). If the organisation considers recruiting or retaining the highly skilled individual, the cost of hiring the individual could affect the organisation’s cost advantage and offer very little competitive advantage for the organisation (Dess, Lumpkin, and Eisner 2007). Dess, Lumpkin, and Eisner (2007), underlines the limitations of SWOT analysis; the focus on the external environment is too narrow – Organisations tend to only consider what their competitors and customers are doing and how technology is evolving.

i) The SWOT analysis does not factor in-changes to the peripheral environment, “the need to redefine industry boundaries and identify a whole new set of competitive relationships.
ii) The SWOT analysis only reveals the outcomes for a specific time.

Even though SWOT remains simplistic, organisations can also use the tool to understand the business and operations (Ehlers and Lazenby, 2010)

#### 2.9.1.2 Value chain analysis

The value chain analysis is a systemic process that analyzes specific internal activities. These activities create value at each stage of process and in turn produces a valuable product or service for customers (Ehlers and Lazenby, 2010). Customers demand value for purchases, and it is therefore imperative for organisations to create this value for buyers This value refers to the amount that a buyer is willing pay for a specific product or service (Dess, Lumpkin, and Eisner 2007). An organisation is only profitable when the revenue exceeds the total cost of production; the monetary value of raw material is not same as the monetary value of the finished product. Similarly, the value of metal is not the same as value of a car (Ehlers and Lazenby, 2010).

Thompson, Scott and Martin (2017) identify two factors that contribute to the organisation’s strategic success, i.e., the behaviour in which the firm conducts itself and the manner in which it is managed. Michael Porter created the value analysis framework, which identifies two groups of activities that create value for customers. Primary activities consist of input logistics, operations, output logistics, marketing and customer service. These activities relate to the physical process of creating a product or service and customer value. This value is achieved through effective and efficient measures that are in place. Support activities consist of financial management, general administration and infrastructure, human resources management, technological development and procurement (Ehlers and Lazenby, 2010). These activities are known as support functions, they constantly provide support to the core functions of the business, and as a result, the supporting functions adds value to the process (Ehlers and Lazenby, 2010).

Hunger and Wheelen (2007) outlines the key steps in analyzing the activities in the value chain:

1. Analyze the activities in the value chain and take note of the strengths (competencies) or weakness.
2. Study the linkages between the various activities and identify the value that each activity creates. For instance, an organisation could identify a link between marketing (value created through sales performance) and quality (value created through cost reduction). To gain competitive advantage over rivals each activity can perform the same function but have different results. For example, an organisation can decide that they want all employees to perform quality checks in their departments. These quality inspections by employees could result in an increase in production cost. However, the increase in production cost could offset the saving in reducing staff that fix defective products and contribute to increased sales – sales department could concentrate more on selling the product rather than attending to defective products and complaints.
3. Analyze the interactions between the various activities in the value chain or business units.

Each activity plays an important role in the value chain and is interconnect. The effects of mismanagement of activities can be detrimental; organisations may experience inventory shortfalls, drop in sales or ineffective distribution methods. An organisation's value chain activity must be aligned with the organisation's strategy. For example, if an organisation intends on pursuing a cost strategy, the value chain must support this strategy by minimizing cost (Ehlers and Lazenby, 2010).

#### 2.9.1.3 Resource-Based View

The resource-based view (RBV) gained momentum in the 1980s and 1990s, where several organisations invested in developing their existing resources to gain a competitive advantage amongst rivals (Thompson, Scott and Martin, 2017). Having an effective and efficient resource base has proven to be a key factor in gaining a competitive advantage; history is testament to the advantages of having certain strengths and expertise. The Roman and Greeks considered people as their greatest strength (McCabe, 2010).

The concept combines the understanding of the internal analysis (The state of the company) and the external analysis (What are the competitors and Industry doing?). The model assesses the exclusivity and value of the resource, and the extent to which competitors can imitate the resources (Dess, Lumpkin, and Eisner, 2007).

However, the RBV is based on a simplistic view of the markets. It does not bring into prospective the peaks and falls of the market. The construction industry is known for experiencing this phenomenon of fluctuating markets, which is governed by the economic conditions. In addition, strategic thinkers or management should investigate "how those successful organisations managed their resources in order to achieve sustainable competitive advantage" considering the tough economic conditions – how did they use their resources during this time? (McCabe, 2010).

Tangible assets, Intangible assets and business capabilities are resources used by organisations to gain a competitive advantage and are known as distinctive capabilities of the business (Ehlers and Lazenby, 2010). Examples of tangible assets, intangible assets and business capabilities are as follows (Dess, Lumpkin, and Eisner, 2007):

**Tangible Assets (Fixed Asset)**

- Financial – Firms Cash.
- Physical – Plant and Equipment, Land & Buildings.
- Technology – Groundbreaking production processes.

- Organisational - Procedures, Processes, Control systems and Strategic planning practices.

**Intangible Assets**

- Human – Skilled employees and Managerial expertise.
- Innovations – Capabilities of the business.
- Reputation – Establishment of the Brand, Reputation with clients and suppliers.

**Business capabilities**

- Exceptional customer service and quality.
- Innovative products or services.
- Employee retention – Developing and retaining staff.

The illustration (figure 2.5) shows the success factors in integrating tangible assets, intangible assets and business capabilities. Dell Incorporation had strengthened its value chain capabilities and interrelationships to satisfy the market demand. They had a unique way of selling their products; by selling products directly to customers with a "user-configurable" approach. Dell seized the market opportunities and satisfied the market by (1) introducing e-commerce to the sales department – direct sales to customers. (2) They linked their operations to the sales options, allowing for flexible assembly lines (Dess, Lumpkin, and Eisner, 2007).

Dell Incorporation invested in their intangible assets and introduced proprietary assembly procedures that are not easy to duplicate (Dess, Lumpkin, and Eisner, 2007). The organisation analyzed their capabilities (resources) and identified their strengths, identified their weakness in sales and implemented direct sales via e-commence, observed the markets and took advantage of the opportunities in customization and invested in proprietary assembly procedure to protect against duplication (Dess, Lumpkin, and Eisner, 2007). The cost of inventory had been shared or even passed on to suppliers, which resulted in a reduction in Dell's working capital (Dess, Lumpkin, and Eisner, 2007).

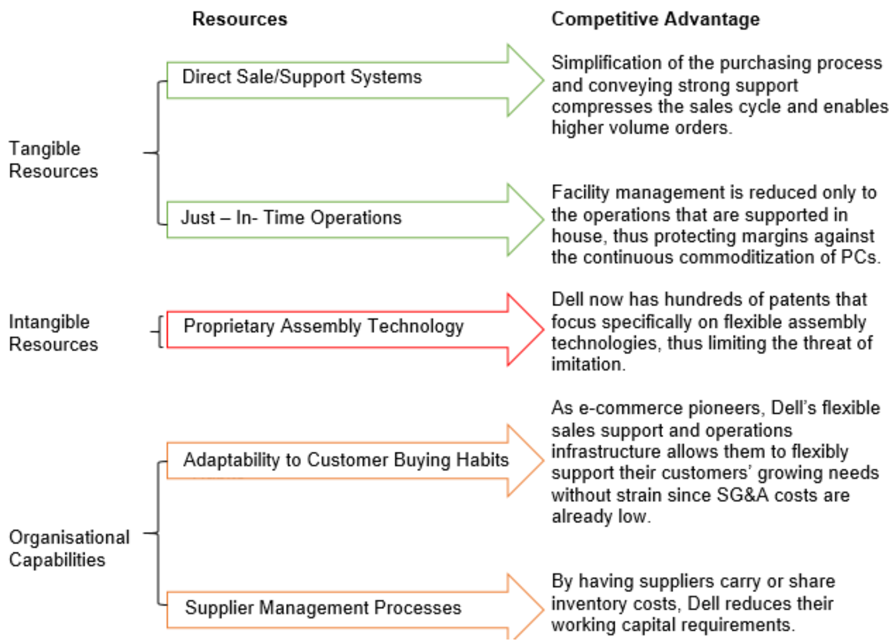


Figure 2.5: Illustration of Dell's Competitive Advantage

Source Adapted from Dess, Lumpkin and Eisner 2007, *Strategic Management: Creating competitive advantages.* Third-edition pg. 93.

Given the above, Dell Incorporation has proven that an organisation can gain a competitive advantage by altering their manufacturing and assembly processes to match the trend of the markets and customers (Dess, Lumpkin, and Eisner, 2007). Furthermore, the evaluation and adaption of the organisational capabilities plays a vital role in achieving a competitive advantage.

### 2.9.2 The External Environmental Scanning of the Organisation

The external environment consists of three divisions, i.e., the international (global), macro and industry (market) environment (Ehlers and Lazenby, 2010). Organisations operate in an open system. They interact with the external environment and are influenced by changes in the environment

(Ehlers and Lazenby, 2010). Furthermore, an organisation relies on the external environment as a source of information and draws inputs from the external environment (Ehlers and Lazenby, 2010). These inputs provide an overview of the financial, human, political, and physical status of the external environment. In addition, they provide the necessary inputs for strategic planning. Information from the global environment would be beneficial to organisations that operate globally. For this study, it is beneficial for SMMEs to understand the macro environment and the influence it has on their business (Ehlers and Lazenby, 2010).

Scanning of the external environment involves identifying changes and trends in the environment. The acronym "PESTEL" refers to political, economic, sociocultural, ecological, technological and legal factors that affect the macro environment (Buys and Rooyen, 2014). In the South African context, the country had changed over to a new democratic government and appointed a new ruling party (Ehlers and Lazenby, 2010). The new ruling party could then decide on the new political structure which affected everyone (Ehlers and Lazenby, 2010). Likewise, it affected the economics of the country as policies were being changed which meant that organisations needed to adapt to these changes (Ehlers and Lazenby, 2010). Having this insight at early stages could mean that organisation could plan strategically on how they would mitigate against risk or take advantage of opportunities presented (Ehlers and Lazenby, 2010).

Furthermore, the sociocultural environment changed. Sociocultural refers to the "societies' attitude and cultural values". These factors affect the way people consume (Ehlers and Lazenby, 2010). For example, consumers want healthy lifestyle and the demand for natural food products have increased over the years, resulting in a premium price for goods (Ehlers and Lazenby, 2010). Those organisations that provide the natural food products would see this as an opportunity due to the demand whilst other organisations see this as a threat (Ehlers and Lazenby, 2010). However, this may not be entirely true.

Consumers may want to lead the healthy lifestyle and are willing to pay the premium price but may still not have the time to prepare these meals, resulting in purchasing takeaways or meals that are convenient. Technological developments are moving at an alarming rate, which suggest that organisations need to keep abreast with these developments and innovations as to avoid having outdated technology (Ehlers and Lazenby, 2010). Ecological environment refers to the physical environment and how human beings interact with the physical environment (Ehlers and Lazenby, 2010). Climate change is the talking point around the world and the change affects the corporate world as well (Ehlers and Lazenby, 2010).

Moreover, these factors are known as the “global drivers of change”. Due to the uncertainty in the external environment, the influence of the factors differs from country to country and sector to sector (Buys and Rooyen, 2014). There is a need for organisations to understand the influence of the external environment: customer demands, positioning in the market, types of products and services required, government policy/laws/regulations and competitors’ activities in the market. Additionally, organisations must empower their staff in identifying, monitoring and evaluating the external factors that affect the organisation. If not, they may not be able to cease opportunities or mitigate against potential risks in the external environment (Ehlers and Lazenby, 2010). Therefore, it is imperative that organisations understand the external environment (Figure 2.6).

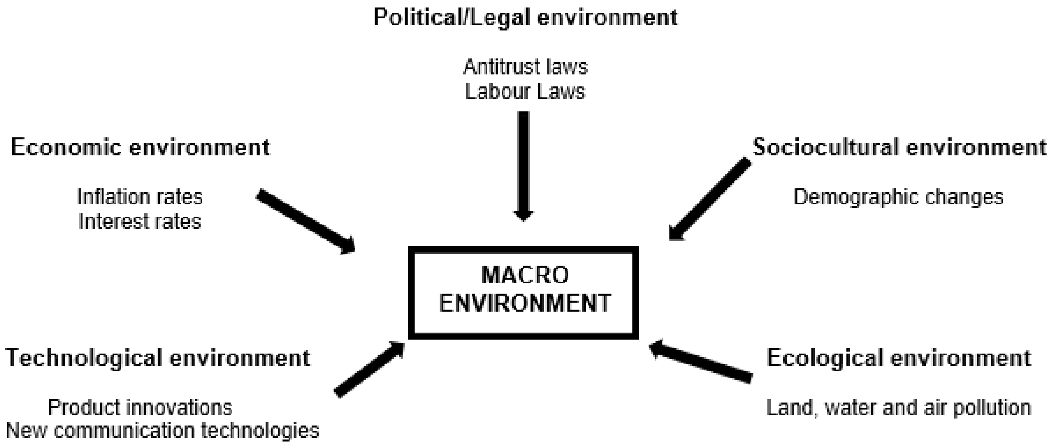


Figure 2.6: Factors that affect the macro environment

Source Adapted from Ehlers and Lazenby 2010, *Strategic Management: Southern African Concepts and Cases.* Third-edition pg. 141.

#### 2.9.2.1 Porters Five Forces Theory

The “five forces” theory is a well-known model developed by Michael E. Porter (Figure 2.7). The model is an instrument that examines competitiveness in the environment (Dess, Lumpkin, and Eisner, 2007). The theory can be defined as methods that breakdown and investigates the competitive environment of the organisation and the manner in which organisations operate in the industry (Gomera, Chinyamurindi and Mishi, 2018). According to McCabe (2010), Porter believed that organisations have a desire to compete amongst each other and that they will always be striving to gain a competitive advantage in the industry. Hence, the need to understand how five forces influence the industry and competition.

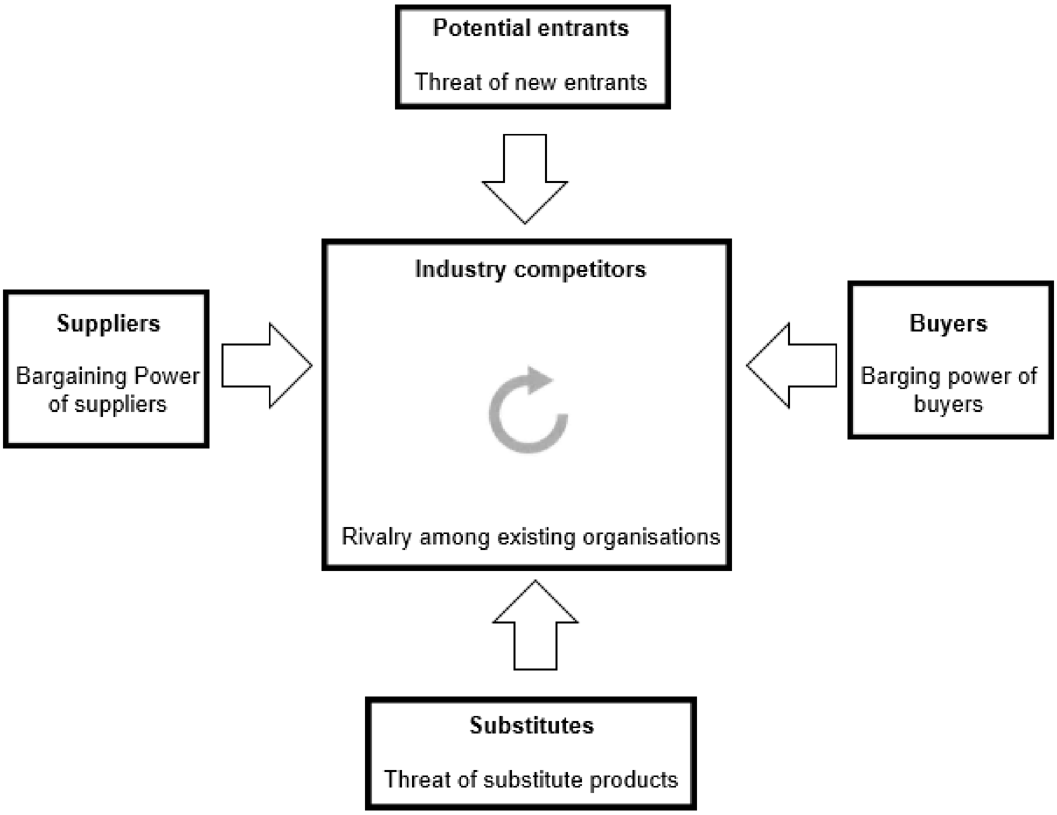


Figure 2.7: Five Forces Model
Source Adapted from Ehlers and Lazenby 2010, *Strategic Management: Southern African Concepts and Cases.* Third-edition pg. 150.

#### 2.9.2.1.1 The bargaining power of suppliers

Suppliers provide raw materials or services (Inputs) to organisations. The raw material is then processed to produce a product (Output). For an organisation to provide a superior product to customers, the inputs from supplier must be in accordance to the acceptable standards of the organisation (Ehlers and Lazenby, 2010). Quality and Price are major factors that contribute to customer satisfaction, it is, therefore, imperative for organisations to maintain a good working relationship with their suppliers. Suppliers have the power to apply price increases to products and services, thus leading to reduce profits for an organisation or price increases on the organisation’s products and services. These factors give rise to suppliers bargaining power in the market (Dess, Lumpkin, and Eisner, 2007). Similarly, in the construction industry when there is high activity, suppliers tend to demand a higher price for their products and services. The market becomes dependable on these suppliers and the price increase from suppliers could result in losses in profits for the organisation, especially those that tender at “fixed prices” (McCabe, 2010).

#### 2.9.2.1.2 The Bargaining Power of Buyers

Customers create the “need” or “want” for products and services. They create the demand in the market. Hence, they create the buying power in the market and are able to bargain with firms. The needs of customers are forever changing. Therefore, it is imperative for organisations to respond to their needs in order to achieve success in the market (Ehlers and Lazenby, 2010). According to Dess, Lumpkin, and Eisner (2007), the bargaining power of buyers can drive down prices of products or services. They can also demand for higher quality goods and better service. According to Dess, Lumpkin, and Eisner (2007), a buyer is powerful when:

- A single buyer purchases large volumes from a supplier and the purchase contributes to the majority sales.
- If the products are standard and there are several suppliers suppling the same product, buyers can compare prices and “play one company against another”.
- When a buyer experiences low switching costs, the buyer is able to shop around for products and services.
- When a buyer earns low profits, the buyer is able to shop around for products and services without jeopardizing the profits earned.
- When the buyer decides to become its own supplier (Backward integration), there is no need to source the products or services any longer from suppliers.
- When the buyer is price sensitive and the quality of goods or services purchased are insignificant.

#### 2.9.2.1.3 Threat of new entrants

When new competitors enter the market, they tend to pose a threat to established firms. The theory “threat of new entrants” suggests that newcomers may offer capacity to the industry, which may result in reduced profits for the established firms, especially when the demand in the market is low or stagnant (Ehlers and Lazenby, 2010). According Dess, Lumpkin, and Eisner (2007), an entry barrier lowers the threat of newcomers entering the industry. Listed below, are the examples of entry barriers:

*Economies of scale*

Economies of scale are cost savings that organisations attain through mass production; the cost of mass production lowers the manufacturing costs and acts as a barrier to entry for newcomers that want to enter the market with lower volumes of production (Ehlers and Lazenby, 2010).

*Product Differentiation*

Product differentiation refers to the uniqueness of a product or service, customers tend to have a liking for the product and brand. Over the years, these established firms have gained the loyalty of customers through extensive advertising and marketing campaigns (Dess, Lumpkin, and Eisner, 2007). Thus, leading to a barrier of entry for newcomers. However, newcomers can still penetrate the market by changing the mindset of customers who believe in uniqueness by offering products and services at a lesser price, but this could mean reduced profits or losses for the newcomer (Ehlers and Lazenby, 2010).

*Capital requirements*

Capital requirements refer to the cost that is required for the start-up off the business, in order to compete in the market. The capital cost creates a barrier to entry, particularly when it comes to the cost of advertising and research and development (Dess, Lumpkin, and Eisner, 2007).

*Switching cost*

It is the cost incurred when switching between suppliers (Dess, Lumpkin, and Eisner, 2007). Customers elect to switch between products or services depending on the cost of the product - one can decide to elect to purchase a cheaper product or service (newcomer) compared to price of an existing product or service that is in the market (established industry). Hence, the newcomer overcomes the entry barrier that exists (Ehlers and Lazenby, 2010).

*Access to distribution*

Established firms have an advantage of having a distribution channel, i.e., a distributer that will carry their products. In order for the newcomer to penetrate the market, they need to offer distributors prices breaks and advertising allowances. Thus, leading to potential profit losses (Ehlers and Lazenby, 2010).

*Cost disadvantage independent of scale*

A typical example of cost disadvantage independent of scale would be an organisation that has cost advantages independent of the size or economies of scale, for example (Dess, Lumpkin, and Eisner, 2007):

- Subsidies by government
- Policies that are favourable to the organisation
- Trademark products
- Special grants that allow the organisation access to raw materials

#### 2.9.2.1.4 Threat of substitute products and services

A substitute product is a product that perform the same or similar function as another product. They are similar in nature and offer an alternative for buyers. In addition, the products may not necessarily be from the same industry (Ehlers and Lazenby, 2010). For example, an airline company that offers travel (market product) might not see the threat of advancements made in digital world, which offers a video conferencing (substitute product) to consumers. Consumers may want to save in cost and time and use video conferencing as a substitute product (Dess, Lumpkin, and Eisner, 2007).

#### 2.9.2.1.5 Rivalry among competing organisations

Rivalry in business terms relates to the way an organisation competes for a position in the market. The fight for position or market share in the market stems from the changes in the economic climate and industry. Firms tend to take action, when they feel threatened by competitors and/or when there is an opportunity presented in the market (Dess, Lumpkin, and Eisner, 2007). Furthermore, it is of great benefit for organisations to take note of their competitor's strengths and weaknesses and to understand their strategic intent. For example, Coco-Cola and Pepsi, KFC and Chicken Licken, SPAR and Pick n Pay, are organisations that compete fiercely for price, market share, customer satisfaction and quality (Ehlers and Lazenby, 2010). Therefore, it is imperative for organisations to understand their competitors' strategies and capabilities. Organisations can analyse the external environment and consider the activities of their competitors. This analysis can be done by establishing:

- What are the future goals of the opposing opponents?
- What are the strategies of the opposing opponents?
- What do they (competitors) think about the industry?
- What are the core competencies?

Porter's model has proven to be a valuable tool for managers who want to study the external environment and their competitors. However, there are some limitations to the model (Ehlers and Lazenby, 2010). These are as follows:

- The theory suggests that the industry is the only factor that makes an organisation profitable. There is no consideration given to other factors such as core competencies within the organisation. These factors provide a foundation for business growth and success.

- The model assumes that all forces apply equally to all competitors in the industry. For example, the forces differ from one competitor to another. The threat of new entrants will differ from a huge retail store like Pick n Pay compared to a local supermarket.
- The five forces do not offer an in-depth analysis of the market. Organisation require statistics on products sold (buying power) to determine the strength of the product in the market.
- The model portrays competitors as being hostile and does not consider the quality of the interaction (competing fairly in the market or industry) among competitors.

#### 2.9.2.2 Generic Competitive Strategies

The generic strategies identified by Michael Porter allows an organisation to gain a competitive advantage over rivals through cost leadership, differentiation and a focus-based approach. In addition, organisations can apply these strategies to mitigate the effects of Micheal Porter's five forces model (Dess, Lumpkin, and Eisner, 2007).

##### 2.9.2.2.1 Cost leadership Strategy

According to Chiloane-Tsoka and Boya (2014), the cost leadership strategy is known for attracting a large customer base in the market through relatively low prices, simple product lines and mass production. The cost leadership strategy is ideal for small businesses that want to produce a standard product, which produces for masses at discounted rate. Similarly, the cost leadership strategy focuses on producing a standardized product or service at a competitive price and to a broad market (Ehlers and Lazenby, 2010). The cost of producing a product or service must be lower than the cost of its rival; this cost benefit can be achieved by efficiently managing the value chain and by reconfiguring the value chain to eliminate unwanted cost. In addition, a lower cost strategy offers an average return on investment even though there are several competitors in the market. Buyers cannot demand prices lower than the existing market rate and suppliers cannot demand increases on input costs that are not relative to the market. Lastly, an established organisation is considered to be at a better footing with regards to their low-cost position compared to the new entrant in the market (Dess, Lumpkin, and Eisner, 2007).

Despite having noted the benefits of pursing a low-cost strategy, there are “pitfalls” to the strategy. The strategy stresses the need to reduce costs and by doing so, this could lead to extreme price cuts and lower profits or even losses for businesses. Competitors can easily replicate the strategy and the value chains that are in place. Suppliers can exert their powers by increasing prices of inputs, especially when they are supplying a number of competitors in the market (Ehlers and Lazenby, 2010).

#### 2.9.2.2.2 Differentiation Strategy

SMMEs that want to pursue a differentiation strategy require a considerable amount of resources to execute the strategy (Chiloane-Tsoka and Boya, 2014). The strategy presents itself in different forms:

- An organisation could consider improving customer services.
- Having a prestige brand.
- Being innovative.
- Keeping up with technological changes.
- Providing a unique product to customers

The strategy involves creating a product or service that is unique and valuable to customers. The strategy requires organisations to maintain a firm control over the value chain activities. In addition, the strategy acts as a barrier to entry for competitors as it is difficult for them to replicate the unique approach. Adopting a differentiation approach requires organisations to invest heavily in research and development, innovations, quality and customer service (Ehlers and Lazenby, 2010). The approach acts as a defence strategy against Porter's five forces. Firstly, it safeguards against rivalry as customers have a sense of brand loyalty to the product or service. Secondly, the strategy offers a higher return on profits, which protect against the bargaining power of suppliers and buyers – firms are able to absorb or reject the demands of suppliers and buyers. Finally, firms that offer unique product and service tend to achieve a higher customer loyalty base, thus leading to a small number of substitutes products in market (Dess, Lumpkin, and Eisner, 2007).

On the contrary, offering a unique product is not enough. The concept of differentiation is to provide a unique product and/or service that is highly valued by the customer (Dess, Lumpkin, and Eisner, 2007). Therefore, it is imperative for organisations to conduct a market research on customers' preference to establish the need for the product. Furthermore, organisations that tend to offer "Too much differentiation" at high quality and or high prices are at risk of losing customers to competitors that offer suitable levels of quality at lower price (Ehlers and Lazenby, 2010).

#### 2.9.2.2.3 The Focus Generic Strategy

The strategy targets a particular segment or cluster in the market. The idea is to identify customers that have a particular interest in the product or service. For instance, a company that manufactures luxury sports will target customers that can afford these vehicles (business owners, Executive managers etc.), generally people that have a lot of money (Ehlers and Lazenby, 2010). The strategy is best suited for SMMEs. It allows an organisation to gain a competitive advantage over competitors by identifying the gaps in the market. Given the limited resources, the strategy supports small business by offering a focus approach to doing business. (Chiloane-Tsoka and Boya, 2014).

An organisation can pursue the focus strategy in two methods, by focusing on cost or differentiation. The cost-focused strategy offers low cost products and/or services for a particular market (Dess, Lumpkin and Eisner, 2007). For example, an airline that offers low-priced tickets to low-budget customers, gaining a cost advantage in the market segment. While focus differentiation focuses on the desires of customers in a particular market. For example, a store that only offers organic products for high paying customers (Ehlers and Lazenby, 2010).

Although the above may be true, the focus strategy has its potential weaknesses. The cost advantage gained over the years may wear down over time and this is due to rivals' imitating the activities of the organisation. Organisations that offer a unique product or service to particular market may lose their customer base due to persuasion from other customers or firms (Dess, Lumpkin, and Eisner, 2007).

Ultimately, the generic strategies offer great benefits to an organisation. In the construction industry where there is intense rivalry, one can elect to be "cost leaders" in the industry by keeping cost to the minimum. In addition, where there is a broad market an organisation may want to capture the markets attention by providing a product that is different, for instance, high quality products and/or services. Furthermore, clients may want a specialized service for their projects and this demand may attract an organisation to pursue a differentiation or focused strategy (McCabe, 2010).

## 2.10 Strategy Implementation

Strategy implementation is the introduction of strategy to the various departments or divisions in an organisation (David, 2013). According to Hunger and Wheelen (2007), the two concepts (strategic formulation and evaluation) complement each other and is off equal importance to an organisation. The implementation phase is the application of the strategic plan; the process involves the application of budgets, policies and programs. It is the translation of ideas into action, in the hope of achieving a competitive advantage and success (Thompson, Scott and Martin, 2017).

The implementation stage is considered more difficult than the formulation stage. At the formulation stage, senior management are the decision makers and the activities are controlled at senior level compared to implementation stage where the strategic plans are introduced throughout the organisation (Ehlers and Lazenby, 2010). According to Thompson, Scott and Martin (2017), at this stage the intention is to build and maintain a structure that delivers. Organisations tend to get the feel of staffing requirements, target markets and customer demands (Thompson, Scott and Martin, 2017). The structure design focuses on delivering the strategic objective and the breakdown of work enables departments to contribute to the overall strategic objective (Thompson, Scott and Martin, 2017). It is therefore, imperative for an organisation to provide a clear vision and direction to employees. It is also beneficial for an organisation to create policies and procedures that are in line with strategies.

Even though strategy implementation plays a vital role in the strategic management process, there is no definitive formula for implementation of these strategies (Thompson, Scott and Martin, 2017). Each organisation has its own way of deploying their strategies and the context may differ from one organisation to another (Thompson, Scott and Martin, 2017). However, the common thread remains; leadership and the alignment of the organisation (Culture, policies, procedures and resources) are critical aspects for implementation of strategies (Thompson, Scott and Martin, 2017). In order to implement the strategic change successfully, management must share the strategic vision with their employees and explain the approach to them (Ehlers and Lazenby, 2010).

## 2.11 Strategy Evaluation

Strategy evaluation is the measure of the implemented strategy (David, 2013). The main objective for an organisation is to remain profitable and survive. In order for this to happen there must be some controls and measures in place. Strategic control focusses on the evaluation of a particular strategy; it provides a status update on the organisation’s strategy formulation and implementation phases (Ehlers and Lazenby, 2010).

According to Hunger and Wheelen (2007), there must be a clear plan of action on the controls and evaluations of the strategy. Employees must have an understanding of the entire strategic management process; Nucor Corporation in the United States has adopted a simple approach in implementing controls and evaluations in their organisation (Hunger and Wheelen, 2007). They believe in keeping things simple, employees focus on “what really matters”, i.e., the company’s “performance and long-term survival” (Hunger and Wheelen, 2007). Managers provide support to this vision by not distracting employees with other matters. For example, the word “excellence” is not instructive to employees, whereas providing some detail on your competitive strategy like, our vision is to provide a manufacturing facility that operates efficiently and economically (Dess, Lumpkin, and Eisner, 2007). There is no vagueness. Essentially, employees must produce more and reduce cost, and managers must setup controls to evaluate the outcomes of the strategy (Hunger and Wheelen, 2007). It is, therefore, imperative to keep the controls and evaluation procedures simple for all to understand.

## 2.12 Strategic Competitiveness

Chiloane-Tsoka and Boya (2014), describe two entrepreneurial strategy concepts that can be used to gain a competitive advantage:

- Knowledge acquisitions refers to the organisation’s knowledge base and how a resource-based view strategy can assist the organisation in hiring competent staff, a team that is formidable.
- Core competencies deals with the technical knowledge or knowledge that an entrepreneur may possess. This knowledge can be used to improve the organisations processes, which may result in a competitive advantage for the organisations.

Parthasarthy (2007) defines Strategy as a set of decisions and action taken by managers to gain a competitive advantage over rivals. Strategic choice is the examination and selection of possible strategic alternatives (Ehlers and Lazenby, 2010). Usually managers gain a competitive advantage through effectively managing the internal resources and activities (Dess, Lumpkin, and Eisner, 2007). A firm might adopt a differentiation strategy, where the pricing power of the firm is low. Mangers may choose to allocate marketing resources to the product to make it a premium product (Ehlers and Lazenby, 2010). If this strategy is effective and the firm gains a strong market position, the firm can charge a higher price even when others are offering a similar product at a lower price (Parthasarthy, 2007). A strategy is developed, decisions and actions are taken to achieve a desired output (Ehlers and Lazenby, 2010). The strategy is implemented to gain a strong market position and gain a competitive advantage over rivals (Thompson, Scott and Martin, 2017). The performance of the strategy is measured and if effective leads to added value or profits (Parthasarthy, 2007). An assessment is done on the external and internal environment to identify opportunities and potential threats (Parthasarthy, 2007).

Competitive intelligence is a strategic management tool that is used to improve strategic competitiveness (Chiloane-Tsoka and Boya, 2014). The term competitive intelligence is informed by the organisation’s personality. Each organisation has a clearly defined approach on how they do business and the market it operates in (Hunger and Wheelen, 2007). The market recognizes the unique purpose of the organisation and as a result, the organisation takes advantage of the growing demands of the market (Chiloane-Tsoka and Boya, 2014).

According to Chiloane-Tsoka and Boya (2014), there is a link between environmental awareness and organisations performance. The environment and customer demands are forever changing. It is, therefore, critical for SMMEs to be mindful of the market changes (Chiloane-Tsoka and Boya, 2014). The strategy implemented needs to be flexible enough to adapt to changes in the environment (Ehlers and Lazenby, 2010). In addition, an organisation must have the necessary tools to deal with the sudden changes (Chiloane-Tsoka and Boya, 2014). Adopting a strategic approach to deal with the changing environment may result in a competitive advantage for the business (Ehlers and Lazenby, 2010). This suggests that the competitive advantage gained due to market adaptation may result in the organisation becoming a leader the market with their products and/or services, being the first to respond to the market demands (Chiloane-Tsoka and Boya, 2014). Studies have shown that economic factors such as high inflation, high taxes, uncertainty, crime, volatile markets, poor service delivery, skill shortage, delay and non-payment of service providers, excessive overhead costs create loss events which threaten the existence of South African SMMEs (Bruwer *et al.,* 2018). According to Bruwer *et al.* (2018), the internal controls and risk management methods are inadequate. Even though organisations customize their approach in dealing with risk, it still does not provide reasonable assurance in achieving the organisation's objective (Ehlers and Lazenby, 2010).

According to Bruwer *et al.* (2018), there are different types of risks in the business environment:

1. Pure Risks: is defined as risks that are absolute, it cannot be controlled. These risks could lead to complete loss or no loss and have no financial gains, for example, natural disasters, fire or death.

2. Incidental Risks: refers to risks that generally occurs during the business life cycle but do not directly affect the core of the business, for example, Interest and inflation rates have an effect on the businesses loan repayments and cost of goods and services.
3. Inherent risks: are risks that have negative effect on the profits of the business. It can be defined as a risk that arises from losses that are material in nature and have no mechanism in place, for example, human error.

SMMEs experience a combination of these risks and it is difficult to manage. However, it is imperative that small businesses manage and/or mitigate these risks, irrespective of the risk having a direct or indirect influence on the business (Dess, Lumpkin, and Eisner, 2007). Furthermore, it is evident that organisations face risk in daily operations. It is, therefore, imperative that organisations mitigate and manage their risks, by implementing good risk management practices in their organisation (Bruwer *et al.,* 2018).

### 2.13 Conclusion

We cannot rely only on government to address the challenges that face SMMEs. It is evident that SMMEs need to apply a strategic approach in the way they do business. This application could reduce the rate of business failure in the country (Chiloane-Tsoka and Boya, 2014). Although organisations have a strategic plan in place, not all plans are good or achievable. The assumption made is that every strategic plan is good and that all plans are successful (Williams Jr. *et al.,* 2018). There is considerable evidence that supports the fact that strategic planning leads to performance. However, SMEs do not plan, and the reasons why is unknown (Wang, Elizabeth and Redmond, 2007). Many SMEs have adopted the practice of strategic planning as a tool that will add value to their organisation, however, they have not engaged with the practice formally by not making it a paper exercise (Sajuyigbe, Adeyemo and Adodunde, 2015). This suggest that strategic planning can benefit an organisation depending on the extent to which it is used and the manner in which it is being implemented.

# CHAPTER THREE
# METHODOLOGY

## 3.1 Introduction

The methodology chapter describes the techniques and methods that are applied to a research. It describes the fundamental methods in research, such as the research objective, research design, research paradigm, research instrument, primary and secondary data, sampling, data analysis collection and analysis, delimitation and ethics.

## 3.2 Research Overview

As previously mentioned in chapter one the objective of the study was to investigate strategic management in construction firms with focus on small and medium enterprises. In order to undertake this research, the following research questions and objectives were outlined:

Research Questions:

1. What are the factors that influence the adoption of strategic management in an organisation?
2. What are the influencing factors of strategic management that contribute to the organisation’s performance?
3. What are the challenges faced by small and medium enterprises in adopting a strategic plan?

Objectives of the study:

1. To investigate the factors that influence the adoption of strategic management in an organisation.
2. To identify the contributing factors of the strategic management in Small to Medium Enterprises to improve performance.
3. To identify challenges faced by Small to Medium Enterprises in implementing a strategic plan.

## 3.3 Research Design

According to Khawula (2016), research design refers to the action plan that a researcher takes to conduct a research. It is the foundation and structure of a study. It also details the sequence of events that are required and what actions are required to execute the research. Nhleko (2017) defines research design as a framework for investigations. It consists of procedures and methods that are required to conduct a research, an outline of the research process, instruments, data collection and analysis. The objective of the design is to determine a finding or outcome and to present a valid debate to the researcher's audience (Khawula, 2016).

The methodology of this study was guided by the aims and objectives of the study. The most suitable method in obtaining the relevant data was through a questionnaire. The questionnaire assisted in providing a statistical approach in the research and assisted the participants in accurately recording their responses.

## 3.4 Research Approach

This research adopted a quantitative research approach so that a conclusion can be based on statistical data, whereby statistical methods are used to analyze the variables and test relationships (Anamalay, 2014). Quantitative research is defined as a process that involves the collection of data and the use of statistical investigations to determine an outcome. It is objective and often uses logical reasoning, where the researcher creates a hypothesis, collects data to investigate the problem, analyzes the data systematically to prove the hypothesis acceptable or not acceptable (Marczyk, DeMatteo and Festinger, 2005). Researchers commonly use this approach in research and the methodology is best suited for investigations that involve social science and management. In addition, "quantitative approach uses different forms of descriptive and inferential statistics for making external statistical generalizations." (Mtshali, 2017).

Qualitative research involves interviews and observations, whereby the investigation is not statistical and does not involve in-depth analysis (Marczyk, DeMatteo and Festinger, 2005). There observations are informal and unstructured; it usually involves group discussion, interviews and behaviour monitoring. The research provides an understanding of the theories in an inductive approach, i.e., the observations and theories are documented at the end of the study. The researchers are more subjective in their approach; they provide their own theories and interpretation of the outcome of the research (Mstahli, 2017).

This study did not undertake the qualitative approach due to the unstructured, non-statistical and subjective characteristics presented. Furthermore, there are no open-ended questions in this study (Mstahli, 2017).

## 3.5 Research Paradigm

### 3.5.1 Introduction to Research Paradigm

A paradigm refers to an inquiry design. It also refers to the way in which people perceive the world. Furthermore, it provides logical ideas about the natural world and role of researchers. The two common research paradigms are positivism and interpretivism. In addition, there are suitable research methods for each of the paradigms. (Khawula, 2016).

### 3.5.2 Positivist Paradigm

This research will undertake a positivist approach as it is a quantitative research that relies on scientific data to conclude. Positivist is a theory based on quantitative research. A positivist will approach the study of the social world objectively and make use of scientific evidence, such as experiments and statistical data to uncover the truth on how society conducts itself (Khawula, 2016). According to Mtshali (2017), “positivist approach focuses on the clarification of dependencies between variables”. In addition, the positivist methodology approach is the most commonly used approach for investigations into social and management sciences. Furthermore, the research questions and objectives relate to a positivist approach of study.

Khawula (2016) argues that the interpretivist paradigm philosophy is subjective and based on multiple realities and not a single objective reality. The participant creates his or her own reality of life experiences. Furthermore, the philosophy allows researchers to understand an individual’s perception of the subject matter. The most suitable approach in capturing this phenomenon is through interviews and observations. This suggests that individuals that want to pursue an interpretivist paradigm should consider a qualitative research approach. Likewise, Mtshali (2017) suggests that the data collection is obtained by means of a qualitative research approach and the methodology is unstructured. An interpretivist bases their explanations on beliefs, lived experiences and human behaviour. In addition, the philosophy bases its theory on gained knowledge and the justification of this knowledge or beliefs. As a result, this study did not undertake an interpretivist approach, as the philosophy relies on an individuals’ perception, which is not statistical in nature.

## 3.6 Delimitations

The study investigated Strategic Management in Construction Firms with Focus on Small and Medium Enterprises. The geographic delimitation for the research was eThekwini Municipality. The survey, which is the primary source for data collection, was directed to managers and employees who are involved in the strategic planning process.

## 3.7 Target population

According to Anamalay (2014), “effective research requires the population of a study to be clearly defined to enable a representative sample size to be determined in order to draw a generalisable conclusion”. The target population for this research are small and medium constructions companies, the SMEs were sourced via the Construction Industry Development Board (CIDB) registry. The study focused on eThekwini based (Previously known as Durban) contractors that met the criteria of a SMEs. According to the National Small Business Amendment Act (2003), for a business to be classified as a SMEs they would need to generate a turnover between 3 and 26 million. In order to meet the criteria, the CIDB register was filtered by Durban-based contractors, registered as Civil Engineering contractors and Grade 4 to Grade 7 contractors (Anamalay, 2014).

## 3.8 Primary and Secondary data

Primary data is defined as primary methods that researchers use to obtain data from the field, whereas secondary data relates to data that is obtained from published research. In addition, the questionnaire for this study was used to collect the primary data. Primary data collection forms the bases for descriptive and inferential statistics. Therefore, it was imperative for the study to use a Linkert scale for primary data collection (Nhleko, 2017). The secondary data was obtained using published work such as books, journals, research articles, theses and dissertations (Mtshali, 2017). Furthermore, primary sources refer to data that is originally collect, while secondary data refers to data that is gathered from previous studies (Kothari, 2004).

## 3.9 Sampling

Sampling refers to a method of testing a portion of the people, events or conditions. Generally, the sample test and results represent the population size (Khawula, 2016). Purposive sampling is also known as judgmental sampling, whereby, the researcher selects the sample they think that will deliver the best information in order to identity the research objective (White, 2000). Therefore, purposive sampling was used for this study. A statistician determined the sample size of 106 by applying the following factors to the population size of 145; a margin of error of 5%, confidence level of 95% and response rate of 50%. A sample size is the minimum recommended size of a survey. The theory behind sampling indicates that you are more likely to get an accurate response from a smaller sample compared to larger sample.

### 3.10 Research Instrument and Data Collection

The research instrument used for this study was a questionnaire. The questionnaire used in this study was adapted from the Tanzania study (Mori, 2013). There is a general agreement amongst academics and researchers that the selected approach to data collection may affect the quality of the result. Furthermore, the selected methodology may affect the participants "behaviour and feelings" as well (Mstahli, 2017). The research instrument selected for this research was a questionnaire. According to Nhleko (2017), the most critical step in research is the development of a questionnaire. In order to develop the questionnaire, researches undertake a literature review to establish the contextual framework and from this primary data, the questionnaire is developed (Nhleko, 2017). The questionnaire for this study comprised of Part 1: Demographics and Part 2: Information on Strategic Planning Process. Part 2 of the questionnaire relates to the factors that drove businesses to adopt a strategic plan, the contribution of strategic planning in improving performances of business and the challenges that face businesses in implementing a strategic plan. All questions were closed-ended, which allowed the variables to be analysed statistically. Furthermore, the closed-ended questionnaire is simple and easy to complete and as a result, the questionnaire generates a higher response rate.

Questionpro software, which is an online survey tool, is used to create the questionnaire and facilitate distribution to all the survey participants (Anamalay, 2014). The online survey tool is considered a fast and efficient way of retiring data from participants compared to the traditional method of meeting and delivering the questionnaire to the participant. The online survey method saves travelling cost and time. It also reduces any bias in the study process, as there is no researcher present. However, the “high delivery success rate is not guaranteed”. The option of hand delivering the questionnaire to participants was disregarded, as it was too costly to meet the participants and it would have required a great deal of time to administer to each participant. The self-administered questionnaire was then distributed to 106 construction companies in the Durban area. These construction companies were also registered with CIDB as active participants in the industry (Anamalay, 2014).

## 3.11 Data Analysis

The data analysis method use for the study was descriptive and inferential statistics. Statistical data analysis is a process that studies the different elements of the data. The raw data is collected and then captured onto an electronic spreadsheet. The transformation of this data allows researchers to investigate the relationships between variables, concepts and theories (Khawula, 2016). According to Mtshali (2017), the objective of data analysis is to filter and present the valuable information required by researchers. In addition, the statistical analysis assists researchers in establishing a finding or conclusion to the study. The two most commonly used statistical analysis are descriptive and inferential statistics. In addition, descriptive analysis describes the data that is collected whereas inferential data enables researchers to draw conclusions (Kothari, 2004). The data for this study was then analyzed using SPSS statistical package version 26.0 and the necessary statistical tests were conducted.

### 3.11.1 Descriptive Statistics

Descriptive statistics is a straightforward explanation of the data collected. It describes the characteristics of the variables in the sample and provides a summary of the collected data (Marczyk, DeMatteo and Festinger, 2005). The data is collected and analyzed in mathematical terms, the data is presented as pie charts, bar charts, tables etc. This type of interpretation is known as descriptive statistics (White, 2000).

### 3.11.2 Inferential Statistics

Inferential statistics is a process of providing conclusive scientific data. Inferential data allows academics to create conclusions on the population using scientific evidence. “The Cronbach alpha was used to measure internal consistency of the data within a group and it is the most commonly used reliability measurement” (Khawul, 2016). According to Nhleko (2017), the Cronbach’s Coefficient Alpha method is a test that measures the internal consistencies of the data received and of the measuring instrument. Generally, a coefficient alpha above 0.7 and higher demonstrates a strong reliability and considered acceptable. Whereas, an alpha below 0.6 is questionable and represents a measure that is weak and unreliable (Table 3.1). The Cronbach’s Coefficient Alpha test is not a statistical test and the evaluation does not imply that the measure is one-dimensional. Therefore, additional testing is required to prove that the scale is not one-dimensional.

Table 3.1: Cronbach Alpha Test Calculation

| Cronbach's Alpha | Internal Consistency |
|---|---|
| $\alpha \geq 0.9$ | Excellent |
| $0.9 > \alpha \geq 0.8$ | Good |
| $0.8 > \alpha \geq 0.7$ | Acceptable |
| $0.7 > \alpha \geq 0.6$ | Questionable |
| $0.6 > \alpha \geq 0.5$ | Poor |
| $0.5 > \alpha$ | Unacceptable |

Source Adapted from B.N.S Ntuli 2015, *Investigating Factors Associated with Insolvencies Among Civil Engineering Contractors in KwaZulu-Natal.* pg. 114.

## 3.12 Validity and reliability

The questionnaire was adapted and based on a previous study by Mori (2013). The testing and validation of this instrument was conducted on 50 SMEs in the Ilala Municipality (Tanzania) which measured the factors that influenced SMEs to adopt strategic planning in their operations, contribution of the strategic planning in SMEs to improve performance and challenges faced by SMEs in adoption of a strategic plan. Additionally, the Cronbach Coefficient Alpha for this study reported an alpha of 0.876. Therefore, the reliability of this study is acceptable (Msani, 2011). The questionnaire was sent to a statistician and the following measures were administered once the data is collected, i.e., cross tabulation, correlation, chi-square test and Cronbach Alpha.

## 3.13 Ethical Consideration , Anonymity and Confidentiality

The participants for this study were kept secret to protect their identity. The research did not disclose any of their personal information during and after the study. Participants were under no obligation to complete the questionnaire and their response were treated in strict confidence. A letter of consent and research information was attached to the questionnaire. The data will be kept in a safe place and will be deleted after 5 years. Furthermore, before the study could commence the researcher obtained approval from Durban University of Technology institutional research ethics committee and the approval letter (Appendix C) was also attached to the questionnaire (Khawul, 2016).

### 3.14 Conculsion

The chapter focused on the methodology or approach in which data was collected and methods used in establishing a finding or conclusion for the research objectives. Similarly, the focus for this chapter is to provide a solution or findings that would address the research questions or inquiry. This research adopted a quantitative research approach so that a conclusion can be based on statistical data. Descriptive and inferential techniques were used for this study. Finally, all ethical consideration methods were clarified. The next chapter will provide a detail analysis of the data collected.

# CHAPTER FOUR
# RESULTS AND DISCUSSION

## 4.1 Introduction

This chapter presents the results and discussion of the findings obtained from the questionnaires in this study. The questionnaire was the primary tool that was used to collect data and was distributed to small and medium enterprises via an online survey tool. The data collected from the responses was analysed with SPSS version 26.0. The results are presented via descriptive statistics in the form of graphs, cross tabulations and other figures for the quantitative data that was collected. Inferential techniques include the use of correlations and chi square test values, which are interpreted using p-values. The traditional approach to reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic. A significant result is indicated with "$p < 0.05$".

## 4.2 The Sample

In total, 145 questionnaires were despatched and 105 were returned which gave a 72% response rate.

## 4.3 Research Instrument

The research instrument consisted of 42 items (Table 4.1), with a level of measurement at a nominal or an ordinal level. The questionnaire was divided into 12 questions.

Table 4.1: Research Instrument

| Item | Description |
|---|---|
| A | Demographics |
| A1 | Gender |
| A2 | Race |
| A3 | Age |
| A4 | How many years has your company been in business? |
| A5 | How does your business operate? |
| A6 | How many employees are there in your business? |
| Item | Description |
| A7 | What was your estimated turnover for the last financial year? (Please estimate) |
| Item | Description |
| A8 | What is your highest level of education? |
| B | Information on Strategic Planning Process |
| B1 | Do you apply strategic planning in the operations of your enterprise? |
| B2 | What do you think are the factors that drove your business to adopt a Strategic Plan? |
| B2.1 | Organisation Complexities |
| B2.2 | Globalisation |
| B2.3 | Scarce Firm Resources |
| B2.4 | New Technology |
| B2.5 | Drive from Government |
| B2.6 | Competition in the Market |
| B3 | How do you rank the following contributions of strategic planning in improving performance of your enterprise? |
| B3.1 | Improved the Decision-Making Process |
| B3.2 | Competitive Advantage |
| B3.3 | Increased Work Capacity |
| B3.4 | Improved Customer Satisfaction |
| B3.5 | Increased Market Recognition |
| B3.6 | Increased Employee Morale |
| B3.7 | Increased Productivity |
| B3.8 | Improved Quality of Goods & Services |
| B3.9 | Increased Turnover |
| B4 | Are you aware of the procedures involved in the strategic planning process? |
| B5 | Do you think the strategic planning process is effective in your organisation? |
| B6 | How often are you involved in the strategic process? |
| B7 | Were there enough training/seminars provided before the strategic planning process? |
| B8 | Do you involve other employees in the strategic process? |
| B9 | Do you have enough resources in the organisation to implement a strategic plan? |
| B10 | How do you rank these issues as having a negative influence on the strategic plan? |

| Item | Description |
|---|---|
| B10.1 | Inadequate Resources |
| B10.2 | Difficulty Accessing Information |
| B10.3 | Ignorance of Employees |
| B10.4 | Poor Communication |
| B10.5 | Lack of Time |
| B10.6 | Lack of Expertise |
| B10.7 | Inadequate Knowledge of the planning Process |
| B10.8 | Size of the Business |
| B10.9 | Environmental Uncertainty |
| B10.10 | Internal Implementation Barriers |
| B11 | Do you think that the strategic plan of your organisation is flexible? |
| B12 | How often do you review the organisations strategic plan in a five-year period? |

## 4.4 Reliability Statistics

The two most important aspects of precision are reliability and validity. Reliability is computed by taking several measurements on the same subjects. A reliability coefficient of 0.60 or higher is considered as “acceptable” for a newly developed construct.

### 4.4.1 Cronbach Alpha

Table 4.2 reflects the Cronbach’s alpha score for all the items that constituted the questionnaire.

Table 4.2: Cronbach Alpha Results

| | Section | Number of Items | Cronbach's Alpha |
|---|---|---|---|
| B2 | Factors that drove your business to adopt a Strategic Plan | 6 | 0.605 |
| B3 | Contributions of strategic planning in improving performance of your enterprise | 9 | 0.881 |
| B10 | Challenges facing the implementation of a strategic plan in an organisation | 10 | 0.861 |
| **Reliability Statistics** | **Overall** | **25** | **0.876** |

The reliability scores for all sections exceed the recommended Cronbach's alpha value. This indicates a degree of acceptable, consistent scoring for these sections of the research.

### 4.4.2 KMO and Bartlett's Test

Table 4.3: KMO and Bartlett's Test

| | | Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | Bartlett's Test of Sphericity | | |
|---|---|---|---|---|---|
| | **Section** | | Approx. Chi-Square | df | Sig. |
| B2 | Factors that drove your business to adopt a Strategic Plan | 0.521 | 68.902 | 15 | 0.000 |
| B3 | Contributions of strategic planning in improving performance of your enterprise | 0.809 | 456.874 | 36 | 0.000 |
| B10 | Challenges facing the implementation of a strategic plan in an organisation | 0.772 | 485.177 | 45 | 0.000 |

All of the conditions are satisfied for factor analysis, i.e., the Kaiser-Meyer-Olkin Measure of Sampling Adequacy value should be greater than 0.500 and the Bartlett's Test of Sphericity sig. value should be less than 0.05.

## 4.5 Factor Analysis.

*Why is factor analysis important?*

Factor analysis is a statistical method and the main objective of factor analysis is to reduce the large number of variables. Factor analysis is typically used in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors (Kothari, 2004). For example, as part of a national survey on political opinions, participants may answer three separate questions regarding environmental policy, reflecting issues at the local, state and national level. Each question, by itself, would be an inadequate measure of attitude towards environmental policy, but *together* they may provide a better measure of the attitude. Factor analysis can be used to establish whether the three measures do, in fact, measure the same thing. If so, they can then be combined to create a new variable, a factor score variable that contains a score for each respondent on the factor. Factor techniques are applicable to a variety of situations. A researcher may want to know if the skills required to be a decathlete are as varied as the ten events, or if a small number of core skills are needed to be successful in a decathlon. You need not believe that factors actually exist in order to perform a factor analysis, but in practice the factors are usually interpreted, given names, and spoken of as real things.

The matrix tables are preceded by a summarised table that reflects the results of KMO and Bartlett's Test. The requirement is that Kaiser-Meyer-Olkin Measure of Sampling Adequacy should be greater than 0.50 and Bartlett's Test of Sphericity less than 0.05. In all instances, the conditions are satisfied which allows for the factor analysis procedure.

Factor analysis is done only for the Likert scale items. Certain components divided into finer components. This is explained in the rotated component matrix (Table 4.4 to 4.6).

Table 4.4: Rotated Component Matrix: Factors that drove your business to adopt a Strategic Plan

**Rotated Component Matrix**

| B2 | Component | |
|---|---|---|
| | 1 | 2 |
| Organisation Complexities | 0.861 | -0.001 |
| Globalisation | 0.876 | 0.129 |
| Scarce Firm Resources | 0.004 | 0.659 |
| New Technology | 0.344 | 0.673 |
| Drive from Government | 0.154 | 0.534 |
| Competition in the Market | -0.207 | 0.647 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | |
| a. Rotation converged in 3 iterations. | | |
| *Component 1: Structure and Globalisation | | |
| *Component 2: Organisational Change | | |

Table 4.5: Rotated Component Matrix: Contributions of strategic planning in improving performance of your enterprise

**Rotated Component Matrix[a]**

| B3 | Component | |
|---|---|---|
| | 1 | 2 |
| Improved the Decision-Making Process | 0.089 | 0.840 |
| Competitive Advantage | 0.128 | 0.871 |
| Increased Work Capacity | 0.526 | 0.426 |
| Improved Customer Satisfaction | 0.828 | 0.176 |
| Increased Market Recognition | 0.829 | 0.137 |
| Increased Employee Morale | 0.816 | 0.174 |
| Increased Productivity | 0.819 | 0.205 |
| Improved Quality of Goods & Services | 0.808 | 0.091 |
| Increased Turnover | 0.528 | 0.544 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | |
| a. Rotation converged in 3 iterations. | | |
| *Component 1: Organisational Turnover | | |
| *Component 2: Operational Improvements | | |

Table 4.6: Rotated Component Matrix Challenges facing the implementation of a strategic plan in an organisation

**Rotated Component Matrix[a]**

| B10 | Component | | |
|---|---|---|---|
| | 1 | 2 | 3 |
| Inadequate Resources | 0.049 | 0.571 | 0.586 |
| Difficulty Accessing Information | 0.234 | 0.858 | 0.072 |
| Ignorance of Employees | 0.804 | 0.030 | 0.366 |
| Poor Communication | 0.786 | 0.203 | 0.178 |
| Lack of Time | 0.871 | 0.124 | 0.045 |
| Lack of Expertise | 0.502 | 0.637 | 0.030 |
| Inadequate Knowledge of the planning Process | 0.468 | 0.655 | 0.191 |
| Size of the Business | -0.194 | 0.664 | 0.322 |
| Environmental Uncertainty | 0.193 | 0.142 | 0.896 |
| Internal Implementation Barriers | 0.467 | 0.174 | 0.635 |
| Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. | | | |
| a. Rotation converged in 8 iterations. | | | |
| *Component 1: Organisational Constraints | | | |
| *Component 2: Resource Limitation | | | |
| *Component 3: Internal and External Barriers | | | |

The principle component analysis was used as the extraction method, and the rotation method was Varimax with Kaiser Normalization. This is an orthogonal rotation method that minimizes the number of variables that have high loadings on each factor. It simplifies the interpretation of the factors (Kothari, 2004). Factor analysis/loading show inter-correlations between variables. Items of questions that loaded similarly imply measurement along a similar factor. An examination of the content of items loading at or above 0.5 (and using the higher or highest loading in instances where items cross-loaded at greater than this value) effectively measured along the various components.

It is noted that the variables that constituted Section B2 and B3 loaded along 2 components (sub-themes) and Section B10 loaded along 3 components.

This means that respondents identified different trends within the section. Within the section, the splits are colour coded.

## 4.6 Descriptive Statistics

### 4.6.1 Section A: Biographical Data

This section summarises the biographical characteristics of the respondents.

#### 4.6.1.1 Composition of the sample by age

Table 4.7 below describes the overall gender distribution by age.

Table 4.7: Age composition of respondents

| | | Gender | | Total |
|---|---|---|---|---|
| Age (years) | | Male | Female | |
| 18 - 24 | Count | 8 | 1 | 9 |
| | % within Age | 88.9% | 11.1% | 100.0% |
| | % within Gender | 11.3% | 2.9% | 8.6% |
| | % of Total | 7.6% | 1.0% | 8.6% |
| 25 - 34 | Count | 23 | 14 | 37 |
| | % within Age | 62.2% | 37.8% | 100.0% |
| | % within Gender | 32.4% | 41.2% | 35.2% |
| | % of Total | 21.9% | 13.3% | 35.2% |
| 35 - 44 | Count | 26 | 11 | 37 |
| | % within Age | 70.3% | 29.7% | 100.0% |
| | % within Gender | 36.6% | 32.4% | 35.2% |
| | % of Total | 24.8% | 10.5% | 35.2% |
| 45 - 54 | Count | 11 | 6 | 17 |
| | % within Age | 64.7% | 35.3% | 100.0% |
| | % within Gender | 15.5% | 17.6% | 16.2% |
| | % of Total | 10.5% | 5.7% | 16.2% |
| 55 - 64 | Count | 3 | 2 | 5 |
| | % within Age | 60.0% | 40.0% | 100.0% |
| | % within Gender | 4.2% | 5.9% | 4.8% |
| | % of Total | 2.9% | 1.9% | 4.8% |

| | | Gender | | Total |
|---|---|---|---|---|
| Age (years) | | Male | Female | |
| Total | Count | 71 | 34 | 105 |
| | % within Age | 67.6% | 32.4% | 100.0% |
| | % within Gender | 100.0% | 100.0% | 100.0% |
| | % of Total | 67.6% | 32.4% | 100.0% |

The data were collected from 105 small and medium enterprises in the eThekwini region. Overall, the ratio of males to females is approximately 2:1 (67.6%: 32.4%) ($p < 0.001$).

Within the age category of 35 to 44 years, 70.3% were male. Within the category of males (only), 36.6% were between the ages of 35 to 44 years. This category of females between the ages of 35 to 44 years formed 24.8% of the total sample. Within the age category of 25 to 34 years, 37.8% were female. Within the category of females (only), 41.2% were between the ages of 25 to 34 years. This category of males between the ages of 25 to 34 years formed 13.3% of the total sample. Majority of the respondents were between the ages of 25 to 24 years and 35 to 44 years, 70.5% of the total sample. The age distributions are not similar as there are more respondents younger than 40 years ($p < 0.001$).

The data suggests that the construction industry is dominated by males and that females should consider employment in the sector (Anamalay 2014). In addition, this variance could be attributed to the fact that pre-1994 South African women had experienced inequalities in terms of gender and race during the period (Cilliers and Straydom, 2016).

#### 4.6.1.2 Composition of the sample by race

Figure 4.1 indicates the racial composition of the sample.

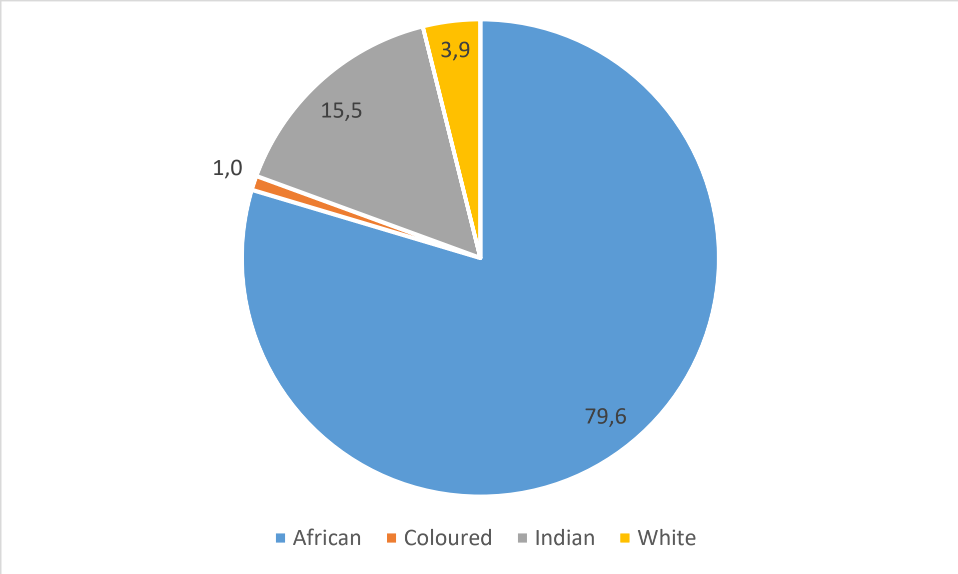


Figure 4.1: Race composition of respondents

There are significantly more African respondents (79.6%) compared to the other race groups ($p < 0.001$). Approximately 15% of the respondents were Indian while Whites accounted for 3.9% followed by Coloureds with 1%. This variance could be attributed to the fact that Africans form a large portion of the population in the eThekwini Municipality (Anamalay, 2014). Furthermore, the drive from government may have influenced the development and participation of Black Contractors in the construction Industry since the introduction of Black Economic Empowerment (BEE) initiatives and procurement policies.

#### 4.6.1.3 Composition of number of years that the company has been in business

Figure 4.2 indicates the number of years that the company has been in business.

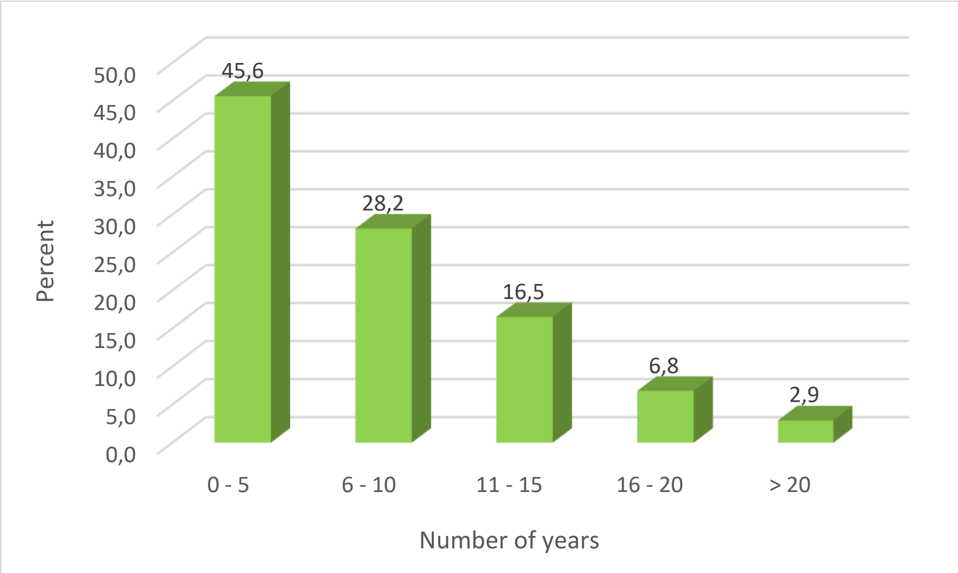


Figure 4.2: Number of years a business has been operational

Approximately three quarters (74%) of the companies have been in existence for less than 10 years ($p < 0.001$). The majority of the respondents (45, 6%) showed that their business has been in existence for between 0-5 years. This category of 0-5 years suggest that these companies are fairly new entrants to the construction industry. Only 28, 2% of businesses have been in existence for between 6-10 years and 16.5% of businesses have been in existence for between 11-15 years. 6, 8 % of businesses have been in existence for between 16-20 years followed by 2.9% which has been operational more than 20 years. The declining trend could be attributed to the fact that majority of the larger construction firms that had been existence for past 15 – 20 years are bankrupt and non-existent (Gaultier, 2019). This trend could be attributed to the fact that government is not spending enough on infrastructure development and as a result it may lead to businesses becoming bankrupt and not reaching their milestones of existence (Gaultier, 2019).

#### 4.6.1.4 Composition of the type of business

The operation of the business is shown in Figure 4.3.

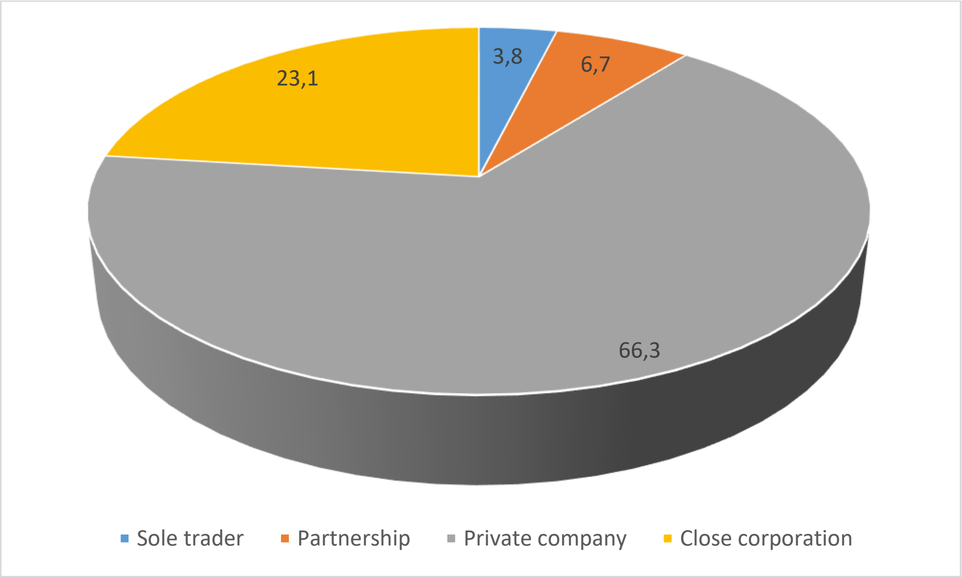


Figure 4.3: Type of Business

Two-thirds of the respondents (66.3%) were private companies. Close corporation businesses accounted for 23.1% while partnership and sole trader businesses accounted for 6.7% and 3.8%, respectively. The results suggest that majority of the businesses are owned privately. This trend could be attributed to the fact that the Companies and Intellectual Property Commission (CIPC) implemented a new Companies Act (Act 71 of 2008), which states that no close cooperation (CC) can be registered and no conversions from companies to Close cooperation’s will be allowed. Hence, the high number of private company respondents.

#### 4.6.1.5 Composition of the number of employees

The size of the organisation by the number of employees is shown in Figure 4.4.

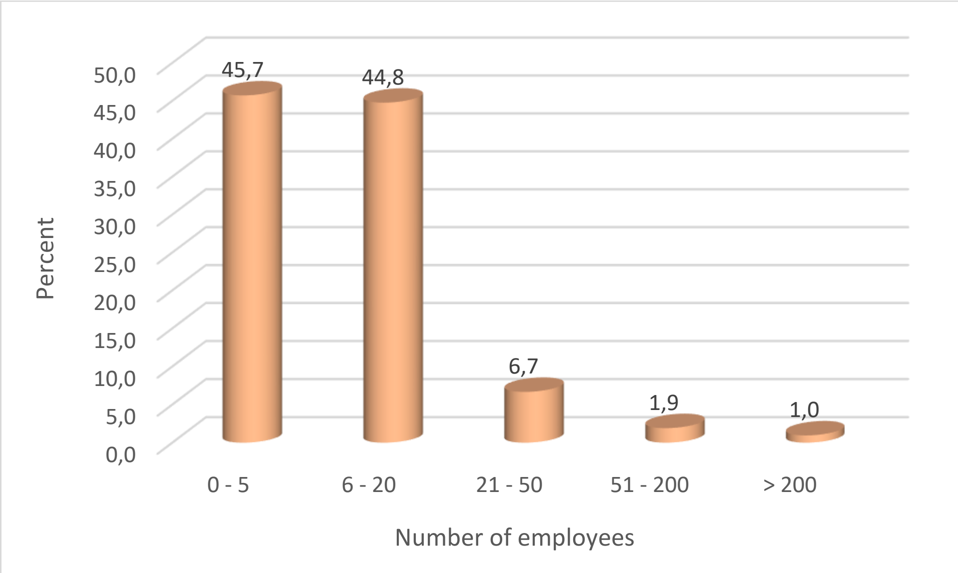


Figure 4.4: Number of employees

Approximately 90% of the organisations had at most 20 employees in the company ($p < 0.001$). The majority of the businesses meet the criteria of a small and medium enterprise and only 1% of respondents indicated that they have employed more than 200 employees. According to the National Small Business Acts' defines a small and medium enterprise as a business that has fewer than 200 employees, an annual turnover Less than R64 million and total gross asset value less than R19 million. All categories are dependent on the industry. Additionally, the National Small Business Acts' defines a small and medium enterprise in the construction industry as a business that has fewer than 200 employees, an annual turnover Less than R26 million and total gross asset value less than R5 million.

#### 4.6.1.6 Composition of the estimated turnover

The estimated turnover for the last financial year is shown in Figure 4.5.

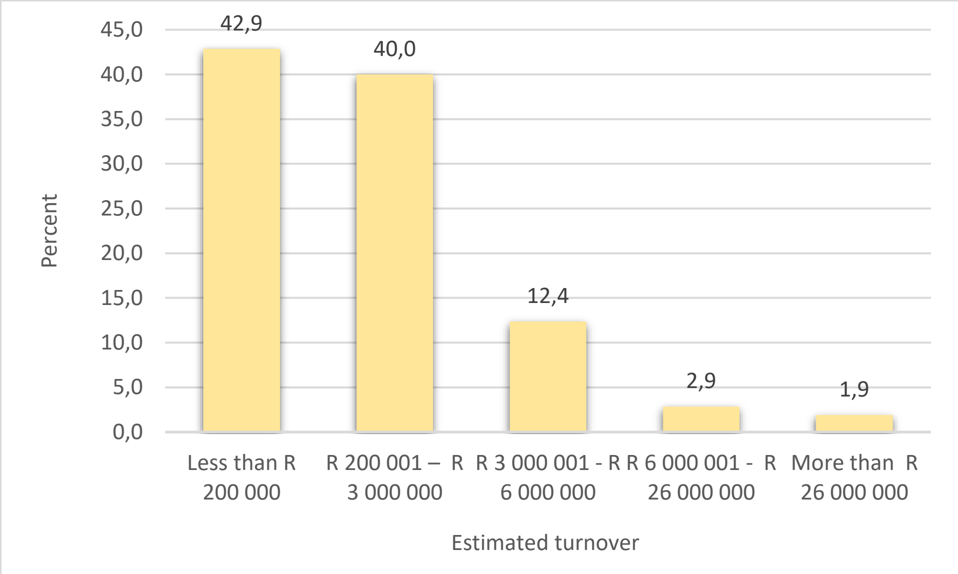


Figure 4.5: Estimated turnover

A little more than 80% of the respondents indicated that their organisations had an annual turnover no more than 3 million rand ($p < 0.001$). Only 12.4% of the respondents indicated that their company's turnover was between 3 million and 6 million, 2.9% of the respondents indicated that their company's turnover was between 6 million and 26 million rand and only 1.9% of respondents indicated that their turnover was more than 26 million rand. This trend could be attributed to the fact that government is not spending enough on infrastructure development and as a result the contractors' turnover for the financial year was significantly low.

#### 4.6.1.7 Composition of the education levels of the respondents

Figure 4.6 below indicates the education levels of the respondents.

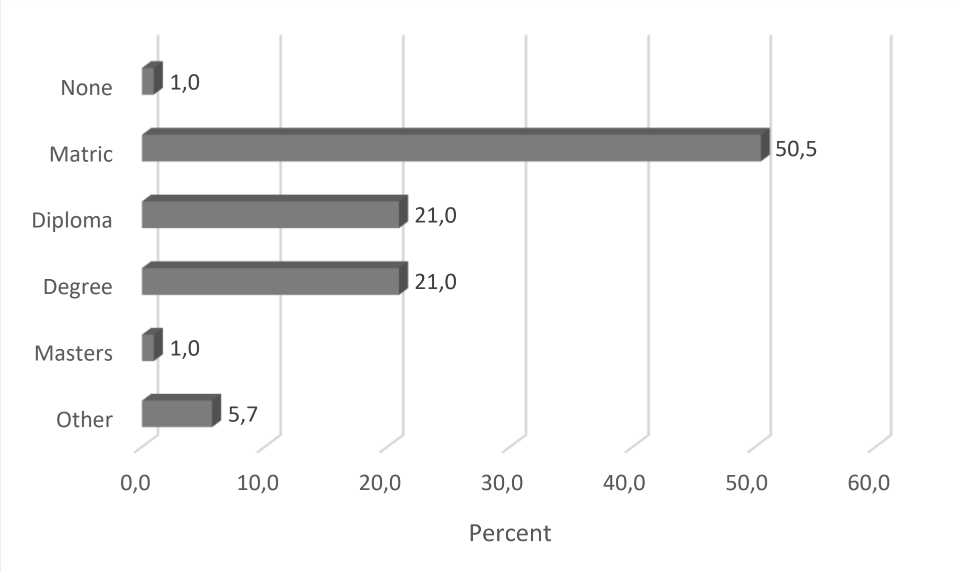


Figure 4.6: Education Level

Approximately half of the respondents had a post school qualification ($p < 0.001$).

This is a useful statistic as it indicates that a fair proportion of the respondents have a higher qualification. This indicates that the responses gathered would have been from an informed (learned) source. Only 1% of the respondents indicated that they did not possess any formal education while approximately 50% indicated that they possess a high school qualification. The data indicates that approximately 40% of the respondents possess a tertiary qualification. However, the study did not indicate what type of qualification the respondent possesses and whether the qualification was aligned to the construction industry. This suggests that government and tertiary institutes need to offer more practical training that is industry specific for individuals that do not possess the relevant qualification.

### 4.6.2 Strategic Planning Process

The section that follows analyses the scoring patterns of the respondents per variable per section. The results are first presented using summarised percentages for the variables that constitute each section. Results are then further analysed according to the importance of the statements.

#### 4.6.2.1 Application of strategic planning in the operations of the business

The respondents were asked if they had applied strategic planning in the operation of the enterprise.

Table 4.8 below indicates responses to the application of strategic planning in the operations of the enterprise.

Table 4.8: Strategic Planning

| | Frequency | Percent |
|---|---|---|
| Yes | 80 | 76.2 |
| No | 25 | 23.8 |
| Total | 105 | 100.0 |

Approximately three-quarters of the respondents (76.2%) indicated that their organisations did so ($p < 0.001$).

#### 4.6.2.2 Factors that drove the business to adopt a Strategic Plan

This section deals with the factors that drove small and medium enterprises in adopting a strategic plan. In order to determine the factors that drove small and medium enterprises to adopt a strategic plan, respondents were asked to indicate the extent to which they agree or disagree with the statement.

Table 4.9 summarises the scoring patterns.

Table 4.9: Factors that drove the business to adopt a Strategic Plan

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi Square |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | p-value |
| Organisation Complexities | B2.1 | 3 | 2.9% | 8 | 7.7% | 23 | 22.1% | 44 | 42.3% | 26 | 25.0% | < 0.001 |
| Globalisation | B2.2 | 1 | 1.0% | 7 | 6.9% | 22 | 21.8% | 43 | 42.6% | 28 | 27.7% | < 0.001 |
| Scarce Firm Resources | B2.3 | 2 | 2.0% | 4 | 3.9% | 22 | 21.6% | 39 | 38.2% | 35 | 34.3% | < 0.001 |
| New Technology | B2.4 | 0 | 0.0% | 1 | 1.0% | 15 | 15.2% | 40 | 40.4% | 43 | 43.4% | < 0.001 |
| Drive from Government | B2.5 | 8 | 8.2% | 7 | 7.1% | 17 | 17.3% | 35 | 35.7% | 31 | 31.6% | < 0.001 |
| Competition in the Market | B2.6 | 0 | 0.0% | 0 | 0.0% | 8 | 7.8% | 33 | 32.4% | 61 | 59.8% | < 0.001 |

To determine whether the scoring patterns per statement were significantly different per option, a chi square test was done. The null hypothesis claims that similar numbers of respondents scored across each option for each statement (one statement at a time). The alternate states that there is a significant difference between the levels of agreement and disagreement. The results are shown in the Table above. The highlighted significant values (p-values) are less than 0.05 (the level of significance), it implies that the distributions were not similar. That is, the differences between the way respondents scored (agree, uncertain, disagree) were significant.

Figure 4.7 represents the responses from the respondents from the respondents concerning the factors that drove the business to adopt a strategic plan.

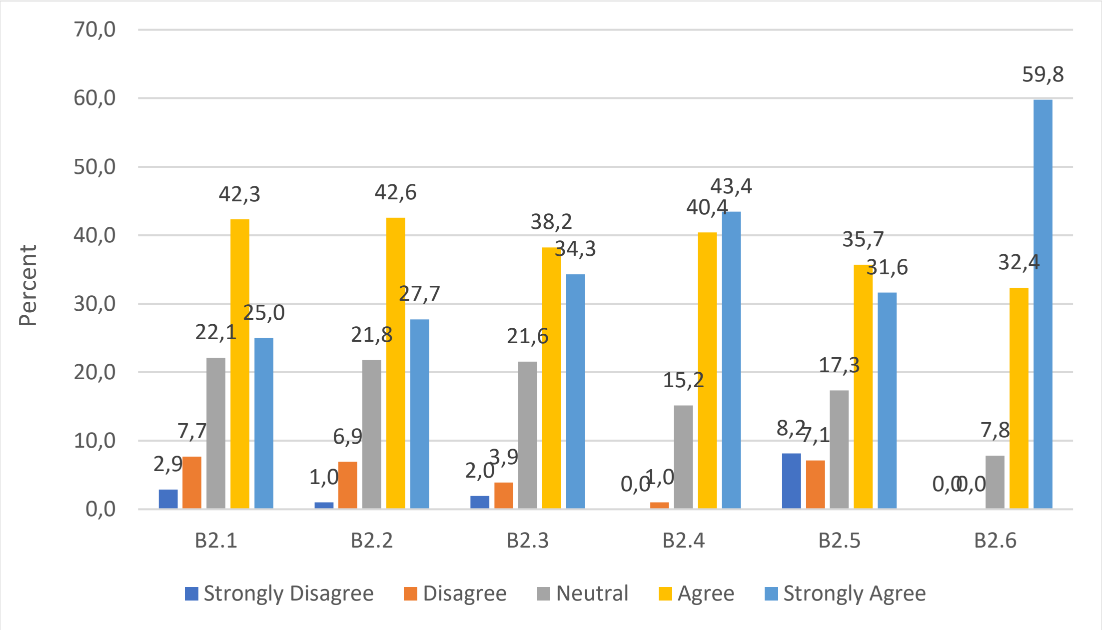


Figure 4.7: Factors that drove the business to adopt a Strategic Plan

The following patterns are observed:

- All statements show (significantly) higher levels of agreement whilst other levels of agreement are lower (but still greater than levels of disagreement)

- There are no statements with higher levels of disagreement
- The significance of the differences is tested and shown in Table 4.9.

The results in Table 4.9 indicate that approximately 67% of the respondents concur that organisational complexities influence their decision in adopting a strategic plan and approximately 70% of the respondents concur that strategic planning was influenced by globalisation. The finding also displayed that approximately 72% of the respondents concur that scarce firm resources drove businesses in adopting a strategic plan and approximately 83% of the respondents concur that strategic planning was influenced by new technology. The result also indicated that 67% of the respondents concur that drive from the government had influenced their decision in adopting a strategic plan. The factor that displayed the highest level of agreement among respondents (approximately 92%) was competition in the market.

Figure 4.8 represents the percentage of respondents that remained natural to "factors that drove the business to adopt a strategic plan."

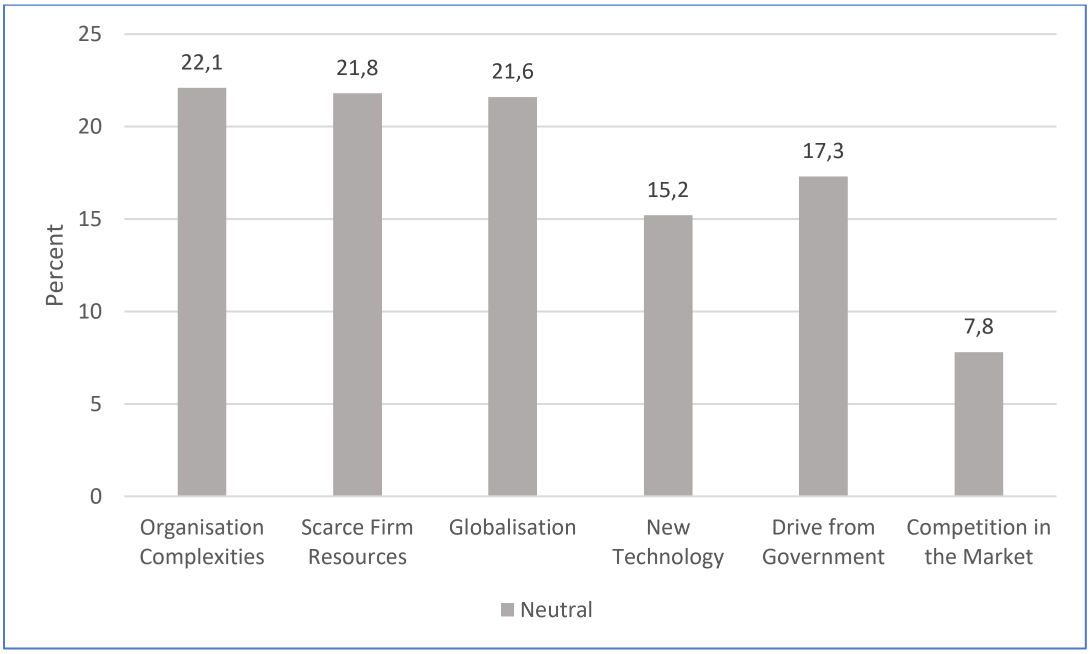


Figure 4.8: Factors that drove the business to adopt a Strategic Plan - Neutral Respondents

The outcome also indicated a fair amount of respondents remained neutral to the factors that drove businesses in adopting strategic plan, approximately 22% remained neutral on organisation complexities, approximately 21% remained neutral on globalisation and approximately 21% remained neutral on scarce firm resources.

<u>Organisation Complexities</u>

Figure 4.9 represents the responses received to the statement "organisational complexities influenced their decision in adopting a strategic plan."

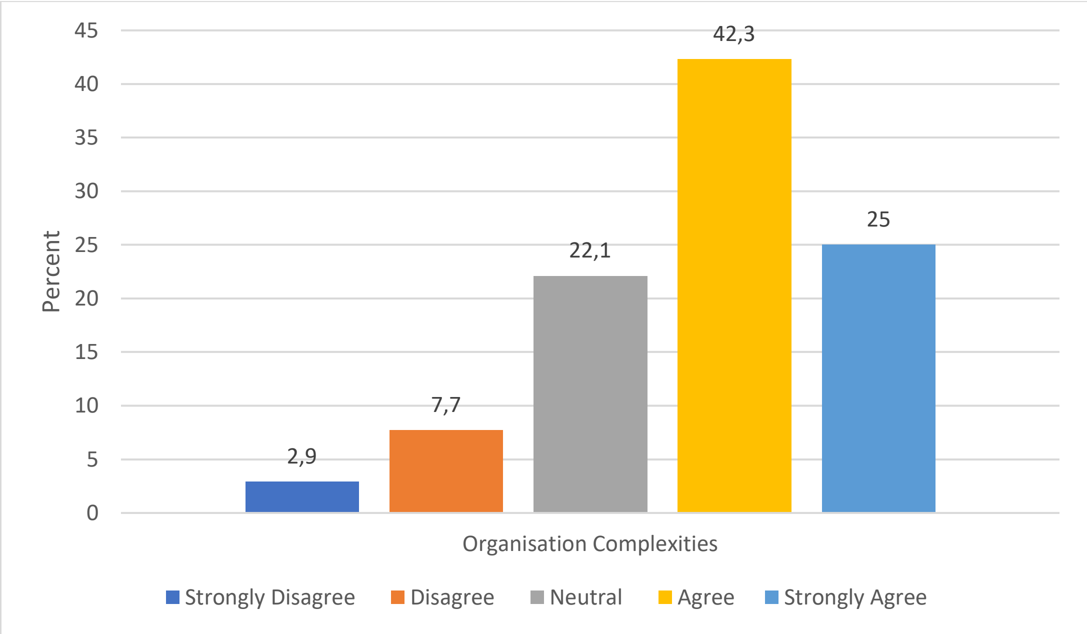


Figure 4.9: Organisation complexities

The finding indicated that 25% of the respondents agree and 42.3% respondents strongly agree that organisational complexities influenced their decision in adopting a strategic plan while 22.1% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor has an influence in the decision of adopting a strategic plan for the business. Most organisations are complex, and the structure of business vary from one business to another and this is due to different interactions between people and the ideology they share (Daryani and Amini, 2016). It is considered that through strategic planning one will be able to understand how to deal with complexities. In dealing with these complexities businesses will be able to better manage their resources and deliver on what is required by customers (Mori, 2013).

Globalisation

Figure 4.10 represents the responses received to the statement "that globalisation influenced their decision in adopting a strategic plan."

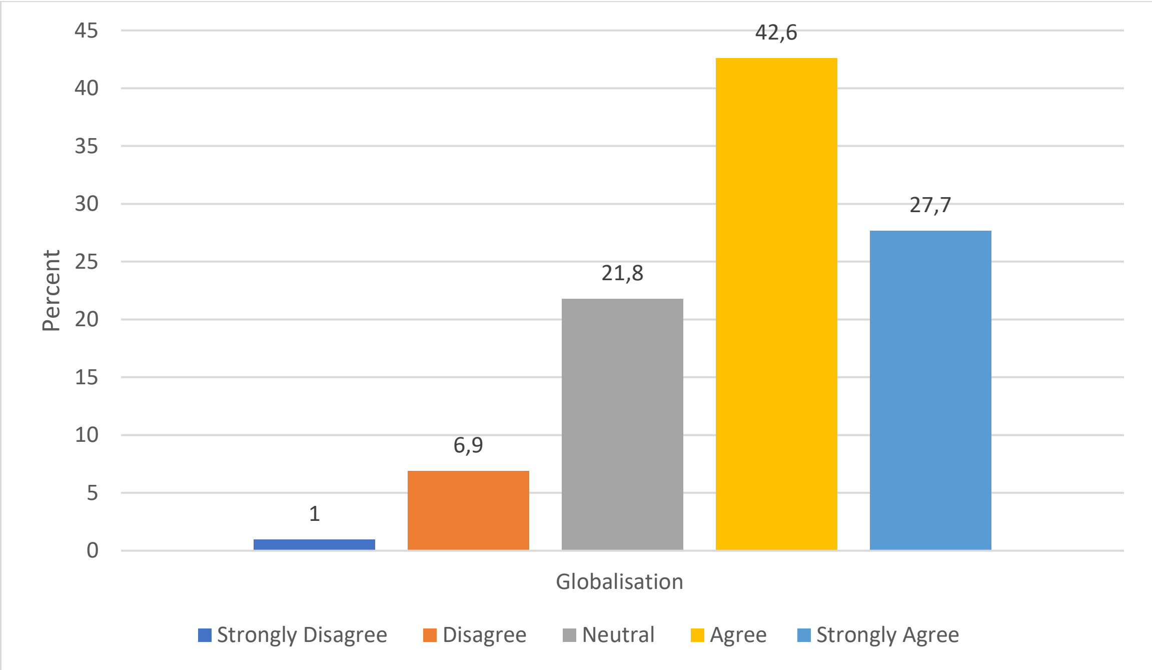


Figure 4.10: Globalisation

The finding indicated that 42.6% of the respondents agree and 27.7% respondents strongly agree that globalisation influenced their decision in adopting a strategic plan while 21.8% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor has an influence in the decision of adopting a strategic plan for the business. The world we live in is constantly changing and so is the business environment. With the rapid globalisation and technological advancement in the world, customers' needs are changing over time. The finding for globalisation and new technology suggest that organisations need to be more aware of the changes in the external environment and that through strategic planning businesses can prepare themselves for these unexpected events.

Scare Firm Resources

Figure 4.11 represents the responses received to the statement "scare firm resources influenced their decision in adopting a strategic plan."

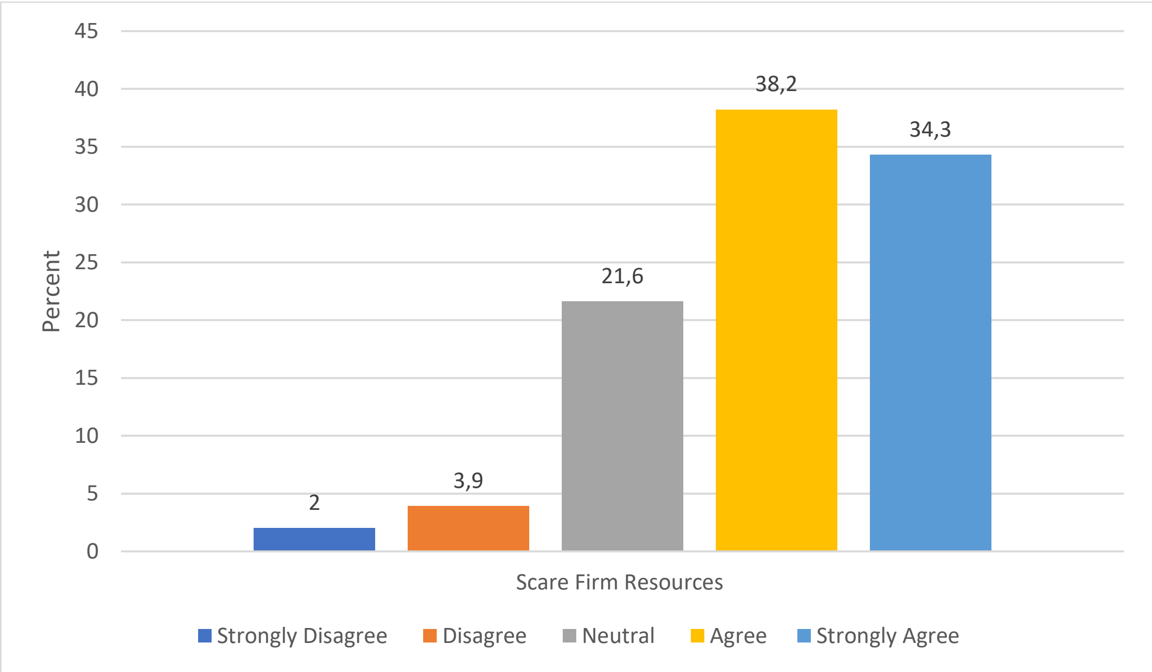


Figure 4.11: Scare Firm Resources

The finding indicated that 38.2% of the respondents agree and 34.3% respondents strongly agree that scare firm resources influenced their decision in adopting a strategic plan while 21.6% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor has an influence in the decision of adopting a strategic plan for the business. This result suggests that through strategic planning businesses can effectively manage their scarce resources and deliver on organisational objectives (Mori, 2013). Parthasarthy (2007) argued that the purpose of having strategic management is to strengthen the organisations market position and to accrue internal resources to gain an advantage over rivals.

New Technology

Figure 4.12 represents the responses received to the statement "advancement in technology influenced their decision in adopting a strategic plan."

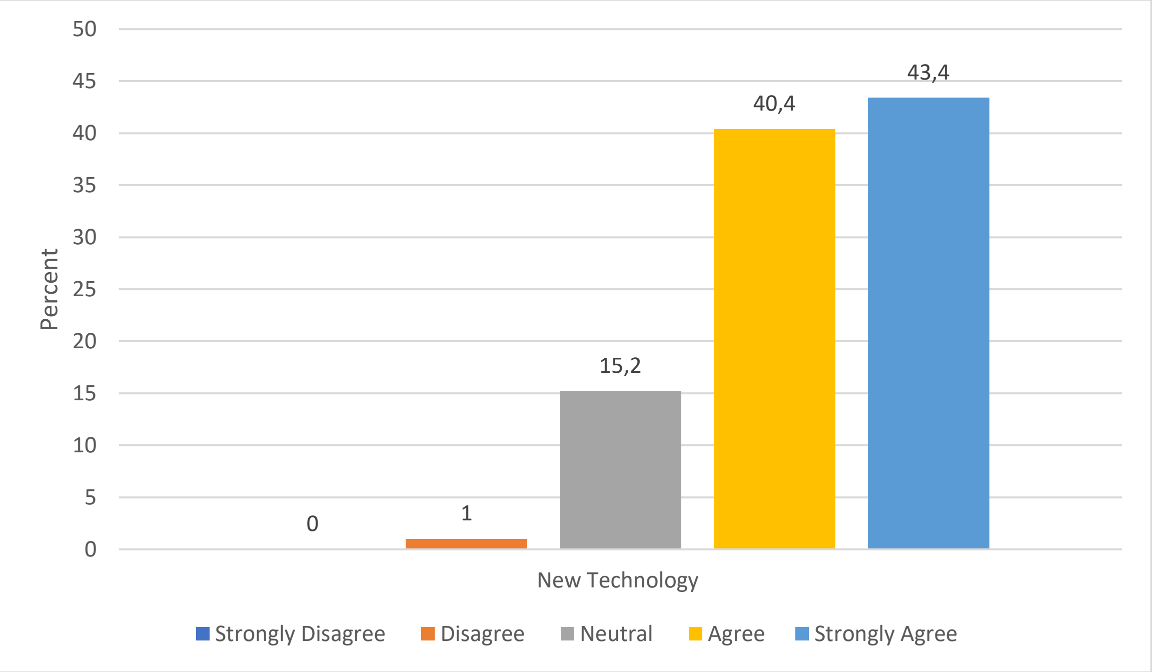


Figure 4.12: New Technology

The finding indicated that 40.4% of the respondents agree and 43.4% respondents strongly agree that advancement in technology influenced their decision in adopting a strategic plan while 15.2% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor has an influence in the decision of adopting a strategic plan for the business. As mention under the discussion on globalisation, the world we live in is constantly changing and so is technology. Technological developments are moving at an alarming rate, which suggest that organisations through strategic planning need to keep abreast with these developments and innovations as to avoid having outdated technology (Ehlers and Lazenby, 2010).

Drive from Government

Figure 4.13 represents the responses received to the statement "drive from government influenced their decision in adopting a strategic plan."

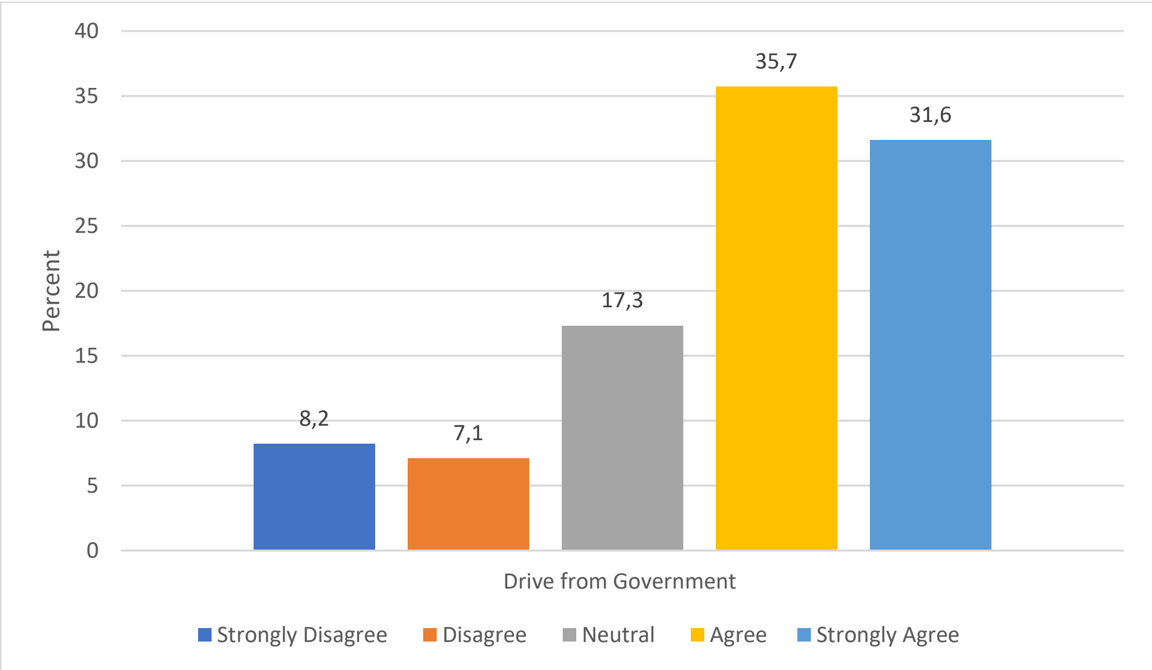


Figure 4.13: Drive from Government

The finding indicated that 35.7% of the respondents agree and 31.6% respondents strongly agree that drive from government influenced their decision in adopting a strategic plan while 17.3% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor has an influence in the decision of adopting a strategic plan for the business. However, approximately 7.1% of the respondents disagree while 8.2% strongly disagree. The disagreements from the respondents could be attributed the fact that government is not spending enough on small and medium enterprise development and that government are not supporting SMEs in achieving their organisational goals (Mori, 2013).

<u>Competition in the Market</u>

Figure 4.14 represents the responses received to the statement “competition in the market had influenced their decision in adopting a strategic plan.”

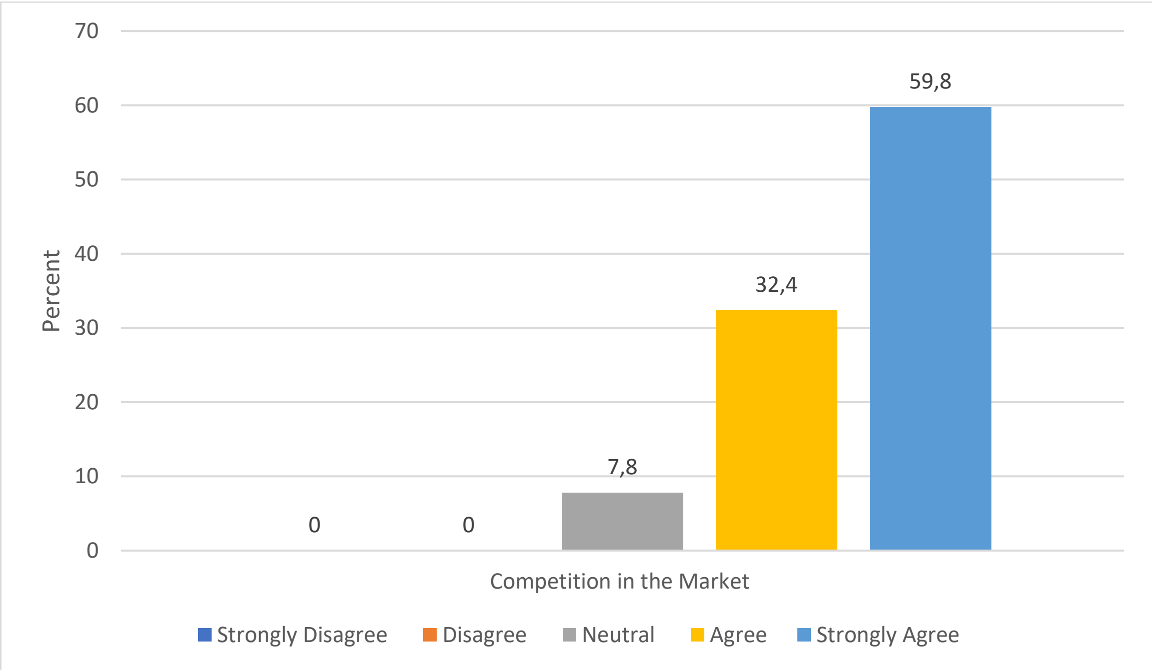


Figure 4.14: Competition in the Market

The finding indicated that 32.4% of the respondents agree and 59.8% respondents strongly agree that competition in the market had influenced their decision in adopting a strategic plan while 7.8% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor has an influence in the decision of adopting a strategic plan for the business. Karadag (2015) argued that the strategic management process allows an organisation to identify its challenges, opportunities and assist an organisation to develop a competitive advantage over rivals to achieve their goals. This suggests that a strategic plan enables a business to better position themselves in the market by providing a master plan of how the business plans on achieving their goals. Furthermore, strategic management provides a structured approach in executing objectives (Mori, 2013).

#### 4.6.2.3 Contributions of strategic planning in improving performance of your enterprise

This section deals with the factors of strategic management that contribute to the organisation's performance. In order to determine the factors that contribute to the organisation's performance respondents were asked to indicate the extent to which they agree or disagree with the statement.

Table 4.10 summarises the scoring patterns.

Table 4.10: Factors of strategic planing that constribute to the organisations performance.

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi Square |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | p-value |
| Improved the Decision-Making Process | B3.1 | 0 | 0.0% | 0 | 0.0% | 8 | 7.8% | 43 | 41.7% | 52 | 50.5% | < 0.001 |
| Competitive Advantage | B3.2 | 0 | 0.0% | 0 | 0.0% | 9 | 8.7% | 47 | 45.2% | 48 | 46.2% | < 0.001 |
| Increased Work Capacity | B3.3 | 1 | 1.0% | 5 | 4.8% | 17 | 16.3% | 36 | 34.6% | 45 | 43.3% | < 0.001 |
| Improved Customer Satisfaction | B3.4 | 1 | 1.0% | 2 | 1.9% | 15 | 14.6% | 40 | 38.8% | 45 | 43.7% | < 0.001 |
| Increased Market Recognition | B3.5 | 0 | 0.0% | 4 | 3.8% | 20 | 19.2% | 38 | 36.5% | 42 | 40.4% | < 0.001 |
| Increased Employee Morale | B3.6 | 1 | 1.0% | 2 | 1.9% | 26 | 25.0% | 33 | 31.7% | 42 | 40.4% | < 0.001 |
| Increased Productivity | B3.7 | 0 | 0.0% | 3 | 2.9% | 14 | 13.5% | 40 | 38.5% | 47 | 45.2% | < 0.001 |
| Improved Quality of Goods & Services | B3.8 | 0 | 0.0% | 4 | 3.9% | 15 | 14.7% | 40 | 39.2% | 43 | 42.2% | < 0.001 |
| Increased Turnover | B3.9 | 0 | 0.0% | 3 | 2.9% | 13 | 12.6% | 41 | 39.8% | 46 | 44.7% | < 0.001 |

Figure 4.15 represents strategic planning factors that resulted in improvement of performance of the business.

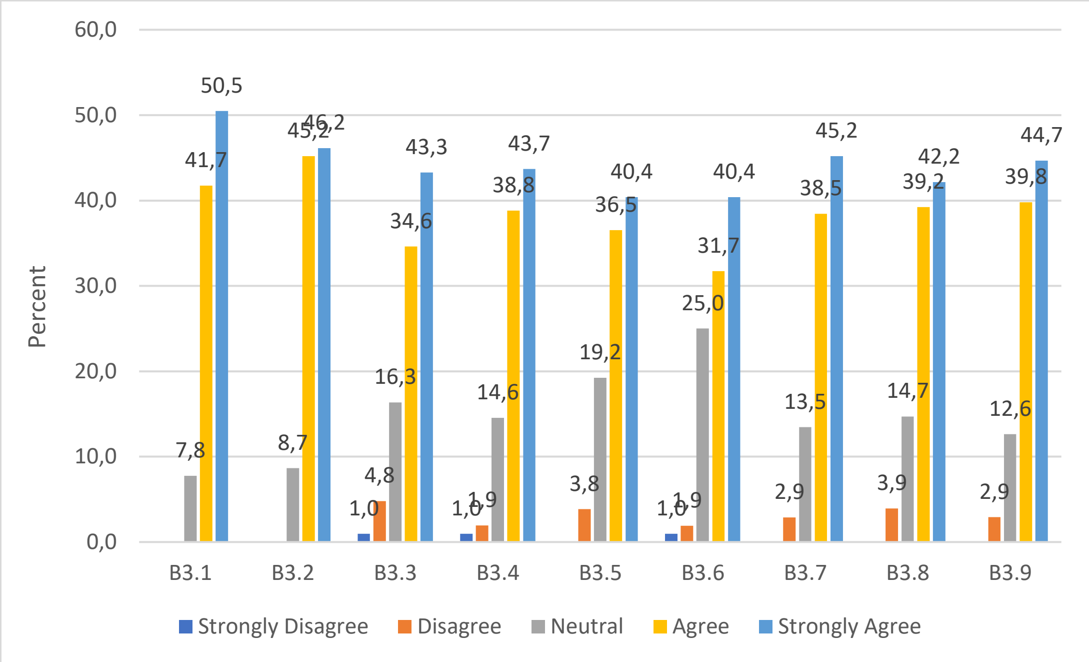


Figure 4.15 Contributions of strategic planning in improving performance of your enterprise

The following patterns are observed:

- All statements show (significantly) higher levels of agreement whilst other levels of agreement are lower (but still greater than levels of disagreement)
- There are no statements with higher levels of disagreement
- The significance of the differences is tested and shown in the Table 4.10.

The results in Table 4.10 and Figure 4.15 indicate that approximately 92% of the respondents concur that strategic planning improved the decision-making process of the business and approximately 91% of the respondents concur that having a competitive advantage improve the performance of the business. The finding also displayed that approximately 77% of the respondents concur that strategic planning increased work capacity of the business and approximately 82% of the respondents concur that strategic planning improved the service to customers. The result also indicated that approximately 76% of the respondents concur that strategic planning increased the market recognition and brand of the business. Approximately 72% of the respondents concur that strategic planning increased employee morale of the business while approximately 83% of the responds concur that strategic planning increased productivity. The results also show that approximately 82% of the respondents concur that strategic planning improved the quality of goods and services of the business and approximately 84% of the respondents concur that strategic planning increased their business turnover.

<u>Improved the Decision-Making Process</u>

Figure 4.16 represents the responses received to the statement “strategic planning improved the decision-making process for the business.”

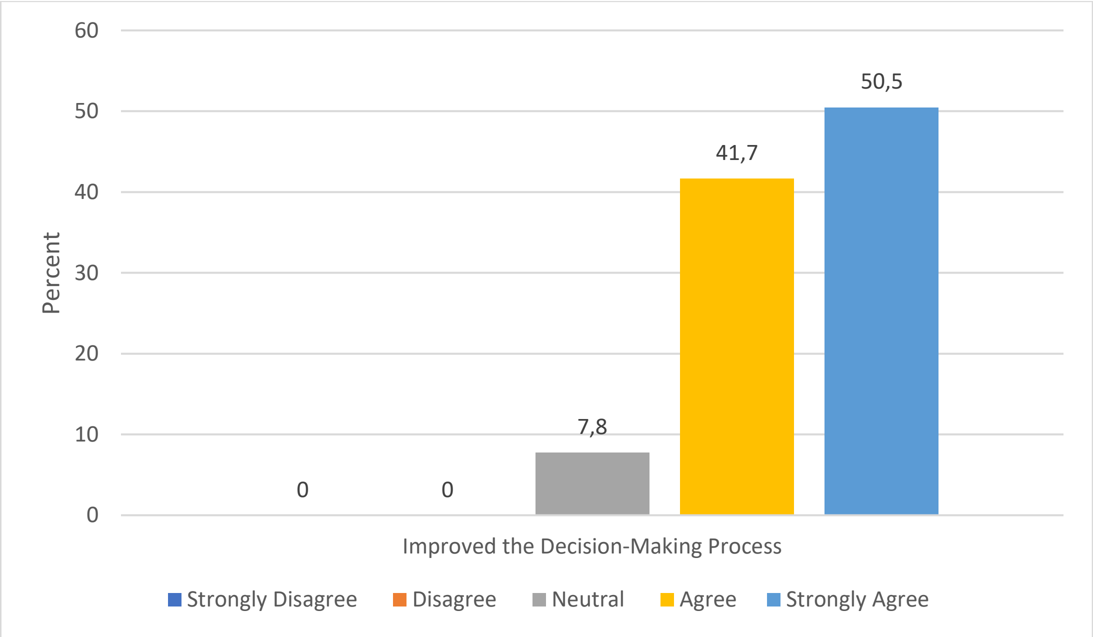


Figure 4.16: Strategic Planning Improved the Decision-Making Process

The finding indicated that 41.7% of the respondents agree and 50.5% respondents strongly agree that strategic planning improved the decision-making process for the business while 7.8% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor is a contributing factor in improving the performance of the business.

Christou (2015) argues that strategic management process has a logical approach in decision making process, it is a logical, systematic and objective approach in determining an organisation's future direction. The strategic management process involves a set of long-term decision and plans on how the organisation will operate in the future. Furthermore, these decisions set out the vision, mission and goals of the organisation (Mori, 2013).

Competitive Advantage

Figure 4.17 represents the responses received to the statement "strategic planning created a competitive advantage for their business."

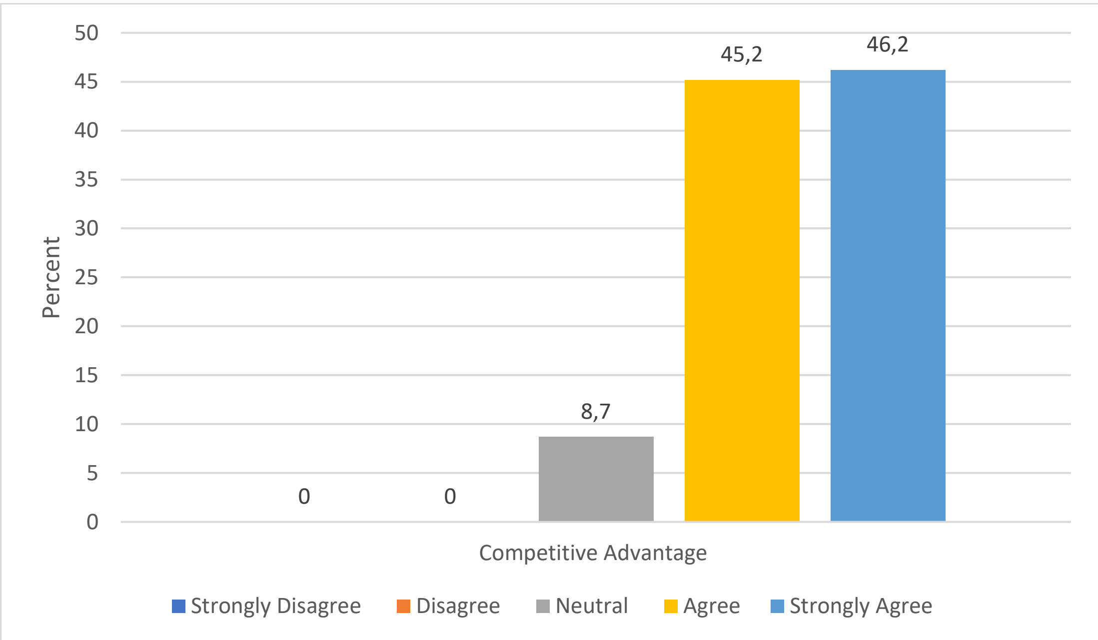


Figure 4.17: Competitive Advantage

The finding indicated that 45.2% of the respondents agree and 46.2% respondents strongly agree that strategic planning created a competitive advantage for their business while 8.7% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor is a contributing factor in improving the performance of the business.

Ehlers and Lazenby (2010) claims that strategy refers to a deliberate action that an organisation pursues, with the intention to gain a competitive advantage over rivals. Abraham (2006) argues that the purpose of strategy is to "beat the competition" by creating business design that emphasizes on target market (customer), finances (profits), rivalry (Competitive strategies) and opportunities.

<u>Increased Turnover</u>

Figure 4.18 represents the responses received to the statement "strategic planning increased the turnover for their business."

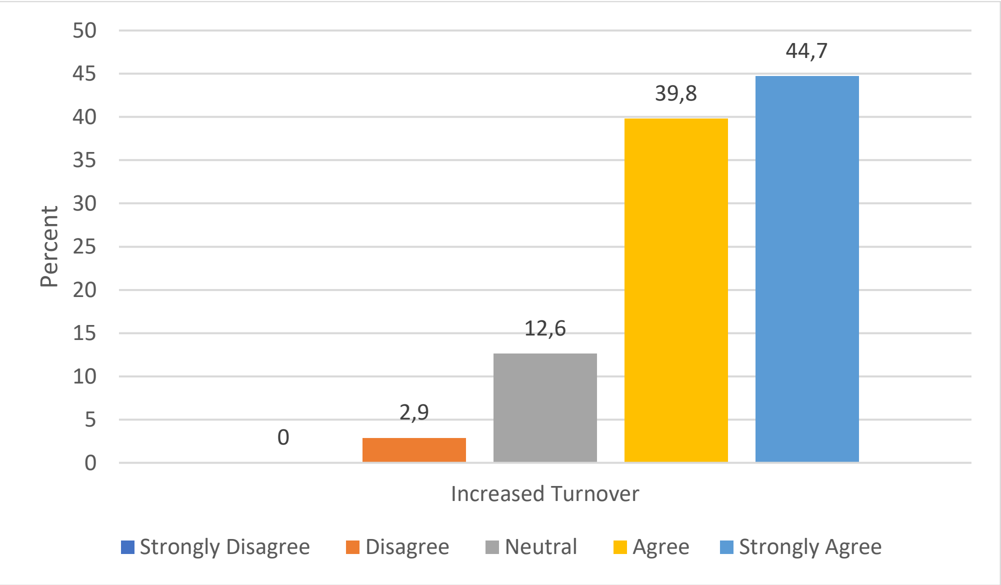


Figure 4.18: Increased Turnover

The finding indicated that 39.8% of the respondents agree and 44.7% of the respondents strongly agree that strategic planning increased the turnover for their business while 12.6% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor is a contributing factor in improving the performance of the business.

Ehlers and Lazenby (2010) argues that strategic management improve profits and turnover by increased productivity through structured planning of resources and materials. Furthermore, the main objective for an organisation is to remain profitable and survive. Wang, Elizabeth and Redmond (2007) argue that SMEs that engage in strategic planning are likely to perform better than those that do not practice strategic management in their business. They are more likely to achieve higher sales growth and higher margins on profit.

#### 4.6.2.4 Are you aware of the procedures involved in the strategic planning process?

Table 4.11 represents the responses received from respondents regarding their awareness of procedures involved in the strategic planning process.

Table 4.11: Awareness of procedures involved in a strategic planning process

| | Frequency | Percent |
|---|---|---|
| Yes | 76 | 73.1 |
| No | 28 | 26.9 |
| Total | 104 | 100.0 |

Significantly more respondents agreed with the question ($p < 0.001$). The finding indicated that 73.1% of the respondents are familiar with procedures involved in the strategic management process while 26.9% of the respondents indicated that they are not aware of the procedures involved in the strategic management process.

#### 4.6.2.5 Do you think the strategic planning process is effective in your organisation?

Table 4.12 represents the responses received from respondents regarding the effectiveness of strategic planning in an organisation.

Table 4.12: Effectiveness of strategic planning in an organisation

| | Frequency | Percent |
|---|---|---|
| Yes | 83 | 79.8 |
| No | 21 | 20.2 |
| Total | 104 | 100.0 |

Significantly more respondents agreed with the question ($p < 0.001$). The finding indicated that 79.8% of the respondents agreed that the strategic planning process is effective in their organisation while 20.2% of the respondents disagreed with statement.

#### 4.6.2.6 How often are you involved in the strategic process?

Figure 4.19 represents the responses received from respondents regarding their involvement in the strategic management process.

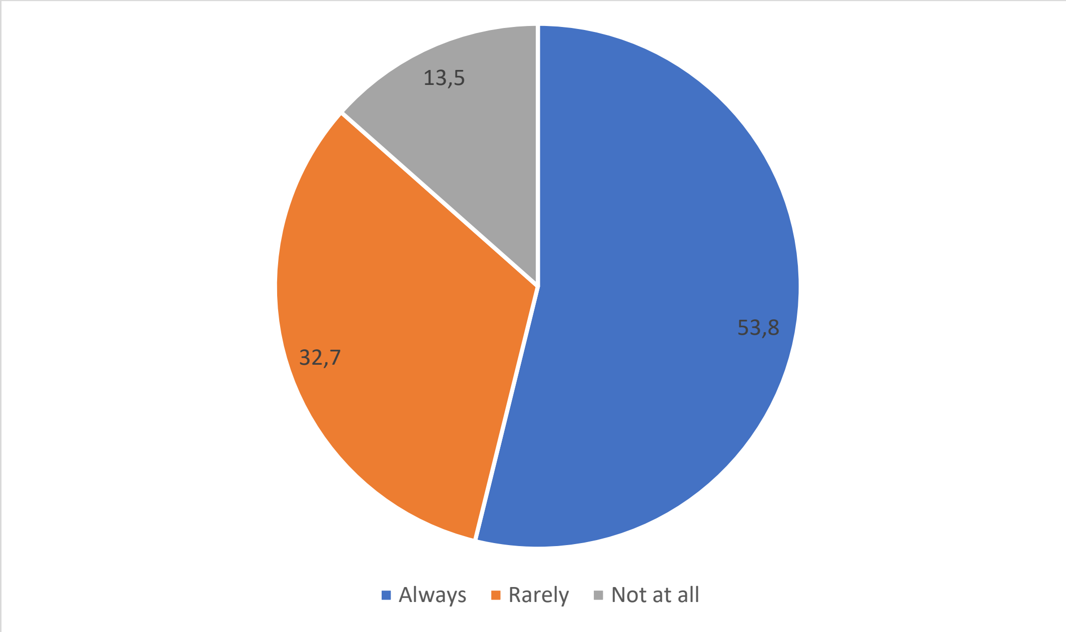


Figure 4.19: Involvement in the strategic process

Significantly more respondents (53.8%) indicated that they were always involved in the strategic management process ($p < 0.001$). The finding also indicated that 32.7% of the respondents are rarely involved in the strategic management process and 13.5% of the respondents indicated they are not involved in the strategic management process. The reason why respondents were not involved in the strategic process could be attributed to many factors. These include factors such as lack of time, lack of expertise or inadequate knowledge of the planning process.

#### 4.6.2.7 Were there enough training/seminars provided before the strategic planning process?

Table 4.13 represents the responses received from respondents regarding the strategic management training.

Table 4.13: Training provided before the strategic plan

| | Frequency | Percent |
|---|---|---|
| Yes | 26 | 25.2 |
| No | 77 | 74.8 |
| Total | 103 | 100.0 |

Significantly more respondents disagreed with the question ($p < 0.001$). This finding suggests that there are not enough strategic management training/seminars provided for SMEs.

#### 4.6.2.8 Do you involve other employees in the strategic process?

Table 4.14 represents the responses received from respondents regarding their involvement of other employees in the strategic plan.

Table 4.14: Involvement of other employees in the strategic plan

| | Frequency | Percent |
|---|---|---|
| Yes | 61 | 59.2 |
| No | 42 | 40.8 |
| Total | 103 | 100.0 |

Although more respondents agreed with the question, the difference was not statistically significant ($p = 0.061$). The finding indicated that 59.2% of the respondents involve other employees in the strategic process while 40.8% of the respondents indicated that they do not involve other employees in the strategic process. The reason why respondents were not involved in the strategic process could be attributed to many factors. These include factors such as poor communication or internal implementation barriers.

#### 4.6.2.9 Do you have enough resources in the organisation to implement a strategic plan?

Table 4.15 represents the responses received from respondents regarding the availability of resources in the organisation to impletment a strategic plan.

Table 4.15: Availability of resources in the organisation to impletment a strategic plan

| | Frequency | Percent |
|---|---|---|
| Yes | 35 | 33.7 |
| No | 69 | 66.3 |
| Total | 104 | 100.0 |

Significantly more respondents disagreed with the question ($p = 0.001$). The finding indicated that 33.7% of the respondents had sufficient resources in the organisation to implement a strategic plan while 66.3% of the respondents indicated that there were insufficient resources in the organisation to implement a strategic plan. This finding suggest that the strategic management process is time consuming and therefore it is difficult for SMEs to implement strategic plans.

#### 4.6.2.10 Challenges facing the implementation of a strategic plan in an organisation

This section deals with the challenges facing the implementation of a strategic plan in an organisation. In order to determine the challenges facing the implementation of a strategic plan in an organisation, respondents were asked to indicate the extent to which they agree or disagree with the statement (Table 4.16 & Figure 4.20).

Table 4.16: Challenges facing the implementation of a strategic plan

| | | Strongly Disagree | | Disagree | | Neutral | | Agree | | Strongly Agree | | Chi Square |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | Count | Row N % | p-value |
| Inadequate Resources | B10.1 | 1 | 1.0% | 3 | 2.9% | 15 | 14.4% | 34 | 32.7% | 51 | 49.0% | < 0.001 |
| Difficulty Accessing Information | B10.2 | 3 | 2.9% | 8 | 7.8% | 13 | 12.6% | 36 | 35.0% | 43 | 41.7% | < 0.001 |
| Ignorance of Employees | B10.3 | 4 | 3.9% | 9 | 8.7% | 18 | 17.5% | 34 | 33.0% | 38 | 36.9% | < 0.001 |
| Poor Communication | B10.4 | 6 | 5.8% | 6 | 5.8% | 15 | 14.6% | 34 | 33.0% | 42 | 40.8% | < 0.001 |
| Lack of Time | B10.5 | 3 | 2.9% | 7 | 6.9% | 16 | 15.7% | 33 | 32.4% | 43 | 42.2% | < 0.001 |
| Lack of Expertise | B10.6 | 2 | 1.9% | 3 | 2.9% | 13 | 12.6% | 37 | 35.9% | 48 | 46.6% | < 0.001 |
| Inadequate Knowledge of the planning Process | B10.7 | 2 | 1.9% | 2 | 1.9% | 13 | 12.6% | 41 | 39.8% | 45 | 43.7% | < 0.001 |
| Size of the Business | B10.8 | 3 | 2.9% | 12 | 11.7% | 21 | 20.4% | 36 | 35.0% | 31 | 30.1% | < 0.001 |
| Environmental Uncertainty | B10.9 | 2 | 2.0% | 6 | 5.9% | 18 | 17.6% | 38 | 37.3% | 38 | 37.3% | < 0.001 |
| Internal Implementation Barriers | B10.10 | 0 | 0.0% | 7 | 6.7% | 17 | 16.3% | 34 | 32.7% | 46 | 44.2% | < 0.001 |

Figure 4.20 represents Challenges facing the implementation of a strategic plan

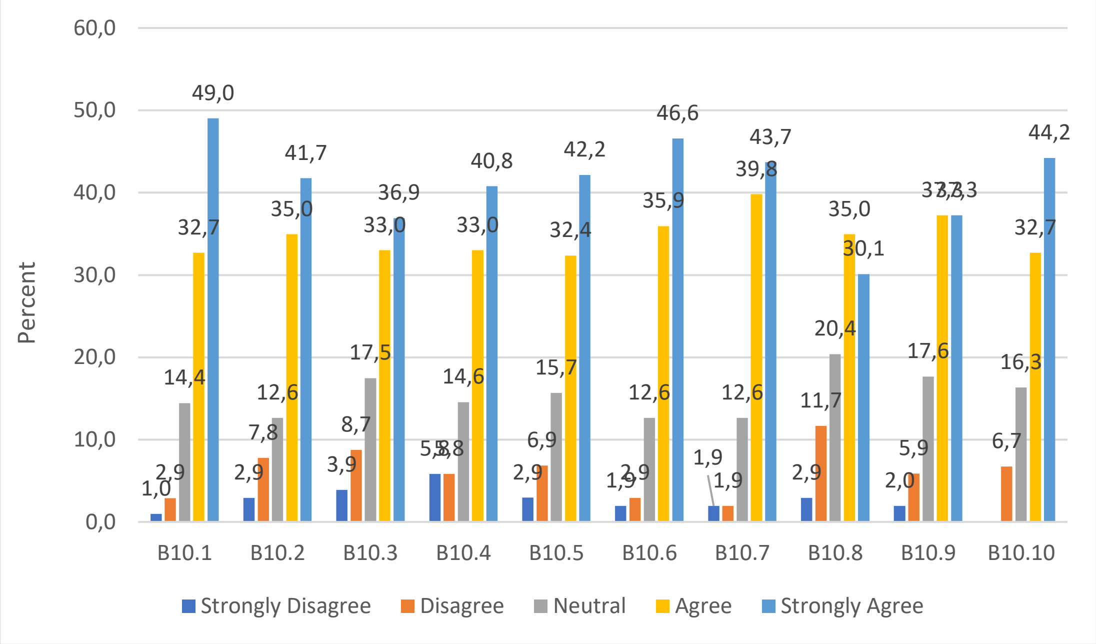


Figure 4.20 Challenges facing the implementation of a strategic plan

The following patterns are observed:

- All statements show (significantly) higher levels of agreement whilst other levels of agreement are lower (but still greater than levels of disagreement)
- There are no statements with higher levels of disagreement
- The significance of the differences is tested and shown in Table 4.16.

The results in Table 4.16 and Figure 4.20 indicate that approximately 81% of the respondents concur that inadequate resources had a negative influence in the implementation of a strategic plan and approximately 76% of the respondents concur that a lack of access to information had a negative influence in the implementation of a strategic plan. The finding also displayed that approximately 70% of the respondents concur that ignorance from employees had a negative influence in the implementation of a strategic plan and approximately 73% of the respondents concur that poor communication had a negative influence in the implementation of a strategic plan. The result also indicated that approximately 74% of the respondents concur that time was an issue when implementing a strategic plan while 82% of the respondents concur that a lack of expertise had a negative influence in the implementation of a strategic plan. Approximately 83% of the respondents concur that inadequate knowledge of the strategic planning process leads to an implementation barrier while approximately 65% of the responds concur that the size of the business had a negative influence in the implementation of a strategic plan. The results also show that approximately 74% of the respondents concur that environmental uncertainty had a negative influence in the implementation of a strategic plan and approximately 76% of the respondents concur that the organisations internal implementation barriers had a negative influence in the implementation of a strategic plan.

Inadequate Resources

Figure 4.21 represents the responses received to the statement "inadequate resources had a negative influence in the implementation of a strategic plan."

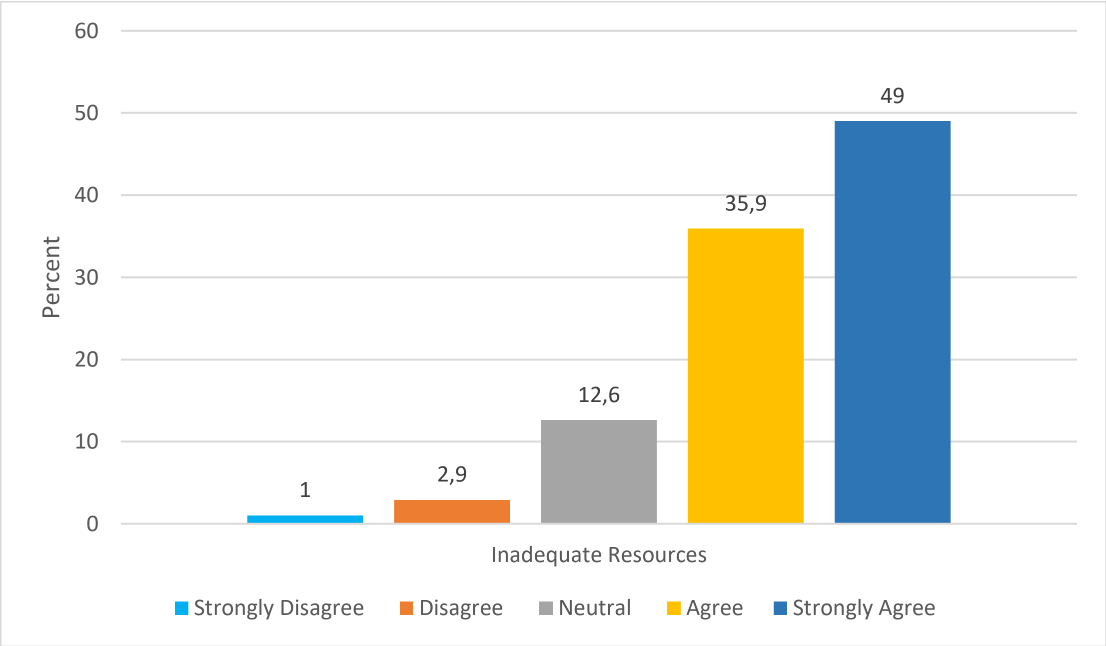


Figure 4.21: Inadequate Resources

The finding indicated that 32.7% of the respondents agree and 49% of the respondents strongly agree that inadequate resources had a negative influence in the implementation of a strategic plan while 14.4% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor is a contributing factor in improving the performance of the business.

According to Parthasarthy, (2007), the purpose of having strategic management is to strengthen the organisations market position and to accrue internal resources to gain an advantage over rivals. This suggest that businesses should ensure that their business has sufficient resources to implement and execute a strategic plan.

<u>Lack of Expertise</u>

Figure 4.22 represents the responses received to the statement "lack of expertise had a negative influence in the implementation of a strategic plan."

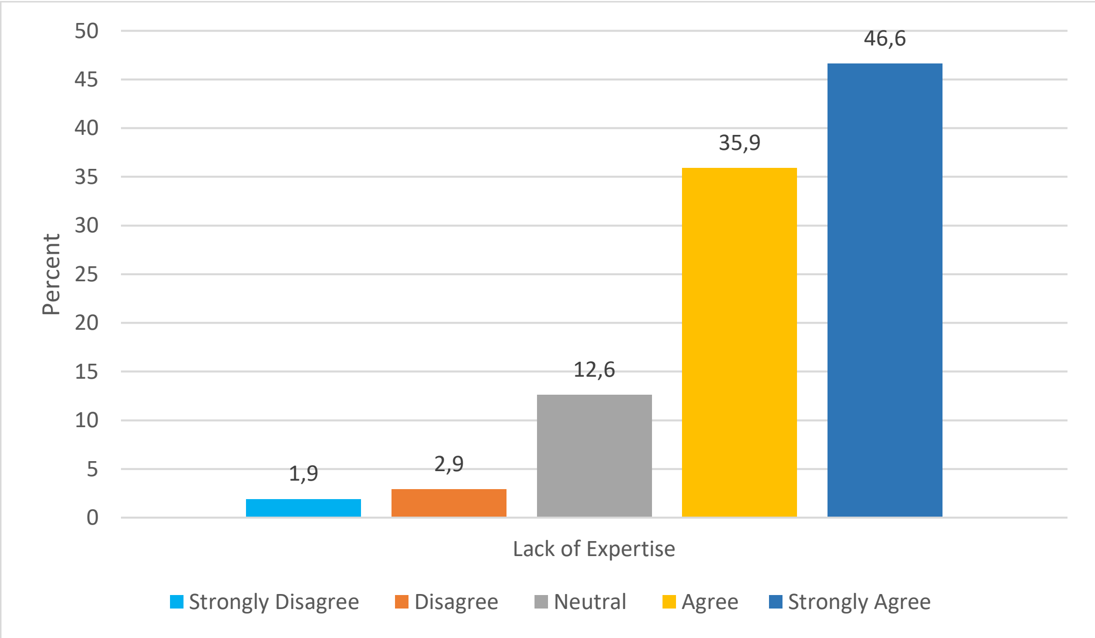


Figure 4.22: Lack of Expertise

The finding indicated that 35.9% of the respondents agree and 46.6% of the respondents strongly agree that a lack of expertise had a negative influence in the implementation of a strategic plan while 12.6% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor is a contributing factor in improving the performance of the business.

Muspratt (1984) argued that the construction industry is inexperienced in strategic planning procedures and that some managers have little or no knowledge of strategic planning. This suggest that managers and business owners should undertake the necessary entrepreneurial and management studies to gain an overall knowledge of strategic planning. Furthermore, Wang, Elizabeth and Redmond, (2007) argue that a lack of specialized expertise and inadequate knowledge of the planning process is harmful to the business.

Poor Communication

Figure 4.23 represents the responses received to the statement “poor communication had a negative influence in the implementation of a strategic plan.”

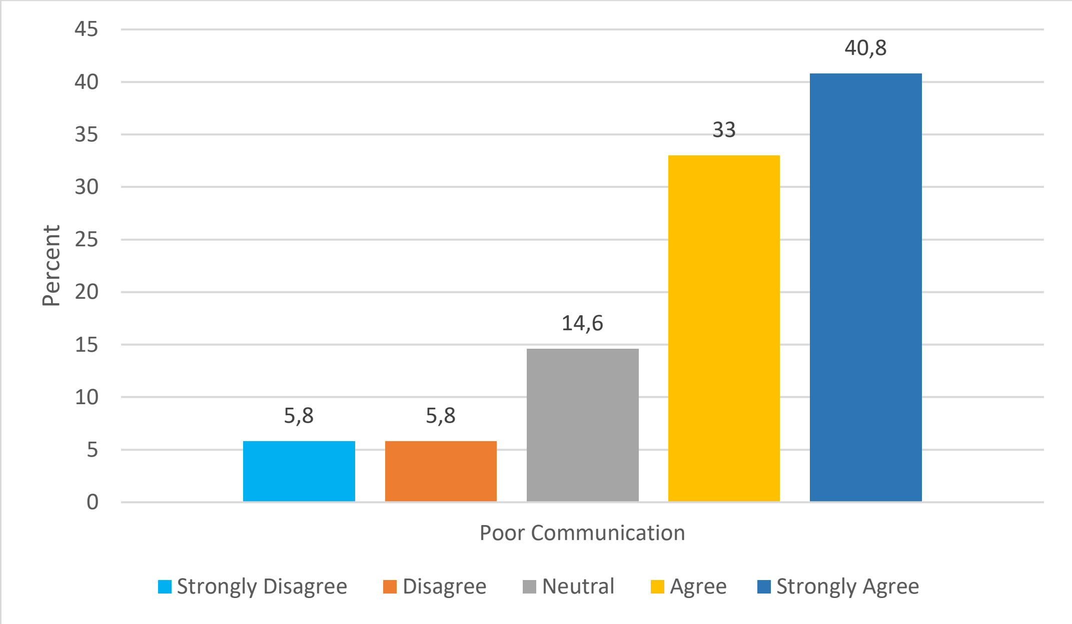


Figure 4.23: Poor Communication

The finding indicated that 33% of the respondents agree and 40.8% of the respondents strongly agree that poor communication had a negative influence in the implementation of a strategic plan while 14.6% of the respondents remained neutral ($p < 0.001$). The statement shows (significantly) higher levels of agreement which indicates that the factor is a contributing factor in improving the performance of the business.

Ehlers and Lazenby (2010) argue that communication and stakeholders play a vital role in creating organisational wealth. Moreover, communications are equally important in building relationships. It is, therefore, imperative for managers and business owners to understand the needs or concerns of the stakeholders and have a clear channel of communication when formulating strategic plans for the business. Furthermore, the strategic plan must show employees how their roles impact the vision and success of the business (Mori, 2013).

#### 4.6.2.11 Do you think that the strategic plan of your organisation is flexible?

Figure 4.24 represents the responses received from respondents regarding the flexibility of the strategic plan.

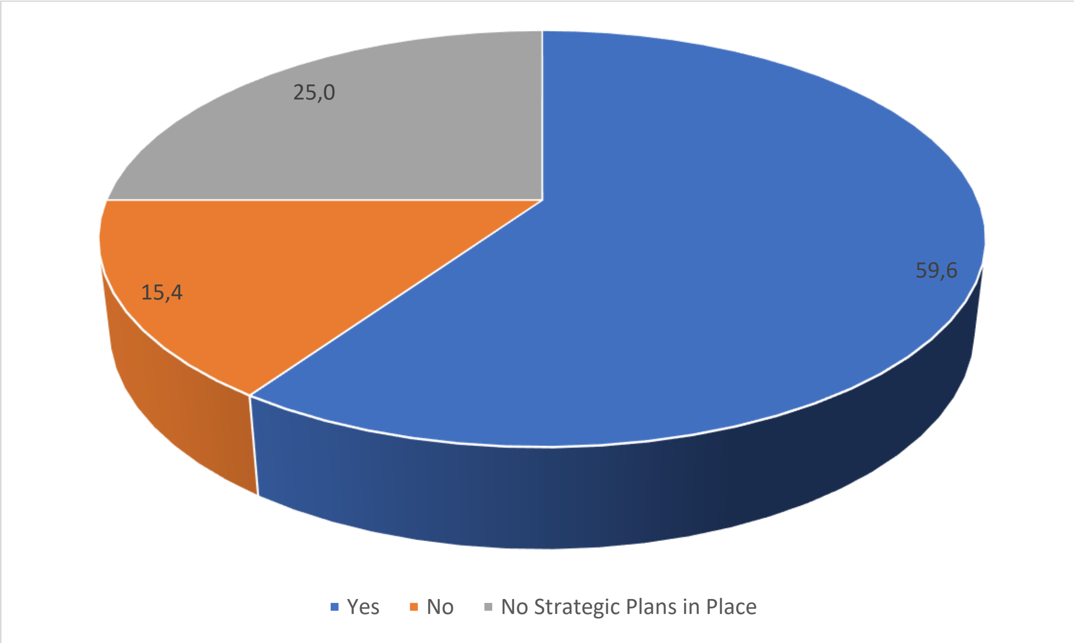


Figure 4.24: Flexibility in the strategic plan

Approximately 60% of the respondents agreed with the question ($p < 0.001$). Due to the nature in which SMEs operate and the lack of resources, they tend to adopt a more flexible approach to strategic management (Karadag, 2015). Chiloane-Tsoka and Boya (2014) argue that the strategy implemented needs to be flexible enough to adapt to changes in the environment.

#### 4.6.2.11 How often do you review the organisations strategic plan in a five-year period?

Figure 4.25 represents the responses received from respondents regarding the flexibility of the strategic plan.

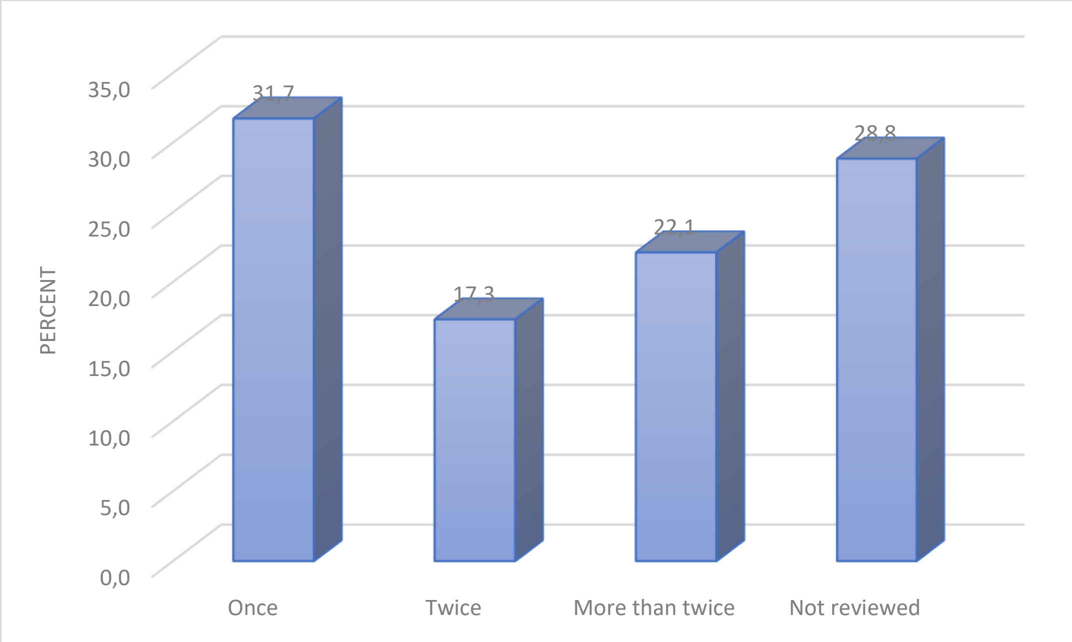


Figure 4.25: Review of strategic plan in a five period

There were varied responses across the categories. The differences were, however, not statistically significant ($p = 0.151$). The finding indicates that 31.7% of the respondents review their organisations strategic plan once every five years and 17.3% of the respondents review their organisations strategic plan twice every five years. The results also show that 22.1% of the respondents review their organisations strategic plan more than twice every five years while 28.8% of the respondents do not review their organisations strategic plan.

## 4.7 Inferential Statistics

### 4.7.1 Crosstabulations

A Chi square test of independence was performed to determine whether there was a statistically significant relationship between the variables (rows vs columns). The null hypothesis states that there is no association between the two. The alternate hypothesis indicates that there is an association. Significant results are for $p < 0.05$. All p-values more than 0.05 do not have a significant relationship.

The Table summarises the results of the chi square tests (Refer to Appendix A).

The p-value between “Race” and “Organisation Complexities” is 0.012. This means that there is a significant relationship between the variables, i.e., the race of the respondent did play a significant role in terms of how respondents viewed Organisation Complexities.

The p-value between “Do you apply strategic planning in the operations of your enterprise?” and “Organisation Complexities” is 0.030. This means that there is a significant relationship between the variables, i.e., the application of strategic planning in the operation of the enterprise of the business did play a significant role in terms of how respondents viewed Organisation Complexities. It can be seen that 73.4% of the respondents who apply strategic planning in the operations, also agreed with Organisation Complexities

The p-value between “Do you apply strategic planning in the operations of your enterprise?” and “Globalisation” is 0.008. This means that there is a significant relationship between the variables, i.e., the application of strategic planning in the operation of the enterprise of the business did play a significant role in terms of how respondents viewed Globalisation. It can be seen that 79.2% of the respondents who apply strategic planning in the operations, also agreed with Globalisation.

The p-value between “Are you aware of the procedures involved in the strategic planning process?” and “Organisation Complexities” is 0.001. This means that there is a significant relationship between the variables, i.e., the knowledge of the procedures involved in the strategic planning process did play a significant role in terms of how respondents viewed Organisation Complexities. It can be seen that 77.3% of the respondents who are aware of the procedures involved in the strategic planning, also agreed with Organisation Complexities.

The p-value between “Are you aware of the procedures involved in the strategic planning process?” and “Globalisation” is 0.000. This means that there is a significant relationship between the variables, i.e., the knowledge of the procedures involved in the strategic planning process did play a significant role in terms of how respondents viewed Globalisation. It can be seen that 82.2% of the respondents who are aware of the procedures involved in the strategic planning, also agreed with Globalisation.

The p-value between “Do you think the strategic planning process is effective in your organisation?” and “Organisation Complexities” is 0.001. This means that there is a significant relationship between the variables, i.e., the effectiveness of the strategic planning process in the business did play a significant role in terms of how respondents viewed Organisation Complexities. It can be seen that 75.6% of the respondents who think the strategic planning process is effective, also agreed with Organisation Complexities.

The p-value between “Do you think the strategic planning process is effective in your organisation?” and “Globalisation” is 0.003. This means that there is a significant relationship between the variables, i.e., the effectiveness of the strategic planning process in the business did play a significant role in terms of how respondents viewed Globalisation. It can be seen that 78.5% of the respondents who think the strategic planning process is effective, also agreed with Globalisation.

The p-value between “Do you think the strategic planning process is effective in your organisation?” and “Increased Productivity” is 0.025. This means that there is a significant relationship between the variables, i.e., the effectiveness of the strategic planning process in the business did play a significant role in terms of how respondents viewed Increased Productivity. It can be seen that 85.4% of the respondents who think the strategic planning process is effective, also agreed with Increased Productivity.

The p-value between “How often are you involved in the strategic process?” and “Organisational Complexities” is 0.043. This means that there is a significant relationship between the variables, i.e., the involvement of the respondent in the strategic process did play a significant role in terms of how respondents viewed Organisational Complexities. It can be seen that 78.2% of the respondents who were involved in the strategic process, also agreed with Organisational Complexities.

The p-value between “How often are you involved in the strategic process?” and “Globalisation” is 0.016. This means that there is a significant relationship between the variables, i.e., the involvement of the respondent in the strategic process did play a significant role in terms of how respondents viewed Globalisation. It can be seen that 90.9% of the respondents who were involved in the strategic process, also agreed with Globalisation.

The p-value between “How often are you involved in the strategic process?” and “Increased Productivity” is 0.048. This means that there is a significant relationship between the variables, i.e., the involvement of the respondent in the strategic process did play a significant role in terms of how respondents viewed Increased Productivity. It can be seen that 81.3% of the respondents who were involved in the strategic process, also agreed with Increased Productivity.

The p-value between “Were there enough training/seminars provided before the strategic planning process?” and “Drive from Government” is 0.034. This means that there is a significant relationship between the variables, i.e., the training provided before the strategic planning process did play a significant role in terms of how respondents viewed Drive from Government. It can be seen that 92% of the respondents who felt that enough training/seminars provided before the strategic planning process, also agreed with Drive from Government.

The p-value between “Were there enough training/seminars provided before the strategic planning process?” and “Increased Productivity” is 0.047. This means that there is a significant relationship between the variables, i.e., the training provided before the strategic planning process did play a significant role in terms of how respondents viewed Increased Productivity. It can be seen that 86.9% of the respondents who felt that enough training/seminars provided before the strategic planning process, also agreed with Increased Productivity.

The p-value between “Were there enough training/seminars provided before the strategic planning process?” and “Lack of Expertise” is 0.039. This means that there is a significant relationship between the variables, i.e., the training provided before the strategic planning process did play a significant role in terms of how respondents viewed Lack of Expertise. It can be seen that 85.7% of the respondents who felt that enough training/seminars provided before the strategic planning process, also agreed with Lack of Expertise.

The p-value between “Do you have enough resources in the organisation to implement a strategic plan?” and “Inadequate Resources” is 0.012. This means that there is a significant relationship between the variables, i.e., the number of resources in the business to implement a strategic plan did play a significant role in terms of how respondents viewed Inadequate Resources. It can be seen that 85.7% of the respondents who felt that there were enough resources in the organisation, also agreed with Inadequate Resources.

The p-value between “Do you have enough resources in the organisation to implement a strategic plan?” and “Increased Productivity” is 0.005. This means that there is a significant relationship between the variables, i.e., the number of resources in the business to implement a strategic plan did play a significant role in terms of how respondents viewed Increased Productivity. It can be seen that 91.2% of the respondents who felt that there were enough resources in the organisation, also agreed with Improved Quality of Goods and Services.

The p-value between “Do you have enough resources in the organisation to implement a strategic plan?” and “Improved Quality of Goods and Services” is 0.016. This means that there is a significant relationship between the variables, i.e., the number of resources in the business to implement a strategic plan did play a significant role in terms of how respondents viewed Improved Quality of Goods and Services. It can be seen that 87.9% of the respondents who felt that there were enough resources in the organisation, also agreed with Improved Quality of Goods and Services.

The p-value between “Do you have enough resources in the organisation to implement a strategic plan?” and “Lack of Expertise” is 0.001. This means that there is a significant relationship between the variables, i.e., the number of resources in the business to implement a strategic plan did play a significant role in terms of how respondents viewed Lack of Expertise. It can be seen that 74.3% of the respondents who felt that there were enough resources in the organisation, also agreed with Lack of Expertise.

The p-value between “Do you think that the strategic plan of your organisation is flexible?” and “Globalisation” is 0.001. This means that there is a significant relationship between the variables, i.e., the flexibility of the strategic plan did play a significant role in terms of how respondents viewed Globalisation. It can be seen that 85% of the respondents who felt that the organisation is flexible, also agreed with Globalisation.

### 4.7.2 Correlations

Bivariate correlation was also performed on the (ordinal) data. The results are found in the appendix B.

Positive values indicate a directly proportional relationship between the variables and a negative value indicates an inverse relationship. All significant relationships are indicated by a * or **.

The results indicate the following patterns:

The correlation value between “New Technology” and “Increased Work Capacity” is 0.335. This is a directly related proportionality. Respondents indicated that the more new technology is available, the more this would lead to increased work capacity, and *vice versa*.

The correlation value between “New Technology” and “Improved Quality of Goods and Services” is 0.354. This is a directly related proportionality. Respondents indicated that the more new technology is available, the more this would lead to improved quality of goods and services, and *vice versa*.

The correlation value between “Improved the Decision-Making Process” and “Increased Turnover” is 0.377. This is a directly related proportionality. Respondents indicated that the more the businesses improved the decision-making process, the more this would lead to Increased Turnover, and *vice versa*.

The correlation value between “Increase Productivity” and “Increased Turnover” is 0.666. This is a directly related proportionality. Respondents indicated that the more the business produces, the more this would lead to increased turnover, and *vice versa*.

The correlation value between “Increase Employee Morale” and “Increased Work Capacity” is 0.493. This is a directly related proportionality. Respondents indicated that the higher the employee morale in the business, the more this would lead to increased work capacity, and *vice versa*.

The correlation value between “Improved Customer Satisfaction” and “Competitive Advantage” is 0.307. This is a directly related proportionality. Respondents indicated that the more that business improve on customer services, the more this would lead to a competitive advantage for the business, and *vice versa*.

The correlation value between “Improved Quality of Goods and Services” and “Competitive Advantage” is 0.242. This is a directly related proportionality. Respondents indicated that the more that business improve on the quality of goods and services, the more this would lead to a competitive advantage for the business, and *vice versa*.

The correlation value between “Poor Communication” and “Difficulty Accessing Information” is 0.473. This is a directly related proportionality. Respondents indicated that the more the business experience poor communication, the more this would lead to employees having difficulty accessing information, and *vice versa*.

The correlation value between “Poor Communication” and “Ignorance of Employees” is 0.696. This is a directly related proportionality. Respondents indicated that the more the business experience poor communication, the more this would lead to the ignorance of the strategic plan, and *vice versa*.

## 4.8 Conclusions

The main focus of this chapter was on the discussion of the finding and the interpretation of the results. The finding of the responses to this research has been presented and analysed. The following chapter will focus on the recommendation and conclusion.

# CHAPTER FIVE
# CONCLUSION AND RECOMMENDATION

## 5.1 Introduction

The aim of the study was to investigate strategic management in construction firms with focus on small and medium enterprises. This chapter draws conclusions and recommendations on the objective of the study. The chapter also highlights the limitations to the study.

## 5.2 Summary of Biographical Data

- Overall, the ratio of males to females is approximately 2:1.
- There were significantly more African respondents compared to the other race groups.
- Majority of the companies had been in existence for less than 10 years.
- Majority of the companies were private companies.
- Majority of the organisations had at most 20 employees in the company.
- Majority of the respondents indicated that their organisations had an annual turnover no more than 3 million Rands.
- The responses gathered were from an informed (learned) source.

## 5.3 Conclusion on the Research Objectives

According to Williams Jr. *et al.,* (2018) findings on the practicality of strategic management revealed that strategic management improves the performance of small businesses. Furthermore, goal setting had a positive influence on the organisation’s performance. Karadag (2015), on strategic financial planning, indicated that SMEs who adopt a strategic approach in managing their working capital tend to succeed financially and generally perform better. The results of Gomera, Chinyamurindi and Mishi (2018) revealed that the relationship between strategic planning and financial performance in small business showed positive results. Moreover, there were positive relations between strategy formulation and the organisations financial and overall performance (Gomera, Chinyamurindi and Mishi, 2018). Ibrahim and Elumah (2016) revealed that there is a positive relationship between strategic thinking and the organisations performance.

### 5.3.1 Factors that drove the business to adopt a Strategic Plan

The study has revealed that there were high levels of agreement with the influencing factors that drove SMEs to adopt a strategic plan and these were measured along the constructs of Organisation Complexities, Globalisation, Scarce Firm Resources, New Technology, Drive from Government and Competition in the Market. The finding establish that strategic planning enables the organisations to deal with complexity in the organisation which refers to the different dynamics of the business such as operations and the environment. The results also found that globalisation and new technology influenced the SMEs to adopt a strategic plan. The business environment is forever changing, and this is due to globalisation. Respondents felt that through strategic planning SMEs could manage the changes in the environment which includes the advancement of technology. The study further concluded that scarce firm resources and the drive from government influenced the SMEs to adopt a strategic plan. SMEs felt that strategic planning improved the allocation and utilization of resources. According to the finding, competition in market had led SMEs to adopt a strategic plan. The finding also concluded that SMEs adopted a strategic plan to better position themselves in the marketplace.

### 5.3.2 Contributions of strategic planning in improving performance of your enterprise

The study found that there were high levels of agreement with the contributing factors of strategic planning in improving performance of the business and these were measured along the constructs of Improved Decision-Making Process, Competitive Advantage, Increased Work Capacity, Improved Customer Satisfaction, Increased Market Recognition, Increased Employee Morale, Increased Productivity, Improved Quality of Goods & Services and Increased Turnover. The finding proves that strategic planning is beneficial to the operations of the business. The study revealed that the strategic process enabled SMEs to make better decisions and provide solutions to complex problems. The finding also showed that the strategic planning improved services to customers through improved quality of goods and services which in turn improved the performance of the business. Other factors such as increased work capacity, increased employee morale and increased productivity show that strategic planning enhances the human resources and operations of the business. The study also established that through strategic planning businesses can gain a competitive advantage and market recognition by providing a different approach to business and by being proactive in dealing with current and future issues.

### 5.3.3 Challenges facing the implementation of a strategic plan in an organisation

The study found that there were high levels of agreement with the challenges facing the implementation of a strategic plan in an organisation and these were measured along with the constructs of Inadequate Resources**,** Difficulty Accessing Information**,** Ignorance of Employees**,** Poor Communication**,** Lack of Time**,** Lack of Expertise**,** Inadequate Knowledge of the planning Process**,** Size of the Business**,** Environmental Uncertainty and Internal Implementation

Barriers. The study proved that inadequate resources was a challenge in implementing strategic plan. Furthermore, in order to deliver on the organisation's objectives, the strategic process and business operations require sufficient resources. The study also found that poor communication and difficulty accessing information was a challenge in implementing strategic plan. In addition, majority of the strategic plans are drafted by senior management and employees are unaware of these strategic plans or have difficulty accessing information. This finding is as a result of poor communication in the organisation. Likewise, the lack of communication could lead to ignorance from employees.

## 5.4 Recommendations

In view of the above findings and literature reviewed the research confirms the need for strategic management in improving the performance of the business. For that reason, the researcher recommends the following;

### 5.4.1 Development of Strategists in the Organisation

Organisations should involve all employees in strategic management processes regardless of their rank in the organisation and provide the necessary training and skills development. Once the individual grasps an understanding of the concepts and methodology of strategic management, the individual will be able to formulate, implement and manage the strategic process. Similarly, once the individual grasps the concept of vision and mission statements the individual will be able to reap the benefits of long-term planning such as growth and market share. Furthermore, the field data in chapter four indicated that approximately half of the respondents possessed a high school qualification which indicates the need for formal training in strategic management. In addition, SMEs operate with limited resources and therefore require implementation of well formulated strategic plans.

### 5.4.2 Drive from Government, Tertiary Institutes and Policy Makers

Strategic management should be included in SMEs training programs that serve to support small business development. Government and Tertiary Institutes should emphasize the need for strategic planning in business and offer the training to SMEs. Government should also improve on education and expand on their business skills curriculum. Furthermore, considering the downturn in the construction industry over the past years, it is imperative that government invest heavily on infrastructure development. The long-term investment in the construction industry by government will boost the construction industry and enable SMEs to develop themselves. There should be an equitable environment in the industry and legislation should ensure that SMEs are offered a fair opportunity to tender for work. There should be a drive from policy makers both in the private and public sector to develop policies that encourage SMEs to adopt a strategic plan. Policy makers must ensure and monitor the challenges facing SMEs in the construction industry and develop the necessary policies to overcome the challenges experienced by SMEs.

## 5.5 Limitation of the study

It is critical to note that this study was conducted in the eThekwini region and only targeted SMEs in the construction industry. The following limitation of this study has been identified:

- The research was conducted in the eThekwini region and does not represent other municipalities or provinces in South Africa. Furthermore, it is not a full representation of the entire construction industry.
- The research focused on SMEs in the construction industry and does not fully represent other industries in the country, e.g., it does not represent the manufacturing or agriculture sector.
- The research only focused on SMEs who have been registered with the CIDB.

- The research used a quantitative approach which involved data collection via a questionnaire and there was no interaction between the researcher and respondent. Researchers could apply a qualitative approach to the study and conduct interviews to get an in-depth explanation from participants.

## 5.6 Conclusion

This study has evaluated the factors that drove the business to adopt a strategic plan, the contributions of strategic planning in improving performance of one’s enterprise and the challenges facing the implementation of a strategic plan in an organisation**.** The study revealed that majority of the eThekwini-based SMEs in the construction industry are applying strategic management practices in their business and through this application they have improved the performance of their business. It was also found that strategic planning can reduce the level of uncertainty in the environment and provide a structured approached in dealing with issues. Furthermore, strategic management promotes the development of the SMEs as they are encouraged to plan for the future and commit to short and long-term goals. As a result, there is a probability that SMEs will attain business success through strategic management. It is recommended that SMEs develop procedures and policies to address the challenges faced in implementing a strategic plan. Despite these findings, even though businesses adopt strategic planning in their operations, success is not guaranteed. Improper implementation or expertise in strategic management could lead to businesses not achieving their goals.

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# APPENDICES

## APPENDIX: A

**Pearson Chi-Square Tests**

| ITEM | | A1 | A2 | A3 | A4 | A5 | A6 | A7 | A8 | B1 | B4 | B5 | B6 | B7 | B8 | B9 | B11 | B12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Organisation Complexities | Chi-square | 3,920 | 25,764 | 20,953 | 15,030 | 10,386 | 18,348 | 15,918 | 20,863 | 10,701 | 17,895 | 19,443 | 15,937 | 8,764 | 8,591 | 17,367 | 14,826 | 14,420 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,417 | .012* | 0,18 | 0,522 | 0,582 | 0,304 | 0,459 | 0,405 | .030* | .001* | .001* | .043* | 0,067 | 0,072 | .002* | 0,063 | 0,275 |
| Globalisation | Chi-square | 5,880 | 13,479 | 9,205 | 8,875 | 10,287 | 20,535 | 24,517 | 17,188 | 13,752 | 21,135 | 16,062 | 18,870 | 6,282 | 14,837 | 8,417 | 25,831 | 28,848 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,208 | 0,335 | 0,905 | 0,918 | 0,591 | 0,197 | 0,079 | 0,641 | .008* | .000* | .003* | .016* | 0,179 | .005* | 0,077 | .001* | .004* |
| Scarce Firm Resources | Chi-square | 2,470 | 31,641 | 16,820 | 15,612 | 14,386 | 18,838 | 24,783 | 13,344 | 3,443 | 5,711 | 8,326 | 10,432 | 6,386 | 4,874 | 6,398 | 10,014 | 17,914 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,65 | .002* | 0,397 | 0,48 | 0,277 | 0,277 | 0,074 | 0,862 | 0,487 | 0,222 | 0,08 | 0,236 | 0,172 | 0,301 | 0,171 | 0,264 | 0,118 |
| New Technology | Chi-square | 5,205 | 18,558 | 14,472 | 7,300 | 9,592 | 7,822 | 6,481 | 9,226 | 4,525 | 4,873 | 4,722 | 11,090 | 0,712 | 1,484 | 2,033 | 5,300 | 11,858 |
| | df | 3 | 9 | 12 | 12 | 9 | 12 | 12 | 15 | 3 | 3 | 3 | 6 | 3 | 3 | 3 | 6 | 9 |
| | Sig. | 0,157 | .029* | 0,272 | 0,837 | 0,385 | 0,799 | 0,89 | 0,865 | 0,21 | 0,181 | 0,193 | 0,086 | 0,87 | 0,686 | 0,566 | 0,506 | 0,221 |
| Drive From Government | Chi-square | 8,264 | 16,353 | 15,253 | 14,448 | 8,733 | 18,886 | 17,437 | 27,097 | 6,684 | 4,301 | 7,985 | 8,363 | 10,394 | 8,000 | 2,291 | 6,767 | 17,982 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,082 | 0,176 | 0,506 | 0,565 | 0,726 | 0,275 | 0,358 | 0,133 | 0,154 | 0,367 | 0,092 | 0,399 | .034* | 0,092 | 0,682 | 0,562 | 0,116 |

**Pearson Chi-Square Tests**

| ITEM | | A1 | A2 | A3 | A4 | A5 | A6 | A7 | A8 | B1 | B4 | B5 | B6 | B7 | B8 | B9 | B11 | B12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Competition in the Market | Chi-square | 0,971 | 5,888 | 11,446 | 12,118 | 9,336 | 9,141 | 10,581 | 17,326 | 3,198 | 1,066 | 1,189 | 2,491 | 3,623 | 5,115 | 2,154 | 2,683 | 10,661 |
| | df | 2 | 6 | 8 | 8 | 6 | 8 | 8 | 10 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 4 | 6 |
| | Sig. | 0,615 | 0,436 | 0,178 | 0,146 | 0,156 | 0,331 | 0,227 | 0,067 | 0,202 | 0,587 | 0,552 | 0,646 | 0,163 | 0,078 | 0,341 | 0,612 | 0,099 |
| Improved the Decision Making Process | Chi-square | 0,380 | 1,528 | 9,443 | 7,070 | 5,636 | 21,735 | 25,170 | 11,319 | 0,083 | 0,446 | 3,309 | 4,056 | 3,174 | 1,094 | 3,600 | 6,205 | 4,202 |
| | df | 2 | 6 | 8 | 8 | 6 | 8 | 8 | 10 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 4 | 6 |
| | Sig. | 0,827 | 0,958 | 0,306 | 0,529 | 0,465 | .005* | .001* | 0,333 | 0,959 | 0,8 | 0,191 | 0,398 | 0,205 | 0,579 | 0,165 | 0,184 | 0,649 |
| Competitive Advantage | Chi-square | 1,473 | 4,614 | 7,731 | 5,976 | 10,528 | 8,456 | 19,504 | 5,462 | 1,246 | 0,768 | 0,569 | 3,523 | 0,344 | 3,264 | 1,041 | 0,633 | 3,785 |
| | df | 2 | 6 | 8 | 8 | 6 | 8 | 8 | 10 | 2 | 2 | 2 | 4 | 2 | 2 | 2 | 4 | 6 |
| | Sig. | 0,479 | 0,594 | 0,46 | 0,65 | 0,104 | 0,39 | .012* | 0,858 | 0,536 | 0,681 | 0,752 | 0,474 | 0,842 | 0,196 | 0,594 | 0,959 | 0,706 |
| Increased Work Capacity | Chi-square | 2,990 | 7,255 | 16,539 | 22,248 | 10,649 | 20,598 | 14,073 | 19,241 | 2,691 | 6,003 | 1,962 | 5,237 | 4,716 | 11,434 | 4,549 | 6,490 | 5,179 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,559 | 0,84 | 0,416 | 0,135 | 0,559 | 0,194 | 0,593 | 0,506 | 0,611 | 0,199 | 0,743 | 0,732 | 0,318 | .022* | 0,337 | 0,593 | 0,952 |
| Improved Customer Satisfaction | Chi-square | 3,177 | 6,435 | 24,428 | 16,024 | 11,233 | 21,385 | 17,048 | 16,665 | 2,970 | 2,882 | 2,497 | 16,318 | 5,670 | 11,200 | 11,998 | 2,099 | 13,874 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,529 | 0,893 | 0,081 | 0,451 | 0,509 | 0,164 | 0,382 | 0,675 | 0,563 | 0,578 | 0,645 | .038* | 0,225 | .024* | .017* | 0,978 | 0,309 |

**Pearson Chi-Square Tests**

| ITEM | | A1 | A2 | A3 | A4 | A5 | A6 | A7 | A8 | B1 | B4 | B5 | B6 | B7 | B8 | B9 | B11 | B12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Increased Market Recognition | Chi-square | 3,896 | 8,739 | 11,683 | 16,957 | 3,973 | 17,663 | 9,993 | 12,904 | 3,551 | 9,394 | 2,689 | 12,596 | 4,522 | 16,416 | 6,884 | 3,807 | 8,710 |
| | df | 3 | 9 | 12 | 12 | 9 | 12 | 12 | 15 | 3 | 3 | 3 | 6 | 3 | 3 | 3 | 6 | 9 |
| | Sig. | 0,273 | 0,462 | 0,471 | 0,151 | 0,913 | 0,126 | 0,617 | 0,61 | 0,314 | .024* | 0,442 | .050* | 0,21 | .001* | 0,076 | 0,703 | 0,464 |
| Increased Employee Morale | Chi-square | 7,739 | 11,366 | 10,438 | 14,719 | 14,422 | 10,986 | 15,462 | 17,468 | 5,601 | 2,267 | 2,035 | 12,057 | 2,782 | 12,110 | 4,447 | 5,263 | 7,558 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,102 | 0,498 | 0,843 | 0,545 | 0,275 | 0,81 | 0,491 | 0,622 | 0,231 | 0,687 | 0,729 | 0,149 | 0,595 | .017* | 0,349 | 0,729 | 0,819 |
| Increased Productivity | Chi-square | 4,051 | 14,383 | 22,801 | 12,225 | 5,632 | 16,362 | 13,922 | 9,640 | 1,823 | 7,790 | 9,372 | 12,706 | 7,967 | 14,951 | 12,910 | 4,887 | 8,939 |
| | df | 3 | 9 | 12 | 12 | 9 | 12 | 12 | 15 | 3 | 3 | 3 | 6 | 3 | 3 | 3 | 6 | 9 |
| | Sig. | 0,256 | 0,109 | .029* | 0,428 | 0,776 | 0,175 | 0,306 | 0,842 | 0,61 | 0,051 | .025* | .048* | .047* | .002* | .005* | 0,558 | 0,443 |
| Improved Quality of Goods & Services | Chi-square | 4,369 | 16,821 | 15,780 | 12,582 | 4,430 | 14,236 | 17,929 | 10,587 | 2,446 | 4,675 | 5,854 | 10,410 | 7,826 | 14,068 | 10,390 | 3,658 | 6,644 |
| | df | 3 | 9 | 12 | 12 | 9 | 12 | 12 | 15 | 3 | 3 | 3 | 6 | 3 | 3 | 3 | 6 | 9 |
| | Sig. | 0,224 | 0,052 | 0,202 | 0,4 | 0,881 | 0,286 | 0,118 | 0,781 | 0,485 | 0,197 | 0,119 | 0,108 | .050* | .003* | .016* | 0,723 | 0,674 |
| Increased Turnover | Chi-square | 6,073 | 9,381 | 18,892 | 13,503 | 9,978 | 16,990 | 16,737 | 9,322 | 3,086 | 3,089 | 2,799 | 5,236 | 3,704 | 0,440 | 5,386 | 1,306 | 12,491 |
| | df | 3 | 9 | 12 | 12 | 9 | 12 | 12 | 15 | 3 | 3 | 3 | 6 | 3 | 3 | 3 | 6 | 9 |
| | Sig. | 0,108 | 0,403 | 0,091 | 0,334 | 0,352 | 0,15 | 0,16 | 0,86 | 0,379 | 0,378 | 0,424 | 0,514 | 0,295 | 0,932 | 0,146 | 0,971 | 0,187 |

**Pearson Chi-Square Tests**

| ITEM | | A1 | A2 | A3 | A4 | A5 | A6 | A7 | A8 | B1 | B4 | B5 | B6 | B7 | B8 | B9 | B11 | B12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Inadequate Resources | Chi-square | 4,215 | 11,299 | 18,700 | 16,631 | 5,762 | 19,505 | 20,955 | 16,650 | 1,601 | 5,694 | 11,394 | 8,440 | 12,936 | 11,330 | 12,890 | 10,874 | 19,584 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,378 | 0,504 | 0,285 | 0,41 | 0,928 | 0,243 | 0,18 | 0,676 | 0,809 | 0,223 | .022* | 0,392 | .012* | .023* | .012* | 0,209 | 0,075 |
| Difficulty Accessing Information | Chi-square | 7,057 | 5,818 | 10,651 | 15,751 | 21,978 | 12,908 | 12,252 | 15,802 | 8,981 | 4,733 | 5,240 | 10,267 | 5,876 | 9,180 | 8,024 | 8,791 | 12,103 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,133 | 0,925 | 0,83 | 0,47 | .038* | 0,679 | 0,726 | 0,729 | 0,062 | 0,316 | 0,264 | 0,247 | 0,209 | 0,057 | 0,091 | 0,36 | 0,437 |
| Ignorance of Employees | Chi-square | 4,970 | 13,864 | 19,379 | 14,238 | 16,916 | 11,801 | 22,933 | 30,921 | 2,426 | 3,140 | 2,307 | 13,841 | 9,494 | 8,834 | 9,600 | 2,719 | 11,790 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,29 | 0,309 | 0,25 | 0,581 | 0,153 | 0,758 | 0,116 | 0,056 | 0,658 | 0,535 | 0,679 | 0,086 | .050* | 0,065 | .048* | 0,951 | 0,463 |
| Poor Communication | Chi-square | 4,970 | 12,526 | 13,382 | 18,322 | 15,902 | 13,723 | 23,668 | 30,393 | 3,474 | 3,677 | 4,820 | 10,737 | 6,419 | 7,361 | 5,373 | 9,353 | 23,920 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,29 | 0,404 | 0,645 | 0,305 | 0,196 | 0,619 | 0,097 | 0,064 | 0,482 | 0,451 | 0,306 | 0,217 | 0,17 | 0,118 | 0,251 | 0,313 | .021* |
| Lack of Time | Chi-square | 4,708 | 6,711 | 15,200 | 16,012 | 15,704 | 21,513 | 19,832 | 13,023 | 5,040 | 6,807 | 5,523 | 13,226 | 5,648 | 13,411 | 8,672 | 5,660 | 19,152 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,319 | 0,876 | 0,51 | 0,452 | 0,205 | 0,16 | 0,228 | 0,876 | 0,283 | 0,146 | 0,238 | 0,104 | 0,227 | .009* | 0,07 | 0,685 | 0,085 |
| Lack of Expertise | Chi-square | 2,731 | 12,132 | 13,262 | 12,715 | 19,961 | 10,280 | 9,909 | 11,176 | 5,832 | 5,576 | 5,469 | 9,465 | 10,107 | 12,556 | 17,772 | 4,853 | 22,684 |

**Pearson Chi-Square Tests**

| ITEM | | A1 | A2 | A3 | A4 | A5 | A6 | A7 | A8 | B1 | B4 | B5 | B6 | B7 | B8 | B9 | B11 | B12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,604 | 0,435 | 0,653 | 0,693 | 0,068 | 0,852 | 0,871 | 0,942 | 0,212 | 0,233 | 0,242 | 0,305 | .039* | .014* | .001* | 0,773 | .031* |
| Inadequate Knowledge of the planning Process | Chi-square | 3,987 | 3,350 | 10,250 | 16,968 | 21,788 | 16,923 | 15,645 | 9,625 | 4,372 | 5,374 | 4,596 | 7,751 | 10,085 | 9,185 | 9,375 | 5,728 | 37,318 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,408 | 0,993 | 0,853 | 0,388 | .040* | 0,391 | 0,478 | 0,974 | 0,358 | 0,251 | 0,331 | 0,458 | .039* | 0,057 | 0,052 | 0,678 | .000* |
| Size of the Business | Chi-square | 5,230 | 10,836 | 13,488 | 16,052 | 10,487 | 12,804 | 13,798 | 26,229 | 11,080 | 12,674 | 8,007 | 24,031 | 6,796 | 11,728 | 6,675 | 10,366 | 19,652 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,264 | 0,543 | 0,637 | 0,449 | 0,573 | 0,687 | 0,614 | 0,158 | .026* | .013* | 0,091 | .002* | 0,147 | .019* | 0,154 | 0,24 | 0,074 |
| Environmental Uncertainty | Chi-square | 3,403 | 9,529 | 10,757 | 15,986 | 5,139 | 9,995 | 12,531 | 68,350 | 2,488 | 5,951 | 5,980 | 12,693 | 5,171 | 12,520 | 4,395 | 5,692 | 10,207 |
| | df | 4 | 12 | 16 | 16 | 12 | 16 | 16 | 20 | 4 | 4 | 4 | 8 | 4 | 4 | 4 | 8 | 12 |
| | Sig. | 0,493 | 0,657 | 0,824 | 0,454 | 0,953 | 0,867 | 0,707 | .000* | 0,647 | 0,203 | 0,201 | 0,123 | 0,27 | .014* | 0,355 | 0,682 | 0,598 |
| Internal Implementation Barriers | Chi-square | 1,229 | 6,439 | 13,733 | 11,819 | 8,040 | 10,250 | 23,452 | 18,117 | 2,948 | 1,558 | 6,776 | 12,331 | 6,154 | 15,284 | 4,134 | 1,235 | 20,681 |
| | df | 3 | 9 | 12 | 12 | 9 | 12 | 12 | 15 | 3 | 3 | 3 | 6 | 3 | 3 | 3 | 6 | 9 |
| | Sig. | 0,746 | 0,695 | 0,318 | 0,46 | 0,53 | 0,594 | .024* | 0,257 | 0,4 | 0,669 | 0,079 | 0,055 | 0,104 | .002* | 0,247 | 0,975 | .014* |

## APPENDIX: B

| | | New Technology | Drive From Government | Improved the Decision Making Process | Competitive Advantage | Increased Work Capacity | Increased Productivity | Difficulty Accessing Information | Ignorance of Employees |
|---|---|---|---|---|---|---|---|---|---|
| Increased Work Capacity | Correlation Coefficient | .335** | .246* | .448** | .429** | 1,000 | | | |
| | Sig. (2-tailed) | 0,001 | 0,015 | 0,000 | 0,000 | | | | |
| | N | 98 | 97 | 102 | 103 | 104 | | | |
| Improved Customer Satisfaction | Correlation Coefficient | .225* | .308** | .326** | .307** | .449** | | | |
| | Sig. (2-tailed) | 0,026 | 0,002 | 0,001 | 0,002 | 0,000 | | | |
| | N | 98 | 97 | 101 | 102 | 103 | | | |
| Increased Employee Morale | Correlation Coefficient | .326** | .352** | .271** | .311** | .493** | | | |
| | Sig. (2-tailed) | 0,001 | 0,000 | 0,006 | 0,001 | 0,000 | | | |
| | N | 98 | 97 | 102 | 103 | 104 | | | |
| Improved Quality of Goods & Services | Correlation Coefficient | .354** | .266** | .293** | .242* | .416** | .764** | | |
| | Sig. (2-tailed) | 0,000 | 0,009 | 0,003 | 0,015 | 0,000 | 0,000 | | |
| | N | 97 | 96 | 101 | 101 | 102 | 102 | | |
| Increased Turnover | Correlation Coefficient | .297** | .232* | .377** | .485** | .488** | .666** | | |
| | Sig. (2-tailed) | 0,003 | 0,023 | 0,000 | 0,000 | 0,000 | 0,000 | | |
| | N | 97 | 96 | 101 | 102 | 103 | 103 | | |
| Poor Communication | Correlation Coefficient | 0,182 | 0,087 | .265** | .313** | 0,134 | .260** | .473** | .696** |
| | Sig. (2-tailed) | 0,073 | 0,397 | 0,007 | 0,001 | 0,178 | 0,008 | 0,000 | 0,000 |
| | N | 98 | 97 | 101 | 102 | 102 | 102 | 102 | 103 |

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

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

## APPENDIX: C

QUESTIONNAIRE

This questionnaire is to be answered by the primary decision maker of the business. Please make your appropriate selection by clicking or placing an “X” on the options provided:

**Part 1 : Demographics**

1. Gender

| Male | Female |
|---|---|
| | |

2. Race:

| African | Coloured | Indian | White | Other |
|---|---|---|---|---|
| | | | | |

3. Age

| 18-24 | 25 - 34 | 35 - 44 | 45 - 54 | 55 - 64 | Over 64 |
|---|---|---|---|---|---|
| | | | | | |

4. How many years has your company been in business?

| 0 - 5 | 6-10 | 11-15 | 16-20 | >20 |
|---|---|---|---|---|
| | | | | |

5. How does your business operate?

| | |
|---|---|
| Sole trader | |
| Partnership | |
| Private company | |
| Close corporation | |
| Trust | |

6. How many employees are there in your business?

| 0–5 | 6-20 | 21 - 50 | 51 - 200 | Above 200 |
|---|---|---|---|---|
| | | | | |

7. What was your estimated turnover for the last financial year? (Please estimate)

| | |
|---|---|
| Less than R 200 000 | |
| R 200 001 – R 3 000 000 | |
| R 3 000 001 - R 6 000 000 | |
| R 6 000 001 - R 26 000 000 | |
| More than R 26 000 000 | |

***8.*** What is your highest level of education?

| None | Doctorate | Masters | Degree | Diploma | Matric | Other |
|---|---|---|---|---|---|---|
| | | | | | | |

**Part 2: Information on Strategic Planning Process**

1. Do you apply strategic planning in the operations of your enterprise?

| Yes | No |
|---|---|
| | |

2. What do you think are the factors that drove your business to adopt a Strategic Plan?

Or

What do you think are the contributing factors in adopting a Strategic Plan for your business?

Please make your appropriate selection by clicking or placing an "X" on the options provided:

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Organisation Complexities | | | | | |
| Globalisation | | | | | |
| Scarce Firm Resources | | | | | |
| New Technology | | | | | |
| Drive From Government | | | | | |
| Competition in the Market | | | | | |

3. How do you rank the following contributions of strategic planning in improving performance of your enterprise?
Please make your appropriate selection by clicking or placing an “X” on the options provided:

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Improved the Decision Making Process | | | | | |
| Competitive Advantage | | | | | |
| Increased Work Capacity | | | | | |
| Improved Customer Satisfaction | | | | | |
| Increased Market Recognition | | | | | |
| Increased Employee Morale | | | | | |
| Increased Productivity | | | | | |
| Improved Quality of Goods & Services | | | | | |
| Increased Turnover | | | | | |

4. Are you aware of the procedures involved in the strategic planning process?

| | |
|---|---|
| Yes | |
| No | |

5. Do you think the strategic planning process is effective in your organisation?

| | |
|---|---|
| Yes | |
| No | |

6. How often are you involved in the strategic process?

| | |
|---|---|
| Always | |
| Rarely | |
| Not at all | |

7. Were there enough training/seminars provided before the strategic planning process?

| | |
|---|---|
| Yes | |
| No | |

8. Do you involve other employees in the strategic process?

| | |
|---|---|
| Yes | |
| No | |

9. Do you have enough resources in the organisation to implement a strategic plan?

| | |
|---|---|
| Yes | |
| No | |

10. The following are challenges facing the implementation of a strategic plan in an organisation.
How do you rank these issues as having a negative influence on the strategic plan :

| | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| Inadequate Resources | | | | | |
| Difficulty Accessing Information | | | | | |
| Ignorance of Employees | | | | | |
| Poor Communication | | | | | |
| Lack of Time | | | | | |
| Lack of Expertise | | | | | |
| Inadequate Knowledge of the planning Process | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Size of the Business | | | | | | |
| Environmental Uncertainty | | | | | | |
| Internal Implementation Barriers | | | | | | |

11. Do you think that the strategic plan of your organisation is flexible?

| | |
|---|---|
| Yes | |
| No | |
| No Strategic Plans in Place | |

12. How often do you review the organisations strategic plan in a five year period?

| | |
|---|---|
| Once | |
| Twice | |
| More than twice | |
| Not reviewed | |