

**The Relevance of
Strategic Planning
for
Entrepreneurial Businesses
in
South Africa**

By

A. M. Odame

A research Report submitted to

The Gordon Institute of Business Science, University of Pretoria

In partial fulfilment of the requirements for the degree of

Master in Business Administration

November 2007

Abstract

The purpose of this research was to investigate the strategic planning processes that are prevalent among South Africa's small businesses. In particular, the research aimed to confirm that small businesses in South Africa use emergent strategies over prescriptive strategies. The research also aimed to find out how environmental turbulence, growth and the influence of the business owner impacted the level of formalisation of the strategic planning process in the businesses.

The research used qualitative data from a non-probability sample. An online survey questionnaire was used to collect the data and various descriptive and variance statistical tests conducted.

The report provides evidence that emergent strategies are more prevalent than prescriptive strategies and that small businesses use strategic planning tools and techniques for management purposes. The research also provides evidence that there is a positive relationship between the growth and the level of formalisation of the strategic planning process in a business. The formal strategic planning process is therefore critical for business success. A positive relationship was also observed between the level of education and the level of formalisation and a lack of knowledge of strategic planning tools and techniques may result in the use of an informal planning process.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree of examination in any other University.

Angela Odame

14th November 2007

Acknowledgement

My gratitude and appreciation goes out to the following people without whom this research report would not have been a success.

Greg Fisher, my research supervisor

David Ndegwa who gave me direction on the data analysis

All the respondents who participated in the survey

My family for their understanding and patience during the time spent away from them.

My employer, Nedbank and all my managers, for the time, motivation and inspiration they gave me.

Contents

1. PROBLEM DEFINITION	1
1.1 Introduction	1
1.2 Research Problem	3
1.3 Purpose of research	6
2. LITERATURE REVIEW.....	8
2.1 Introduction	8
2.2 Defining strategic planning	9
2.3 The Strategy debate	12
2.4 Reasons for strategic planning in small firms	15
2.4.1 Environmental turbulence	17
2.4.2 Growth	19
2.4.3 The role of the owner/manager in determining the strategic planning process	21
2.5 Conclusion	23
3. RESEARCH PROPOSITIONS	25
4. RESEARCH METHODOLOGY	27
4.1 Introduction	27
4.2 Unit of analysis	28
4.3 Population, Sampling method and size	28
4.4 Procedure/Data collection/Instrument	29
4.4.1 Introduction	29
4.4.2 Research questionnaire	29
4.4.3 Data Analysis	30
4.5 Research limitations.	31
4.6 Conclusion	32

5.1 Introduction	33
5.2 Sample description	33
5.3 Data Capture	34
5.4 Descriptive statistics	35
5.5 Results per proposition	36
5.4.1 Level of formality	37
5.4.2 Environmental turbulence	42
6. DISCUSSION OF RESULTS	55
6.1 Introduction	55
6.2 Literature review	55
6.3 Discussion of results	56
6.3.1 Level of formality	57
6.3.2 Impact of environmental turbulence	60
6.3.3 Growth	62
6.3.4 Owner/manager influence	64
6.4 Conclusion of discussion	69
7. CONCLUSION	71
7.1 Introduction	71
7.2 Main findings of the research	71
7.3 Recommendation to small business owners	73
7.4 Future research ideas	74
7.4.1 The impact of environmental turbulence on strategic planning	74
7.4.2 The causal relationship between growth and strategic planning	75
7.4.3 Decision making process when using a formal strategic planning process	75
7.5 Conclusion	75

References.....	77
Appendix 1: Data – Edited and Coded	81
Appendix 2: Definition of Numerical Values	85
Appendix 3: Survey Questionnaire.....	89
Appendix 4:	94
Extract of South Africa National Business Amendment Act (No. 26 of 2003)	94

List of Tables and Figures

Tables

Table 4-1 Sample criteria	28
Table 5-1 Industry representation and business life span	35
Table 5-2 Classification of businesses according to degree of formalisation ...	37
Table 5-3 Summary of median scores on degree of formalisation	38
Table 5-4 Frequency of use of strategic tools	40
Table 5-5 Analyses of Q13, Q14, Q15	41
Table 5-6 Industry representation	42
Table 5-7 Analysis of Q17k, Q17l and Q17m.....	44
Table 5-8 Median scores on the subjective measures of success	47
Table 5-9 Analyses of Q17a, Q17b and Q17c.....	48
Table 5-10 Percentage of level education for each sub sample.....	50
Table 5-11 Kruskal-Wallis test results for level of education between the three sub-samples.....	51
Table 5-12 Kruskal-Wallis test results for level of experience between the three sub-samples.....	51
Table 5-13 Analyses of Qv17d, Qv17e and Q17f.....	53
Table 5-14 Analyses of Q17g, Qv17h and Qv17o.....	54
Table 5-15 Median scores for strategic planning tools and content	58
Figure 5-6 Strategy continuum.....	59
Table 5-17 Kruskal-Wallis test for level of formalisation between growth and non-growth businesses	63
Table 5-18 Kruskal-Wallis test results for frequency of review between businesses with a plan and those that do not	68

Figures

Figure 2-1 The strategic planning process	11
Figure 5-1 Classification of businesses according to degree of formalisation ..	37
Figure 5-2 Pie chart of strategic content split	39
Figure 5-3 Pie chart of growth and no growth businesses split	46
Figure 5-4 Respondents subjective view of business success.....	47
Figure 5-5 Level of Education	50

1. PROBLEM DEFINITION

1.1 Introduction

South Africa has many successful entrepreneurial small businesses but many more are required to meet the challenges faced in the country. Small businesses contribute to reducing unemployment and making goods and services more accessible to all people. They also play a major role in improving the economic growth rate and allow the country to be internationally competitive by increasing productivity.

Research has shown that strategic thinking and planning is strongly related to small business financial performance (Beaver, 2007; Falshaw *et al*, 2006). It would therefore be expected that the growth and success of a small business would be related to strategic planning. In the literature reviewed, there was little evidence of what kind of planning small entrepreneurial businesses in South Africa engaged in. Most of the literature reviewed is based on the American and European experience of small businesses and highlights that small businesses do engage in formal planning and use large time spans (Kraus, Harms and Schwarz, 2006). This research will contribute to this debate and identify the actual practise of South Africa's small businesses.

Kraus *et al* (2006) reached the conclusion that there was a positive relationship between the degree of formalization of the planning process and the performance of small businesses. Two schools of thoughts exist in literature. The prescriptive approach to strategic planning views strategic planning as a formal process, which involves the use of strategic planning frameworks such

as the SWOT analysis and value chain framework and that is associated with specific activities. The alternative argument is one of emergent strategies where realized strategies are never intended (Blumentritt and Danis, 2006). Emergent strategies develop piecemeal without a precise knowledge of outcomes and objectives (Beaver and Prince, 2004). Beaver (2007) also states that the process of strategic thinking and planning contributes to performance rather than the plan itself and that small firms are more informal both in the formulation and implementation of their strategies. Graetz (2002) argued that the two are not mutually exclusive and should exist as a continuum. This research takes the same position that strategic planning processes in organisations exist somewhere between both extremes of fully prescriptive and fully emergent. The purpose of this research is to identify if small firms in South Africa do plan strategically and where the planning processes used lie on this continuum.

Small businesses plan for different reasons and these reasons may have an impact on the choice of a strategic planning process to follow. Organisations engage in strategic planning for different reasons (Kraus *et al*, 2006) that include;

- creating a competitive advantage through providing a framework for innovation
- Growth and diversification
- As a control system for the firm
- To provide staff with information on the direction of the organisation
- As a way of exploring the future

These reasons as well as the predisposition of the business owner towards strategic planning will influence what level of formalisation is required.

This research looks at the relationship between the level of formalisation of the strategic planning process and environmental turbulence, growth and the owner influence. These factors, environmental turbulence, growth and the owner-manager influence, can be generalised among small businesses.

1.2 Research Problem

Among the challenges facing South Africa as a country is the high unemployment rate of approximately 40% (broad definition) and its economic and social impact. Focus has turned to small businesses and their role in job creation, social stability and improving the economic welfare of the society. Most small businesses, however, do not survive the first three years and even those that do rarely grow and instead remain as survivalist businesses and therefore do not become a solution to the problems of the country.

Another challenge South Africa faces is that most industries are highly concentrated with four or five big companies dominating the industry. This reduces the competitiveness of the industries and places huge barriers to entry for small businesses. The sustainability and competitiveness of small entrepreneurial businesses is critical in creating healthy competition in various industries, which translate to industry efficiency. Small businesses then need to equip themselves with strategic planning skills and tools that can ensure their sustainability and therefore increase the general industry competitiveness.

Strategic planning implies an attempt to alter a company's strength relative to that of its competitors in the most efficient and effective way (O'Reagan and

Ghobadian, 2002a). Stonehouse and Pemberton (2002) state that although the theories and frameworks for strategic planning are well documented in academic circles, the practical evidence of their application is in short supply. They also conclude that a lack of awareness of relevant strategic planning tools rather than their inappropriateness may be the reason for their underutilisation. Other writers on the other hand (Beaver and Prince, 2004; McCarthy, 2003) have argued that the owner-manager provides leadership in a small business and their predisposition to planning determines if planning will take place. They also argue that planning in small business is more instinctive driven by intuition, informal research and experience. Small businesses are therefore more likely to use informal methods of strategy formulation and implementation. O' Reagan and Ghobadian (2002a) also suggest that small and medium sized firms have a less structured approach to strategic planning deployment. The academic debate exists on whether the strategic planning process should be formalised or not and whether the emergent and prescriptive approaches actually coexist in businesses and are not mutually exclusive (Tapinos, Dyson and Meadows, 2005).

Various factors may influence the strategic planning process of a small business. Of relevance is the environmental turbulence created by globalisation and the rate of technological change, the management of growth constantly experienced by successful small businesses as well as the owner-manager influence on the business. Understanding of the strategic planning process of successful businesses will assist other businesses to respond to changes and ensure success without reinventing the wheel. Entrepreneurial businesses are usually in a growth phase and need to anticipate and respond quickly to

changes in the external environment. Creating the ability to do this would give a small business a competitive advantage over their bigger counterparts in the industry that are bulky and therefore slower in decision-making and implementation.

It is beyond the scope of this document to do a detailed analysis of the skills and abilities of the entrepreneur. It is however important to assess the predisposition of the entrepreneur towards planning as entrepreneurs are the main source of leadership for their businesses. An entrepreneur who views a formal planning process as redundant or rigid will not necessarily engage in a formal process. On the other hand, an entrepreneur who believes a formal process would improve the management decisions made is more likely to engage in a formal process. Research done by O'Reagan and Ghobadian (2002a) concluded that non-formal and formal planning firms experience similar barriers to implementation of the strategic plan but formal planning firms were better prepared to deal with the problems. It is therefore necessary to investigate the entrepreneur's predisposition to planning as well as the level of knowledge of strategic planning tools available.

This research aims to provide an understanding of how small businesses in South Africa undertake the strategic planning process within the continuum of emergent and deliberate strategies given the context of environmental turbulence, growth and the owner-manager influence.

1.3 Purpose of research

Ongunmokun (1996, p203) argues, “There is little or no empirical research showing the principal activities that comprise the planning practices of a selected group of small businesses that plan”. This research will explore the planning practices of small entrepreneurial business in South Africa and the relevance of strategic planning in achieving superior performance and therefore developing sustainability. The study aims to:

1. explore the strategic planning processes employed by successful entrepreneurial businesses in South Africa in the context of prescriptive and emergent strategies;
2. Ascertain the impact of environmental turbulence, growth and the owner-manager influence on the chosen strategic planning process.
3. Ascertain the awareness and use of strategic planning tools in these businesses; and

The study will give insights that other businesses can use as growth formulae as well as insights for government institutions or other small business support organisations to use in assisting small businesses.

In this research it will be investigated if small entrepreneurial businesses in South Africa use formal strategic planning processes versus the emergent strategy schools of thought or if both coexist in businesses. In assessing the level of strategic planning a business undertakes, the following will be used as a measure of formality;

- The presence of a written strategic plan
- The use of strategic planning tools and techniques

- The frequency with which businesses review their strategic plans.

Various studies have been conducted to investigate the challenges small businesses face and to benchmark them against existing strategy methods. Most research is based on American or European entrepreneurial businesses. This research will be different from previous studies that document challenges and needs of small businesses, as it will look at entrepreneurial businesses in South Africa from a success point of view. This research explores the relevance of strategic planning for small entrepreneurial business in South Africa specifically. The intention of this document is to create a reference point for new businesses that want to succeed while recognising that industries differ and other factors could play a part in the success of a small business. It will document best practise in South Africa for other entrepreneurial businesses to choose what applies to them.

2. LITERATURE REVIEW

2.1 Introduction

Business schools have often promoted the need for small businesses to engage in formal strategic planning. Literature however shows that this has remained a premise of the business school and small business rarely engage in formal strategic planning preferring a more instinctive approach driven by intuition, experience and informal research (McCarthy, 2003; Beaver and Prince, 2004).

Strategic planning is a wide topic and this literature review deals with the major debate around whether the strategic planning process needs to be prescriptive (or deliberate) or emergent within small businesses. While some have argued for deliberate strategies emanating from Porter's work others have argued for emergent strategies emanating from Mintzberg's work. Other researchers have however argued that the two are not mutually exclusive (Graetz, 2002).

This literature review first defines strategic planning and the activities involved in the strategic planning process. This is to ensure that the reader is clear on the definition of strategic planning and that this definition is not confused with other definitions in strategy that include strategic thinking and strategic management. The debate on emergent and prescriptive strategies is then presented to provide a background to this research. It is here argued in agreement with the research done by Graetz (2002) that strategic planning in small businesses falls in a continuum ranging from deliberate strategies to prescriptive strategies. Small businesses need to find a point on this continuum

that is relevant to them and put in place those activities that fit into their unique position.

The next section deals with the reasons why small businesses engage in strategic planning. These reasons are important in determining why the small businesses choose a certain strategic planning process over the other. Various contextual factors may influence the strategic planning process of a small business and it would therefore not be helpful to discuss strategic planning processes out of context. Here three contextual factors, environmental turbulence, growth and the owner-manager influence are considered relevant and common to small businesses and are considered forming the context for this research. Small firms engage in strategic planning either because the owner is predisposed to planning and therefore finds relevance in strategic planning or because circumstance that include managing growth, environmental turbulence or the requirement of other stakeholders such as financial institutions and investors force them to do it. While the requirement from stakeholders will usually force the small business to formalise its processes, of relevance to this research is how the other factors influence the process followed by the small business on the suggested continuum between prescriptive and emergent strategies.

2.2 Defining strategic planning

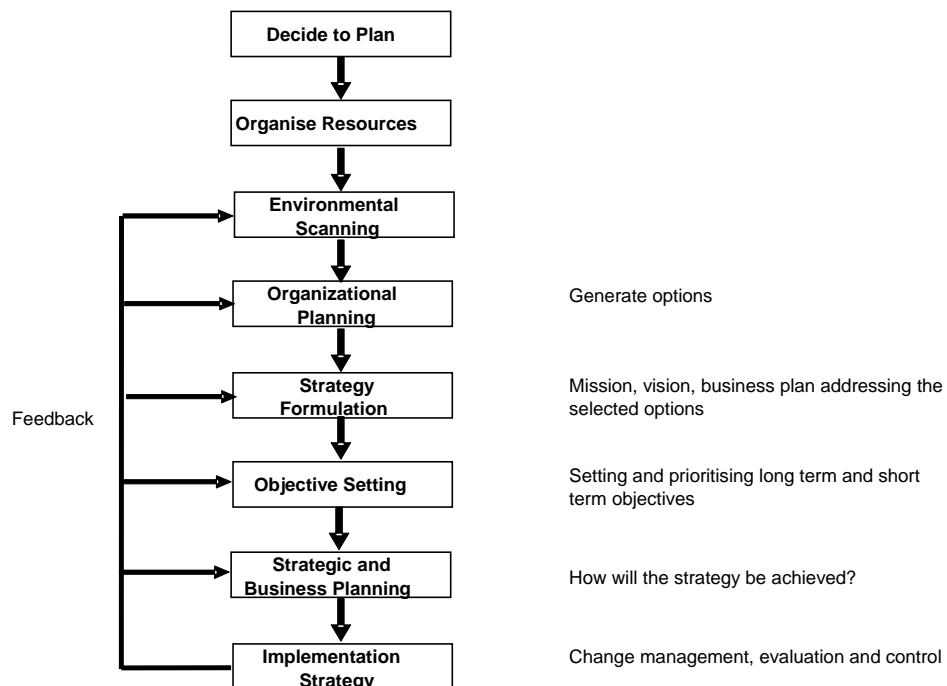
There are various definitions of strategic planning in literature. Tapinos, *et al* (2005) define strategic planning as "...the set of processes undertaken in order to develop a range of strategies that will contribute to achieving the

organisational direction”. Stonehouse and Pemberton (2002) define strategic planning as formulation of broad and flexible plans that set out the objectives, strategies and policies that drive the organisation towards its vision of the future. In reviewing the various definitions of strategic planning, commonality is found in that it is a process of creating long term organisational objectives or plans that alter the competitive positioning of an organisation relative to that of its competitors, therefore improving its performance and enabling the organisation to attain its goals and objectives (O’Reagan and Ghobadian, 2002a; Tapinos *et al*, 2005; Beaver and Prince, 2004; Stonehouse and Pemberton, 2002; McCarthy, 2003). Drawing on these different definitions and for the purpose of this research, strategic planning is defined as the process of formulating broad and flexible long-term plans that give the organisation direction to its envisioned future. It encompasses both strategy formulation and implementation.

The strategic planning process spans from formulation of the plan to implementation (Subramoniam and Krishnankutty, 2002) and can be analysed from a process or content point of view. The content refers to the different elements of the actual plan and the process is the way in which the plan is developed and deployed (O’Reagan and Ghobadian, 2002b). The inter-dependability of the two however is critical in developing a firm’s uniqueness and creating an opportunity for discovery of a competitive advantage (Andrews, 1987). It is therefore important that businesses have a living strategic plan that is informed by the processes used in developing and deploying the plan.

It is important to also define the activities that comprise a formal strategic plan. The diagram below explains the activities involved in formal strategic planning. The business must first decide to engage in strategic planning and dedicate resources to the strategic planning exercise. For small businesses, the latter step may not be very evident. The business will then do an internal and external environmental scan to identify strengths, weaknesses, opportunities and threats. Scenario planning is then done to generate different options through which the business can respond to the environment and long term and short term objectives set. The business then undergoes the process of formulating a strategy with a mission and vision and prepares a plan of how the options selected will be exploited. The implementation stage involves the whole organisation and requires careful monitoring and evaluation.

Figure 2-1 The strategic planning process



Source: Adapted from Thompson (1989); Goldberg and Sifonis (1994);

2.3 The Strategy debate

Strategic planning has traditionally been seen as a domain of large organisations that spend a lot of time and resources formulating a vision and mission statement and developing a strategic plan for the organisation. More energy then goes into communicating these into the greater organisation and aligning different businesses to the corporate strategy through business planning. This process is seen as necessary in managing a large organisation where the chief executive needs to communicate with each and every employee of the organisation and ensure that all the units of the organisation are working towards the same purpose and goal. While there has been no conclusive evidence that there is a relationship between strategic planning and performance, a formal strategic planning process may improve the effectiveness of management and therefore lead to indirect improvements in performance (Dincer, Tatoglu and Glaister, 2006). Successful small firms appear to regard planning as an aid to innovation in business processes (Georgellis *et al*, 2000). Beaver and Prince (2003) argue that strategic planning may well be a proxy for a number of organisational activities and characteristics, such as management competence and involvement, style of leadership and employee participation. Strategic planning should then contribute positively to performance as literature shows that it gives direction to an organisation and provides measures and controls to track the performance.

Strategic planning in small firms, however, is much more informal, intuitive and invisible (Beaver and Prince, 2004). Stonehouse and Pemberton (2002) classify strategy into four schools of thought;

1. prescriptive or deliberate;

2. emergent or learning;
3. competitive positioning; and,
4. Core competence, resource and knowledge based.

They draw the link between the prescriptive and competitive positioning with the two focusing on the environment and planning using a long time span and using the five forces and the value chain frameworks as tools for strategic planning. They draw on the other hand the link between emergent and core competencies that have an internal focus and that base a firm's competitiveness on the capabilities it builds internally. The focus of this paper is on the prescriptive and emergent strategies schools of thought and their relevance to small businesses. Mintzberg (1978), in Blumentritt and Danis (2006), distinguished between deliberate strategies, whereby an intended strategy is actually realized and emergent strategies, whereby a realized strategy had never been intended. Deliberate strategies follow a formal deterministic process that involves controls and measurement that lead to an intended outcome, though it may or may not be achieved. Emergent strategies on the other hand are as a result of a pattern of decisions an organisation makes resulting in an outcome that was not intended (Graetz, 2002).

There is no standard in the literature of what constitutes formal and informal strategic planning. O'Reagan and Ghobadian (2002a) use the presence of a written strategic plan as a surrogate measure of formality. Formal strategic planning is however characterised by the systematic use of various frameworks and tools that allow a business to analyse its environment and position it where it can attain a competitive advantage (Stonehouse and Pemberton, 2002). These frameworks and tools include SWOT-analysis, Porter's five forces, value

chain analysis, financial data analysis, human resource analysis and benchmarking tools (Stonehouse and Pemberton, 2002). Formal strategic planning is seen as a rational, sequential and systematic process with control and measurement that ensures envisioned goals are achieved. Informal strategic planning on the other hand will include having a general plan of what the organisation wants to achieve. The plan is identifiable although it may not be written. The firm may or may not utilise some of the strategic planning tools and the organisational outcomes will have emerged as a result of the pattern of actions taken by the organisation and not necessarily according to the initial plan.

These schools of thought have often been presented as being mutually exclusive. It is here argued in agreement with Graetz (2002) that strategic planning is a continuum that ranges from deliberate strategies characterised by a formal strategic planning process to emergent strategies characterised by an informal strategic planning process. It should be possible to identify successful small firms that lie at any point of this continuum. While there is agreement in some of the literature that strategic planning contributes to performance, this paper aims to establish the planning patterns of small businesses in South Africa and if there is any relationship between the positioning of the business on this continuum to the performance experienced. It is argued that success is not only as a result of a formal strategic planning process but depends on the consistency with which strategic planning is undertaken regardless of where the approach taken lies on the continuum.

2.4 Reasons for strategic planning in small firms

The current academic debate is not so much on if firms should engage on strategic planning but on whether they should formalise the process. It is difficult to answer this question without understanding why firms engage in strategic planning. According to Porter (1996) in McCarthy (2003) a business' competitive advantage emanates from being able to perform activities differently from rivals. Stonehouse and Pemberton (2002) also refer to the work of Porter (1980), which centres on competitive positioning with the aim of a business being to generate superior performance. Schraeder (2002) quotes other reasons why firms are involved in strategic planning, including the need to appease different stakeholders such as financial institutions and investors, growth through diversification as well as giving direction to the organisation. Reasons for engaging in strategic planning may therefore vary from firm to firm. Strategic planning gives a firm an opportunity to develop maps for the strategic landscape they inhabit and therefore enable them to make informed strategic decisions that gives the firm a competitive advantage (McNamee, O'Reilly and McFerran, 2001). Strategic planning is therefore both inward looking to establish the current landscape inhabited and outward looking in deciding how the landscape should look in the future.

If the reasons for strategic planning are centred on gaining competitive advantage, it can then be argued that there will be various processes that may be followed to meet this objective based not only on the uniqueness of the firm but also on the reasons for engaging in strategic planning. The uniqueness that creates competitive advantage in a firm is based on the competencies it builds and on how differently or creatively the firm uses the same competencies to

achieve its objectives. Andrews (1987) states “uniqueness is more the product of imagination than experience”.

Various contextual factors may have an influence on the effect of a strategic plan on the performance of an organisation and these should be taken into consideration (Schraeder, 2002). Three factors that may influence the strategic planning process of a small business will be considered here. The factors include;

1. Environmental turbulence;
2. Growth; and
3. The owner/manager influence

These factors have been chosen due to their great relevance to small businesses. Most industries in South Africa are highly concentrated with a few big firms dominating the industry. Environmental turbulence therefore has a bigger impact on the small businesses than their large counterparts that have deep pockets. Growth is also important to small businesses, as they have to establish sustainability. Lastly, the individual responsible for strategic planning in a small firm is the owner and their predisposition to planning is important if planning is to take place (McCarthy, 2003). An assessment of these three factors should help to understand the reasons why small business plan the way they do.

2.4.1 Environmental turbulence

“The value of strategic planning is derived from its ability to bring an organisation’s leaders and stakeholders together to formulate strategic direction in view of environmental uncertainty” (Alexander, 2006)

Firms find themselves in an increasingly turbulent environment brought about by the speed with which technology changes as well as the effects of globalisation. In South Africa, there is uncertainty created by changing political priorities, continuously changing economic and social conditions, technological developments, increased competition from local and foreign companies and the general impact of globalisation (Van der Walt, Kroon and Fourie, 2004). Strategic planning allows organisations to focus on the external environment analysing both threats and opportunities in the environment. The awareness of the external environment allows a firm to map out its competitive landscape and make strategic decisions that create competencies that ensure the firm competes effectively (McNamee et al, 2000). Formal planning has been seen as criteria for small business success, enabling the entrepreneur to think about the ‘harsh’ reality of the business world and also have control over available resources (French *et al*, 2004). Formal planning gives structure to strategic thinking and ensures consistency in decision-making. It ensures that none of the critical strategic issues are omitted during strategy formulation. It also ensures that the implementation is measured and controlled allowing for better allocation of resources. Finally it allows the business to look back and assess the rate of success based on the previously set objectives. The findings of Falshaw *et al* (2006) show that the formality of organisations planning systems increased with increased environmental turbulence.

In the anti-planning debate on the other hand, Mintzberg (1979) argues that time spent on strategy formulation is wasted and strategic planning is bureaucratic while what is needed is fast, flexible and incisive action (Joyce and Woods, 2003). In a turbulent environment the winner is the firm that has a faster decision making process and can respond quickly and decisively to changes in the environment. The findings of research done by Joyce and Woods (2003) shows that faster decision making is associated with having strategic management systems and that it confers a significant competitive advantage. Both debates indicate that a firm will derive value from engaging in strategic planning in the formal as well as the informal process.

By definition, strategic planning is not a static exercise and small firms need to find the balance between having rigid and inflexible plans that prevent quick decision making and informal processes that do not provide consistency in decision making. Long-term planning indicates that uncertainty is a natural component of strategic planning and as the firm's environment changes and learning takes place, the plans need to be continuously reviewed. The finding of Stonehouse and Pemberton (2002) on small and medium enterprises (SME) indicates that formal strategic planning theories and frameworks remain the domain of academics. Among the firms surveyed focus remained on financial analysis and short term planning. This may be as a result of presenting the two schools of thought as mutually exclusive. The findings of this research should assist businesses in identifying the middle ground that works for their unique environment consistent with the approach that strategic planning is a continuum ranging from deliberate strategies to emergent strategies.

2.4.2 Growth

Growth in a business occurs through diversification and it can be categorised as:

- Increased sales of existing product in existing market;
- New product in existing market;
- Existing product in new markets; or
- New product in new markets.

Growth is important for small businesses and regardless of how growth takes place, it is characterised by uncertainty and a need for controls and measures to ensure that the business retains focus on its objectives.

Kraus *et al* (2006) in assessing small businesses in Austria found that growing firms were more likely to have formal planning processes. They found that the degree of formalized planning was higher in growth firms than in no-growth firms. Joyce and Woods (2003) state that businesses must put in place structures that allow innovation and entrepreneurship to happen. Their findings were that planning to bring about change and innovation was strongly correlated to growth. Although this finding could be interpreted in many ways, they concluded that growth provides the right conditions for the introduction of strategic management systems. Beaver and Prince (2004) on the other hand indicate that existing research has failed to provide conclusive evidence of a direct relationship between small business strategy and growth. They attribute this inconclusiveness to firstly the unclear definition of strategy and the activities

that are involved and secondly on the lack of a comparison data between the use of a formal strategic planning process and the lack of it.

Despite the mixed findings, small businesses need to have good control of their limited resources if they are to achieve sustainability. Most small businesses have limited access to finance and other resources and therefore have to find innovative ways to achieve their objectives. This is characterised by process and product innovation. Furthermore, although literature does not give conclusive evidence of strategic planning resulting in higher performance in small businesses, it is clear that strategic planning does increase effectiveness of management (Falshaw *et al*, 2005; Beaver and Prince, 2004). It is here argued that successful small businesses will use strategic planning during their growth phase either because they plan for growth or because they need to manage the growth they experience in order to remain sustainable. These two reasons are on the extreme of each other. One suggests that small businesses formally plan to grow and use formal strategic planning methods to decide how they will grow as well as put measures and controls for monitoring purposes. The second suggests that small businesses are always looking for opportunities to grow and do so without necessarily planning in advance. They are however driven to plan by the need to manage the growth the already experience.

We have put forward the case that strategic planning is a continuum from deliberate to emergent strategies. We also take the assumption that successful small business would have been or are in a growth phase and would need to manage that growth for sustainability. We would then endeavour to find out if being in a growth phase forces small businesses to increase the degree of

formality in their strategic planning processes or if the degree of formality remains the same regardless of where they fall in the continuum.

2.4.3 The role of the owner/manager in determining the strategic planning process

The relationship between the owner of a business and the business itself is one of the key reasons that differentiate the small business from a large business. Beaver and Prince (2004) state, "Management in small firms cannot be separated from the motivations and actions of the key actors" and argue that strategic activity in small firms is emergent and instinctive rather than fixed and regulated. Founders plan differently from the standard textbook model and are driven by intuition, experiences and informal research and if they are predisposed to planning it will not take place (McCarthy, 2003). The views of the founder on planning influence the planning activities of a business. As the entrepreneur grows in the business he changes his views and the business planning processes may also change. It is therefore important to investigate how the views, opinions and level of knowledge of the business owner influence the strategic planning processes used by the business. The owner-manager provides leadership in a small business and his perceptions will influence the strategic planning process of the business. The owner-manager may be ignorant of frameworks and tools of strategic planning or may perceive it as not being useful in meeting his objectives and therefore will not engage in it. The alternative argument would be that entrepreneurs are so driven by the need to see their businesses succeed that they may overlook some of the formal processes of strategic planning but still engage in some form of planning. The

reporting requirements expected of small businesses are less onerous than those of their larger counterparts and they therefore are not caught up in have rigid bureaucratic processes normally associated with their larger counterparts.

On the other hand, stakeholders like financial institutions may request for a business plan which then prompts the business to engage in some form of strategic thinking. The business plan has often been regarded as evidence that the firm is engaged in strategic activity, however many small firms are required to produce a business plan for purposes of getting financing and often have minimal use for it as a management tool (Beaver and Prince, 2004). Other reasons why a business may engage in strategic thinking that leads to a strategic planning process include the need for the business owner/manager to give direction to the staff members in the organisation (Schraeder, 2002).

While small businesses cannot be said to be homogenous in their management style it may be argued that they will use strategic planning processes either because the owner/manager is predisposed to planning and believes in its relevance in improving the positioning of the business or because they have been forced by other factors. Understanding the motives behind the use of strategic planning process is important in analysing the success of the processes employed and therefore their relevance. Three factors are of interest,

- the level of knowledge of the business owner with respect to strategic planning processes and tools,
- the perception of the business owner towards planning and its overall contribution to business success, and

- The need to influence other stakeholders such as the management team, staff, financiers and investors.

These three factors will allow us to make a conclusion as to whether small businesses choose a strategic planning process based on the actual needs of the business or on the intuition of the key actors in the business. They will help us understand whether the use of a particular strategic planning process in small businesses is based on the lack of knowledge of relevant strategic planning processes and tools, by the perception of the business owner towards planning or both. This information should help the small business owner to understand when they need to formalise the process and look for the skills required.

The emergent school of thought takes the view that the realised strategy is never intended but emanates from the learning process that the firm undergoes. This then creates a problem of defining success. Beaver and Prince (2004) suggest that the best and accurate way to define success is to base it on the initial objectives of the business. It may however be argued that success is the ability of a business to read the environment and change the course of the organisation and avoid failure.

2.5 Conclusion

Literature cites the need for improved and more extensive planning in the small firm sector. Strategic planning has previously been seen as a formal process, where the formulation of a vision, mission and business plan is seen as a critical part of the process. Firms need to recognise the importance of planning and

recognise which process, emergent or deliberate, suits their business in any given situation. The fact that strategic planning does improve performance is highlighted based on the fact that it contributes to more effective management and gives direction to the organisation.

This research takes the view that strategic planning is a continuum that ranges from deliberate strategies to emergent strategies and it is possible for a firm to lie anywhere along this continuum. Various contextual factors will influence the strategic planning process of a small business. Three factors in particular are investigated in this research. Environmental turbulence, growth and the owner-manager influence on the business are general factors that exist in most small businesses. While the existence of environmental turbulence and growth should lead to more formalised planning processes, the owner-manager influence could result in one extreme or the other.

The purpose of this research is two fold;

1. To re-open the debate and highlight the importance of planning for small businesses
2. To create a reference point for small businesses in deciding whether to formalise their processes or not and therefore reduce the need to choose a strategic planning processes through trial and error methods.

3. RESEARCH PROPOSITIONS

From literature it is clear that strategic planning contributes to performance of a small business through either the actual planning process encouraging strategic thinking, improved management effectiveness or by giving staff and management direction. This research was to find out what are the planning processes used in South African small businesses and categorise them into emergent, deliberate or a mix of both in relation to the contextual factors of environmental turbulence, growth and the owner-manager influence. Firms that use formal strategic planning will use more tools and techniques than those that do not.

Literature supports the view that planning in small businesses is more intuitive and informal (Beaver and Prince, 2004; McCarthy, 2003). Small businesses will plan informally in order to increase the speed of decision-making as well as take advantage of the experiential learning process that the owner/manager undergoes.

Proposition 1

There is a significantly higher prevalence of emergent strategies in successful entrepreneurial businesses in South Africa than prescriptive strategies.

Environmental turbulence increases the level of uncertainty. Small businesses will therefore increase the degree of formalisation of the planning processes in order to prepare for different scenarios that the future may present. Planning helps the small business respond faster to changes in the external environment.

The industry was used as a proxy for environmental turbulence with industry data defining the level of turbulence in each industry.

Proposition 2

An increase in environmental turbulence will result in an increase in the degree of formalisation of the strategic planning process.

Growth is important in small business as it helps them build capacity for the future. Small businesses would need to plan for growth in order to allocate resources to areas that are important to the firm's growth as well as to build more capabilities for future expected growth.

Proposition 3

Small businesses increase the degree of formalisation of their strategic planning process when they are in a growth phase.

The findings of Stonehouse and Pemberton (2002) highlighted a low usage of strategic techniques but were inconclusive on whether this was due to a lack of awareness of the need for a long-term strategy or because the approach adopted was emergent or learning. Leadership in a small business is critical in influencing the strategic planning process that will be followed by the business. There is a need therefore to assess if small businesses intentionally choose the emergent planning process or they just lack the predisposition to engage in a more formalised planning process.

Proposition 4

A predisposition of the business owner/leader towards strategic planning increases the degree of formalisation of the strategic planning process

The significance level is set at the standard level of 0.05.

4. RESEARCH METHODOLOGY

4.1 Introduction

This research was to find out what are the planning processes used in South African small businesses and assess the prevalence of emergent and deliberate planning processes in relation to the contextual factors of environmental turbulence, growth and the owner-manager influence. The research was first to confirm that small firms in South Africa do plan strategically and that there was a higher prevalence of emergent strategies than prescriptive strategies. Secondly, the research assessed the impact of environmental turbulence, growth and the owner-manager influence on the method of planning chosen. It would create a reference point for small businesses that want to grow and create sustainability through long term strategic planning. The three contextual factors were selected on the basis of their significance to small businesses as highlighted by previous research (McCarthy, 2003).

The research methodology used in this research paper was descriptive. Descriptive research aims to describe the characteristics of a population or phenomenon (Zikmund, 2003). The desired result of this research was to describe the strategic planning practise of small businesses in South Africa.

4.2 Unit of analysis

The unit of analysis was small businesses in South Africa.

In a study conducted by Finmark Trust in 2006, the differing definitions for small business were noted. For the purpose of this document a small business was defined as businesses with turnover of below R30million depending on the industry and not more than 50 employees. This definition was adopted from the South Africa National Business Amendment Act (No. 26 of 2003). The business should have been in operation for not more than ten years at the end of 2006.

The criteria is summarised in the table below.

Table 4-1 Sample criteria

CRITERIA	QUALIFYING VALUE
Company life span	< 10 years
Turnover	< R32m depending on industry
Number of employees	< 50

4.3 Population, Sampling method and size

The relevant population consisted of all entrepreneurial businesses in South Africa that met the criteria defined above. As there was no sampling frame for this population, a sample of 300 small businesses was taken from various business directories including www.mygenius.co.za, www.ananzi.co.za, Who owns Whom in South Africa(2007), acquaintances and friends. This sample was selected to include many different industries. It was observed that many businesses in the agriculture, mining and construction industries did not have email addresses. Only one stage of sampling was done.

4.4 Procedure/Data collection/Instrument

4.4.1 Introduction

The research was descriptive in nature and was aimed at small entrepreneurial businesses in South Africa. Respondents were contacted by email and invited to respond to an online questionnaire that was used to collect the survey data. The purpose of a survey is to describe what is happening or to learn the reasons for a particular business activity (Zikmund, 2003). The survey method was selected based on the fact that it can be used with a large sample that results in conclusions that can be generalised. The survey was also suited for identifying characteristics of a group, to measure attitudes and describe behavioural patterns (Zikmund, 2003). Surveys are also flexible and can be used to fulfil multiple objectives. The objective of this research was to understand the strategic planning processes of small businesses but in so doing required that various contextual factors are taken into account and their impact on the planning process assessed. It therefore required a tool that can measure attitudes as well as gather factual information such as turnover and number of employees in the organisation.

4.4.2 Research questionnaire

The research questionnaire was designed to include questions that measured the various aspects of the research as follows;

- Degree of formalisation of the strategic planning process,
- Environmental turbulence,
- Growth aspects, and
- Owner predisposition to strategic planning.

Factual information on the turnover and number of employees in the business in the past three years, strategic frameworks and tools used by the company, activities undertaken by the firms in the strategic planning process was collected. The last question used a likert scale to measure three different variables and consisted of;

- Subjective measures of performance,
- Measures of attitudes towards strategic planning, and
- Measures of time spent on environmental scanning.

The last question was used to encourage participation. The question requested for an email address for respondents who wished to see the results of the research study.

The questionnaire was designed on www.surveymonkey.com and the link was sent by email to the sample. A blog was also put on www.mygenius.com requesting for participation. This blog was kept alive by feedback received from respondents as well as consistent reminders for more participation.

Results were collected online on www.surveymonkey.com and a report was generated.

4.4.3 Data Analysis

The data collected was exported to a Microsoft Excel spreadsheet with actual values as well as numerical values. The data was then edited to prepare it for coding. Incomplete responses and responses that did not meet the criteria were eliminated from the study. The data was also edited for consistency. Responses

on items such as the frequency of reviewing the plans were rearranged in order of decreasing frequency. The data was then coded using numerical values and reverse coding was done on negative questions.

Statistical analysis was then performed on the data collected using a statistical analysis programme called Analyse-it as well as using Microsoft Excel to calculate frequencies, medians and create charts. Analyse-it was used to perform the Kruskal-Wallis test and the Bonferroni test. The Kruskal-Wallis test was selected as the appropriate variance test for nonparametric ordinal data. The findings were then presented and discussed to create a source of reference for other entrepreneurs wishing to emulate any of the processes used.

4.5 Research limitations.

The research conducted will had the following limitations.

- The sample was not randomly selected and may not have been fully representative. The purpose of the research though was to provide insights into the relevance of strategic planning and users of the findings may use their discretion on what is relevant to their organisations.
- Other contextual factors that may affect the strategic planning process of a small business as well as the outcomes were not considered. These factors include the size of the firm and the industry it operates in.
- This research did not measure how effectively businesses use their strategic planning process or the strategic plan itself. This is a factor that would significantly affect the performance of a small business. More in depth research would be required to assess this factor.

- The sample excluded small businesses that did not have published email addresses.
- The sample was taken from a select number of sources and would therefore have eliminated a large number of small businesses. As indicated in the first limitation, the purpose of the research was to provide insight into strategic planning practises of small businesses in South Africa and not to necessarily generalise for all small businesses.

4.6 Conclusion

This chapter has detailed the procedure and the methodology used for the research. The process of data collection and analysis is explained. The unit of analysis, population and sample have been defined and the research questionnaire explained. Finally, the research limitations were explained.

5.0 RESULTS

5.1 Introduction

This chapter presents the results of the analyses done to answer the propositions put forward for this study. It starts with sample description and the process of data capturing done. The results of each of the propositions are then presented. Every variable was tested independently and therefore a univariate statistical technique was used for all the propositions. The chapter then concludes with a summary of the results obtained.

5.2 Sample description

A sample of 300 was taken from various business directories including www.mygenius.co.za, www.ananzi.co.za, Who owns Whom in South Africa (2007), acquaintances and friends. The purposive sampling technique was used in order to include as many different industries as possible. Industry was used as the proxy for environmental turbulence. The criterion for the sample was that the business had to be less than ten years and have a maximum of 50 employees. The turnover of the business had to meet the definition of a small business as per the South Africa National Business Amendment Act (No. 26 of 2003). Respondents were contacted by email and this created a limitation on the responses received. Most small businesses that were listed in the Agriculture, mining and construction services did not have email addresses and contacting them was difficult.

A 14% response rate was achieved with 42 responses in all. Of the 42 responses 3 responses were incomplete and were therefore removed from the data. 9 of the respondents had businesses that had been in operation for more

than 10 years and did not meet the criteria. These were excluded from the data analysis. Of the 30 usable responses over 50% were in the finance and business services industry and 20% in the community, social and personal services. 10% were from manufacturing, 6.67% from catering, accommodation and other trade and 3.33% each in construction and retail, motor trade and repair services. Although the sample was not stratified there was an extremely poor response rate achieved from the agriculture, mining and construction industries.

5.3 Data Capture

The raw data collected was tabulated and then re-coded to ordinal data as shown in appendix 1. The independent variable was the level of formalization of the strategic planning process and the data was grouped into three sub samples according to the response to question 12. Descriptive statistics were done to give frequencies where required and/or medians for the different questions posed. Hypothesis testing was then done using the Kruskal-Wallis test to identify any significant differences between the sub samples. The Kruskal-Wallis test was chosen as an appropriate statistical technique for nonparametric data and for the tests that were necessary to answer the propositions (Zikmund, 2003). The Kruskal-Wallis test was also done to check for differences in the level of formalisation between growth and non-growth businesses as well as between businesses that had a business plan and those that did not.

5.4 Descriptive statistics

The table below shows the industry and company life span split of companies that responded. Although purposive sampling was done, there was no representation from the other industries. The reason for this could be two fold. Firstly, the use of an online survey distributed by email only lacks the relationship aspect and therefore many respondents may not have felt the need to respond. This could have been resolved by having telephonic interviews where the researcher fills in the survey on behalf of the respondent or by having telephonic follow ups to improve the response rate. Secondly, increasing the size of the sample and using the stratified sampling technique.

Table 5-1 Industry representation and business life span

Industry			Company life span		
Manufacturing	3	10.00%	Less than one year	7	23.33%
Construction	1	3.33%	1 - 2 years	5	16.67%
Retail and Motor trade and repair services	1	3.33%	2 - 3 years	4	13.33%
Catering, Accommodation and other trade	2	6.67%	3 - 5 years	7	23.33%
Finance and Business Services	17	56.67%	5 - 10 years	7	23.33%
Community, Social and Personal services	6	20.00%			
Total	30		Total	30	

5.5 Results per proposition

Proposition 1

There is a significantly higher prevalence of emergent strategies in successful entrepreneurial businesses in South Africa than prescriptive strategies.

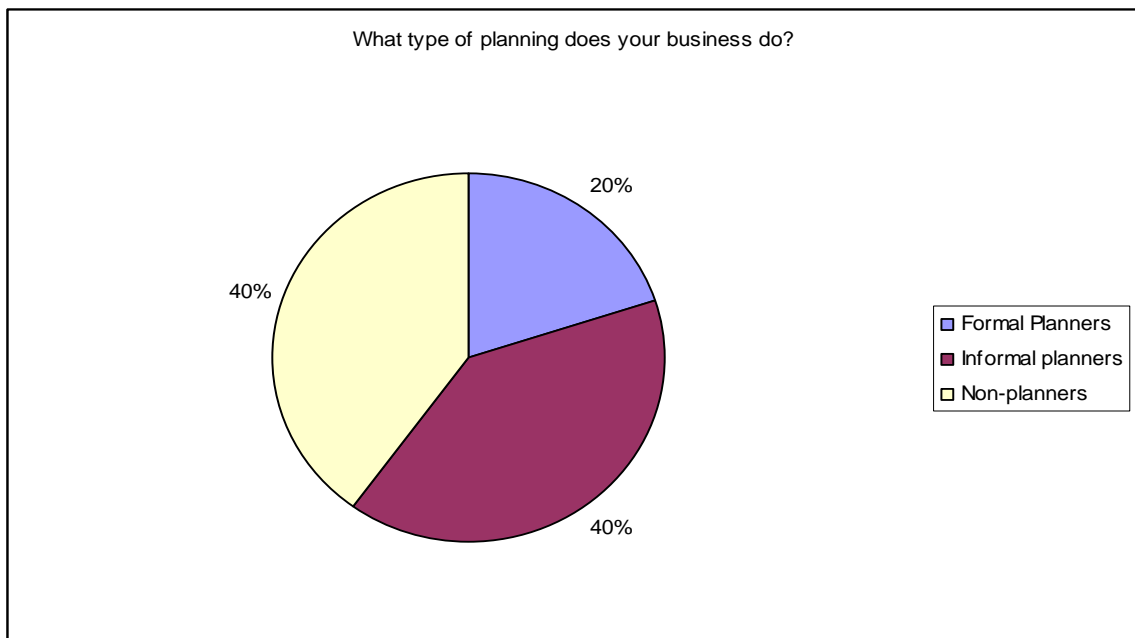
Respondents were grouped into different planning categories using data on the direct responses on if the businesses used any formal planning (question 12). Three questions were used to test the differences in the processes used for the different levels of formalisation in each of the groups. The number of strategic planning tools that are used by the business, the frequency of review of the strategic plan and the types of issues addressed by strategic plan were taken into account. The three sub-samples were analysed using the Kruskal-Wallis test for differences in the median for three different variables. Where a significant difference was observed, multiple comparisons were done using the Bonferroni test to identify which two sub-samples were different.

None of the businesses used highly structured planning. 20% however responded to being structured on most strategic issues. These businesses were categorised as formal planners. 13% of the businesses used general policies on most strategic issues while another 27% used general policies for all strategic issues. These were classified as informal planners while 40% of the businesses said they used no formal planning and were classified as non-planners (French *et al*, 2004).

Table 5-2 Classification of businesses according to degree of formalisation

	No of businesses	% of total sample
Planners	6	20%
Informal planners	12	40%
Non planners	12	40%

Figure 5-1 Classification of businesses according to degree of formalisation



5.4.1 Level of formality

Hypothesis testing was done using the Kruskal-Wallis test to determine if there was a significant difference between the medians of the three groups with respect to the frequency with which strategic plans are reviewed, the number of strategic issues addressed during strategic planning and the number of tools

used. These dimensions were covered by questions 13, 14 and 15 respectively. The Kruskal-Wallis test static (H-statistic) was then used to obtain the critical value at the 0.05 level with 2 degrees of freedom. The results of the test are shown on table 5-3 below.

In testing for differences in the frequency of review of strategic plans, a significant difference in the medians of the three groups was observed and therefore a Bonferroni test was done to identify which two medians were significantly different. This was observed to be between the formal planners and the non-planners with a p-value of 0.0130. The median scores for the three groups were 2.5, 3 and 6.5 as shown in the table below.

Table 5-3 Summary of median scores on degree of formalisation

	Frequency of review	Number of tools	Strategic content
Median Formal	2.5	5.5	5.5
Median Informal	3	3.5	3
Median Non planners	6.5	0	1

The 'frequency of review' medians translate as follows;

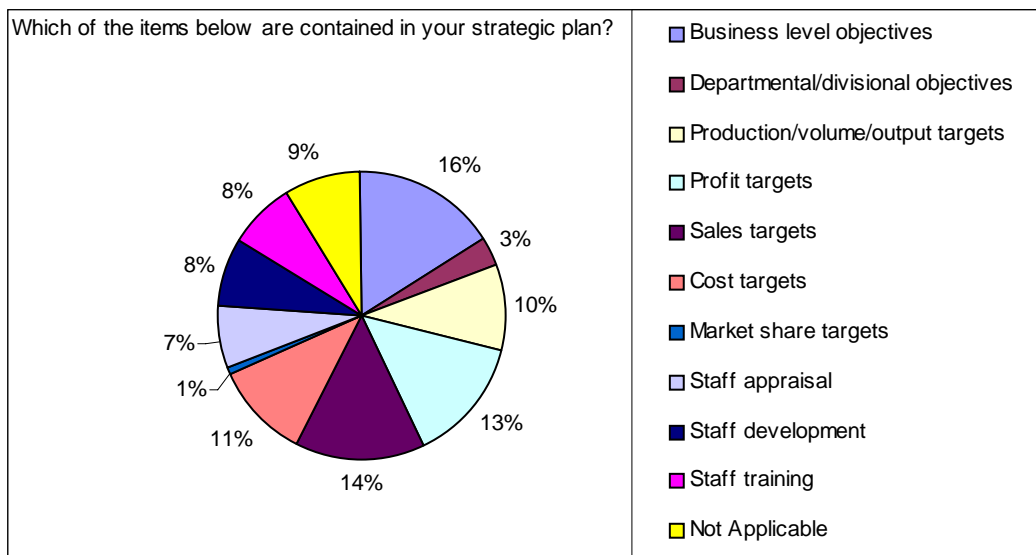
- 2.5 is between monthly and quarterly,
- 3 is quarterly, and
- 6.5 is between after a major event and rarely.

The frequency of review increased as the level of formalisation increased.

There was a significant difference in the median scores of the three groups with respect to the strategic content of the strategic plan. The results of the Bonferroni test showed that there was a significant difference between the medians of the formal planners and non-planners with a p-value of 0.0292. The

actual median scores were 5.5, 3 and 1 for formal planners, informal planners and non-planners respectively indicating an increasing number of tools were utilised as the formality increased. The items that most frequently appeared in the strategic plan were business level objectives (16%), sales targets (14%) and profit targets (13%).

Figure 5-2 Pie chart of strategic content split



There was a significant difference in the median scores of the three groups with respect to the number of strategic planning tools used by the business. The median scores showed that the number of tools increased with increase in formalisation of the strategic planning process. The medians of planners and non-planners as well as those of informal planners and non-planners were found to be significantly different with p-values of <0.0001 and 0.0057 respectively. The table below shows that over 50% of businesses have a vision, mission and business plan with the next most used tools being the SWOT and breakeven analysis.

Table 5-4 Frequency of use of strategic tools

TOOL	COUNT	PERCENTAGE OF SAMPLE
Vision	16	53.33%
Mission	17	56.67%
Business Plan	17	56.67%
Strategy sessions	11	36.67%
Balanced scorecard	3	10.00%
SWOT Analysis	10	33.33%
Value Chain Analysis	2	6.67%
PEST Analysis	0	0.00%
Cost-Benefit Analysis	4	13.33%
Breakeven Analysis	9	30.00%
Scenario Analysis	6	20.00%
None	5	16.67%
Other (please specify)	1	3.33%

Table 5-5 Analyses of Q13, Q14, Q15

	Null Hypothesis	Test	Prob. Value	Reject/Fail to Reject Null Hypothesis	Comments
Q13. Frequency of review	There is no significant difference in the median scores of the 3 sub samples	Kruskal-Wallis	P= 0.0143 H= 8.50 DF=2 Critical Value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference in the medians of formal planners and the non-planners with respect to the frequency with which plans are reviewed.
Q14. No of strategic issues addressed	There is no significant difference in the median scores of the 3 sub samples.	Kruskal-Wallis	P= 0.0279 H= 7.16 DF = 2 Critical value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference in the median of formal planners and the non-planners with respect to the number of issues addressed by their strategic plan.
Q15. No. of strategic tools used.	There is no significant difference in the mean scores of 3 sub samples	Kruskal-Wallis	P = 0.0006 H = 14.97 DF = 2 Critical value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference in the medians of formal planners and non-planners as well as informal planners and non-planners with respect to the number of issues addressed by their strategic plan.

5.4.2 Environmental turbulence

Proposition 2

An increase in environmental turbulence will result in an increase in the degree of formalisation of the strategic planning process.

The industry the business operates in was taken as the measure of environmental turbulence. This sample was divided into groups based on the industry and a percentage of number of businesses in the sample was calculated. The industry representation was not sufficient with majority of the respondents coming from finance and business services and community, social and personal services. This was a weakness of the sampling technique, which could have been corrected by using stratified sampling to ensure representation as well as telephonic follow up to improve the response rate.

Table 5-6 Industry representation

	Industry	COUNT	Percentage
1	Agriculture	0	0.00%
2	Mining and Quarrying	0	0.00%
3	Manufacturing	3	10.00%
4	Electricity, Gas and Water	0	0.00%
5	Construction	1	3.33%
6	Retail and Motor trade and repair services	1	3.33%
7	Wholesale Trade, Commercial Agents and Allied Services	0	0.00%
8	Catering, Accommodation and other trade	2	6.67%
9	Transport, storage and communications	0	0.00%
10	Finance and Business Services	17	56.67%
11	Community, Social and Personal services	6	20.00%

The Kruskal-Wallis test was conducted on the three sub-samples to test for differences in the median scores with regard to the industry. No significant differences were observed due to the businesses being from two industries mainly.

The Kruskal-Wallis test was done to find out if the formal planners, informal planners and non-planners differed in their level of interaction with the environment. This test was conducted for question 17k, l and m which asked the respondents to indicate how much time they spent gathering external information on competitors and the industry. The results of these analyses are shown in the summary table below.

Significant differences were observed on the median scores of the formal planners and the informal planners with respect to the amount of time they spent on gathering industry and competitor information. The median scores for the amount of time spent gathering competitor information for the formal planners, informal planners and non-planners were 4.5, 3 and 4 respectively indicating that informal planners spent less time gathering competitor information. The median scores for time spent gathering industry information were 4, 3 and 4 again indicating that informal planners spent less time gathering industry information. All sub groups had a median score of 4 when asked if they believed they understood their competitors' strengths.

Table 5-7 Analyses of Q17k, Q17l and Q17m

	Null Hypothesis	Test	Prob. Value	Reject/Fail to Reject Null Hypothesis	Comments
Q17k I spend time gathering competitor information	There is no significant difference in the median scores of the 3 sub samples	Kruskal -Wallis	P= 0.0153 H= 8.35 DF=2 Critical Value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference between the median of formal planners and the informal planners.
Q17l I spend time gathering industry information	There is no significant difference in the median scores of the 3 sub samples.	Kruskal -Wallis	P= 0.0287 H= 7.10 DF = 2 Critical value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference between the median of formal planners and the informal planners.
Q17m I understand my competitors' strategies	There is no significant difference in the mean scores of 3 sub samples	Kruskal -Wallis	P = 0.1198 H = 4.24 DF = 2 Critical value = 5.991	Fail to reject the null hypothesis.	There is no significant difference in the medians of the three groups.

Proposition 3

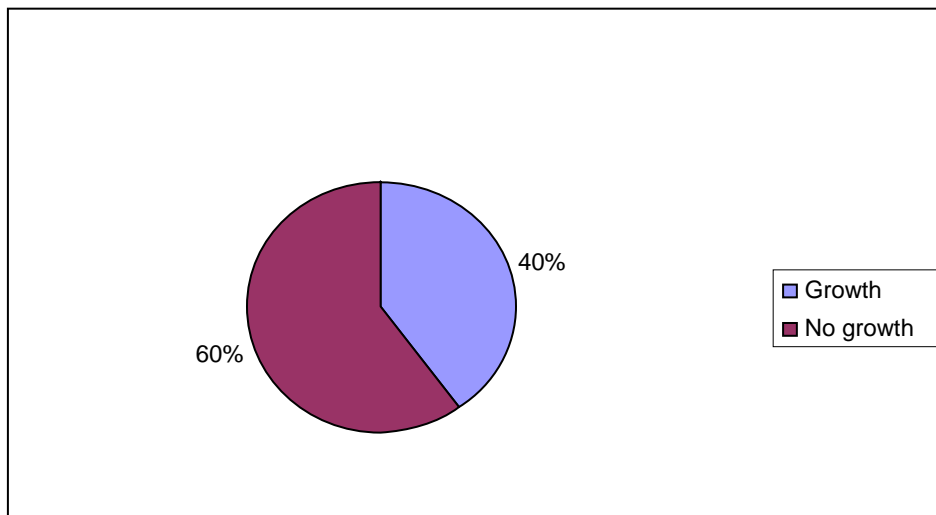
Small businesses increase the degree of formalisation of their strategic planning process when they are in a growth phase.

Growth was measured by taking the change in number of employees in 2006 compared to the number of employees at inception as well as the change in turnover in the last three years (2004 – 2006). Subjective questions that reflect the owner's opinion on company performance were also used to assess the performance of the business. These responses were represented by questions 6, 7 and 17a, 17b and 17c.

The sample was divided into two sub-samples; businesses that had grown in number of employees or turnover were classified as growth businesses and businesses that had shown no growth in number of employees or turnover were classified as no growth businesses. One business had grown in turnover and declined in number of employees. It was classified as a no growth company as an increase in number of employees was considered a better indicator for a business that was in a growth phase than an increase in turnover. 40% of businesses were classified as growth businesses while the other 60% were classified as no growth businesses. Although the growth business had an equal percentage of formal planners, informal planners and non-planners, the no growth businesses constituted of 11.11% formal planners, 44.44% informal planners and 44.44% non-planners. 66.67% of formal businesses were in the growth phase while only 33.33% of informal planners and non-planners were in the growth phase.

The Kruskal-Wallis test was conducted on the two sub samples to observe for differences in the median scores of the sub samples with respect to their level of formalisation. No significant difference in the median scores of the growth versus non-growth businesses was observed.

Figure 5-3 Pie chart of growth and no growth businesses split

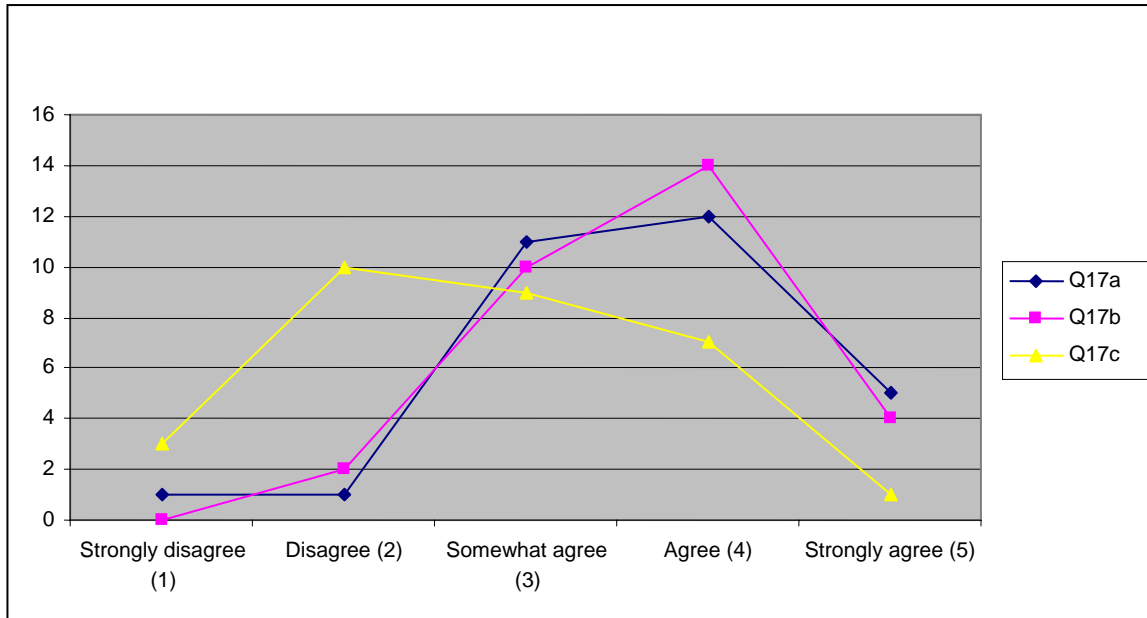


The Kruskal-Wallis test was conducted on the two sub samples to observe for differences in the median scores of the sub samples with respect to the hypothesis that they preferred to use data to make business decision. Once again no significant difference was observed.

The sample was then divided by the level of formalisation into formal planners, informal planners and non-planners and the subjective responses of questions 17 a, b and c were used to test for any differences in the sub-samples. The average response of the sample to their view on the success of their business was positive with most respondents agreeing with the view that their businesses were successful. The respondents were however not very comfortable with the

performance of their businesses. The chart below shows the number of responses for each question on the likert scale.

Figure 5-4 Respondents subjective view of business success



The medians of the three samples are shown in the table below.

Table 5-8 Median scores on the subjective measures of success

MEDIANS		Formal Planners	Informal planners	Non-planners
a	Others consider my business successful	4.5	4	3
b	I consider my business successful	4	2.5	4
c	I am comfortable with the current performance of the business	3	2.5	3

Kruskal-Wallis test was used to test for differences in the medians of three sub-samples for each of the subjective questions used to test the level of success.

The results of these analyses are shown below.

Table 5-9 Analyses of Q17a, Q17b and Q17c

	Null Hypothesis	Test	Prob. Value	Reject/Fail to Reject Null Hypothesis	Comments
Q17a Others consider my business successful	There is no significant difference in the median scores of the 3 sub samples	Kruskal-Wallis	P= 0.0995 H= 4.69 DF=2 Critical Value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.
Q17b. I consider my business successful	There is no significant difference in the median scores of the 3 sub samples.	Kruskal-Wallis	P= 0.0197 H= 7.86 DF = 2 Critical value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference between the median of informal planners and the non-planners with respect to the confidence they have in the performance of their business.
Q17c. I am comfortable with the current performance of my business.	There is no significant difference in the mean scores of 3 sub samples	Kruskal-Wallis	P = 0.7994 H = 0.45 DF = 2 Critical value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.

There was no significant difference in the medians of the three sub samples in regard to Q17a with the respondents in all the three sub samples somewhat agreeing or agreeing with the statement.

There was a significant difference in the medians of informal planners and non planners Q17b. The medians show that the formal planners had the most confidence in the success of their business. Informal planners disagreed with the statement 'I consider my business successful'.

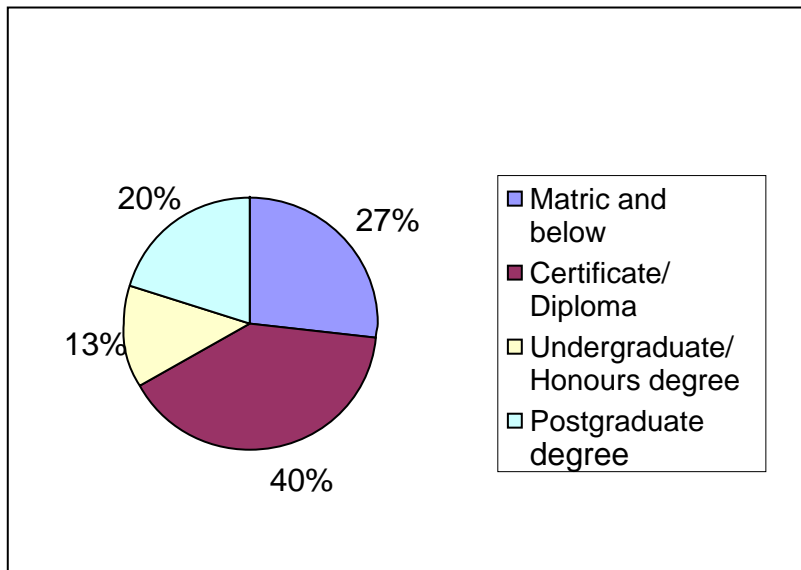
There was no significant difference in the means of the three sub samples in regard to Q17c with the respondents in the three sub samples being neutral in their satisfaction of the business performance.

Proposition 4

A predisposition of the business owner/leader towards strategic planning increases the degree of formalisation of the strategic planning process.

This hypothesis was tested using questions 9, 11 and 17d – m. Question 9 collected data on the level of education of the owner/CEO of the business. The purpose was to assess whether the level of education had any impact on the form of strategic planning process followed. The composition of the sample is shown in the pie chart below. 40% of the business owners had a diploma or certificate and 27% had matric or below.

Figure 5-5 Level of Education



50% of formal planners were degree holders compared to 41.67% of informal planners and 16.67% of non-planners.

Table 5-10 Percentage of level education for each sub sample

Level of Education	Formal	Informal	Non-planners
Matric and below	0	33.33%	33.33%
Certificate/Diploma	50.00%	25.00%	50.00%
Undergraduate/Honours degree	33.33%	16.67%	0.00%
Postgraduate degree	16.67%	25.00%	16.67%

The medians of the sub samples of formal planners, informal planners and non-planning were computed as 2.5, 2 and 2 respectively. The formal planning sub sample had the highest mean, suggesting the highest level of education. The greatest range was however observed in the informal planning and the non-planning sub samples with a range of 3 while the range for the formal planning sample was 2.

The results of the Kruskal-Wallis test are shown below. At the significance level of 0.05, a p-value of 0.3561 was obtained and therefore the null hypothesis could not be rejected. There is no significant difference in the median scores of the three samples.

Table 5-11 Kruskal-Wallis test results for level of education between the three sub-samples

Kruskal-Wallis' statistic	2.06
X ² statistic	2.06
DF	2
p	0.3561

Question 11 collected data on the level of experience of the business owner. The median score for the full sample was 4 while the median scores for formal planners, informal planners and non-planners were 4.5, 4 and 4 respectively. This indicates that majority of respondents had over 15 to 20 years of working experience. The Kruskal-Wallis test for the hypothesis that there is no significant difference in the median scores of the three sub samples gave the result below. With a p-value of 0.9251 we failed to reject the hypothesis at a significant level of 0.05. There was therefore no significant difference in the median scores of the three sub samples.

Table 5-12 Kruskal-Wallis test results for level of experience between the three sub-samples

Kruskal-Wallis' statistic	0.16
X ² statistic	0.16
DF	2
p	0.9251 (chisqr approximation, corrected for ties)

Responses to question 17d,e,f,g,h and o were coded to turn negative statements to positive statements. The statements tested attitudes of owners towards strategic planning. A likert scale from 1- strongly disagrees to 5- strongly agree was used. There were no significant differences in the median scores for all the questions except for question 17f where significant differences were observed between formal planners and the other two sub samples. The median score was 4 for formal planners and 3 for both informal planners and non-planners.

Table 5-13 Analyses of Qv17d, Qv17e and Q17f

	Null Hypothesis	Test	Prob. Value	Reject/Fail to Reject Null Hypothesis	Comments
Qv17d Formal planning creates rigidity	There is no significant difference in the median scores of the 3 sub samples	Kruskal-Wallis	P= 0.2221 H= 3.01 DF=2 Critical Value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.
Qv17e. Formal planning creates bureaucracy	There is no significant difference in the median scores of the 3 sub samples.	Kruskal-Wallis	P= 0.0717 H= 5.27 DF = 2 Critical value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.
Q17f. Formal planning makes it easier to manage the business	There is no significant difference in the mean scores of 3 sub samples	Kruskal-Wallis	P = 0.0069 H = 9.94 DF = 2 Critical value = 5.991	Reject the null hypothesis. There is a significant difference in the median scores of the 3 sub samples.	Multiple comparisons using Bonferroni shows that there is a significant difference between the median scores of formal and informal planners as well as formal and non-planners.

Table 5-14 Analyses of Q17g, Qv17h and Qv17o

	Null Hypothesis	Test	Prob. Value	Reject/Fail to Reject Null Hypothesis	Comments
Q17g Formal planning is critical for business success	There is no significant difference in the median scores of the 3 sub samples	Kruskal-Wallis	P= 0.2876 H= 2.49 DF=2 Critical Value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.
Qv17h. Informal planning allows for speedier decision making	There is no significant difference in the median scores of the 3 sub samples.	Kruskal-Wallis	P= 0.1891 H= 3.33 DF = 2 Critical value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.
Qv17o. Long time planning is redundant as the environment changes too fast.	There is no significant difference in the mean scores of 3 sub samples	Kruskal-Wallis	P = 0.2544 H = 2.74 DF = 2 Critical value = 5.991	Fail to reject the null hypothesis. There is no significant difference in the median scores of the 3 sub samples.	There is no significant difference in the medians of the three groups.

6. DISCUSSION OF RESULTS

6.1 Introduction

The previous chapter presented the results based on the different proposition. In this chapter the results of the study will be interpreted and the findings related back to the literature review in chapter two. This chapter is divided as follows

- review of arguments presented in the literature review in chapter 2,
- Discussion of results for each proposition, and
- Conclusion and summary of findings.

6.2 Literature review

Strategic planning was defined as the process of formulating broad and flexible long term plans that give the organisation direction to its envisioned future encompassing both strategy formulation and implementation. Strategic planning can be analysed from a process or content point of view and businesses need to have a living strategic plan that is informed by the processes used in developing and deploying the plan (Subramoniam and Krishnankutty, 2002; O'Reagan and Ghobadian, 2002b).

While business schools promote formal strategic planning processes, Beaver and Prince (2004) argued that strategic planning in small businesses is more informal, intuitive and invisible. This study was therefore interested in the level of formality undertaken by small businesses in South Africa and if there were differences in performance of the businesses based on the level of formality in the strategic planning process.

The literature review reveals three different schools of thought. The first one favours prescriptive strategies and is based on Porter's work while the second is based on Mintzberg's work and favours the emergent strategies. Graetz (2002) argued that the two need not be mutually exclusive and that strategic planning is a continuum ranging from deliberate to emergent strategies. This is the view that was taken by the researcher and the expectation was to find businesses with different levels of formality but similar performance. It was recognised that other factors may impact on the performance of small businesses and the impact of environmental turbulence, growth and owner/manager influence on the level of formality is assessed. In other words, no differences were expected in terms of three contextual factors regardless of where they fell in the continuum.

The sample was therefore divided into three sub samples labelled formal planners, informal planners and non-planners and tests conducted to observe for any differences.

6.3 Discussion of results

This discussion starts with an assessment of the level of formality in small businesses in South Africa to determine if small businesses plan formally. To ensure a consistent understanding of formal planning, statistical tests are conducted to identify differences in the content of the strategic plan, the number of strategic planning tools used by the business and the frequency of review of the strategic plan. The discussion of the impact of environmental turbulence,

growth and the owner/manager influence on the strategic planning process is then presented.

6.3.1 Level of formality

Respondents were asked to give the level of formality in their businesses strategic planning processes by responding to whether they used highly structured processes, general policies or do not plan at all. The responses to these questions were used to divide the sample into groups of formal planners, informal planners and non-planners. Three other questions were used to determine the differences between the planning processes of the three groups of respondents.

The proposition put forward was that there is a higher prevalence of emergent strategies in small entrepreneurial business in South Africa than prescriptive strategies. The results show that 20% of businesses were structured on most strategic issues, 40% of the businesses used general policies on most or all strategic issues while 40% used no form of formal planning at all. With 80% of all respondents falling in the informal planners or non-planners sub-group, there is enough evidence to conclude that there is a higher prevalence of businesses using emergent strategies than prescriptive strategies. To ensure consistency of this result, the three groups were compared on their planning practices based on the content of the strategic plan, the tools used and the frequency with which they reviewed their plans.

Looking at the median scores of the three groups in the table below there is a clear distinction of the level of formality undertaken by each group with formal

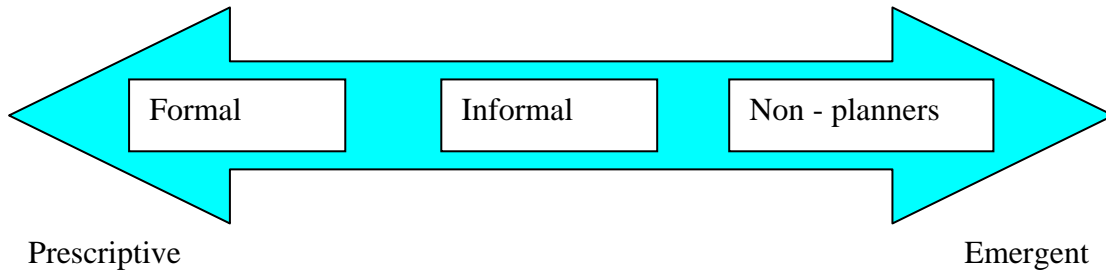
planners using the most tools and addressing the most number of issues in their strategic planning process. The median score of the three sub samples on the frequency of review indicate that formal and informal planners review their strategic plans at least every quarter while the non-planners review their strategic plans after a major event.

Table 5-15 Median scores for strategic planning tools and content

	Number of tools	Strategic content
Median Formal	5.5	5.5
Median Informal	3.5	3
Median Non planners	0	1

The non-planners had a median of 0 indicating in most instances they used no strategic planning tools and a median of 1 for strategic content indicating that they only addressed one issue. In most cases these were the business level objectives. The significant difference observed between the planners and non-planners leads us to infer that there is a continuum ranging from emergent strategies and prescriptive strategies with planners and non-planners being at extreme ends of the continuum as shown in the figure below.

Figure 5-6 Strategy continuum



Developed for this study

The findings of this study confirm that formal planning is characterised by an increased use of strategic planning tools and frequent reviews of the strategic plan. Andrews (1987) highlighted that the inter-dependability of the actual plan and the process of implementation is critical in developing a firm's uniqueness. Businesses that have a formal strategic planning process improve their chances of success if there is a feedback loop from the deployment process to the actual strategic plan. The frequency of review of the strategic plan increased with increase in the level of formalisation supporting the need to keep the strategic plan updated with lessons learnt as well as changes in the environment of the business.

The presence of three different sub samples with varying levels of formality also gives evidence for the argument that emergent strategies and prescriptive strategies are not necessarily mutually exclusive. Small businesses choose a level of formality that is suitable for their business on this continuum. Small

businesses need to understand their circumstances and choose strategic planning processes that suit their unique environments.

6.3.2 Impact of environmental turbulence

Environmental scanning is one of the key steps in the strategic planning process. McNamee *et al* (2000) compared the business world to a battleground where environmental scanning allows a firm to map out its competitive landscape and positions to compete effectively. Environmental scanning of the industry and competitors helps small businesses to be consistent in their decision-making and therefore allocate resources effectively. Stonehouse and Pemberton (2002) argued that the focus of small businesses has remained on financial analysis and short term planning. On the other hand, the findings of Falshaw *et al* (2006) showed that the level of formality in strategic planning increased with increase in environmental turbulence. Environmental turbulence presents the need for speedier decision-making, which may be improved by having a formalised strategic planning process. Joyce and Woods (2003) findings show that faster decision-making is associated with having strategic management systems and confers a significant competitive advantage.

This study set out to look for the differences in the level of formalisation between businesses that experience different levels of environmental turbulence. The industry the business operates in was taken as a proxy for environmental turbulence. The expectation was that businesses that experienced higher environmental turbulence would show higher levels of formalisation than others.

The results show that no significant differences were found in the median scores of the three sub samples with regards to the industries in which they operated. This was mainly as a result of having 56.67% of the respondents coming from finance and business services industry and another 20% from community, social and personal services industry. The result may therefore not be conclusive as other industries lacked a good representation in the sample.

To investigate the level of environmental scanning done by small businesses the respondents were asked to indicate the amount of time spent gathering industry and competitor information. The expectation was that formal planners would spend more time than the informal planners and non-planners.

The median scores for the two questions that assessed time spent gathering information on the external environment ranged from 3 to 4.5 (somewhat agree – agree/strongly agree). This indicates a level of appreciation of the importance of understanding the competitive environment a business operates in. The interesting result though was that there was a significant difference observed between formal planners and informal planners. Also, informal planners had the lowest median for both questions. We can therefore infer that formal planners do spend more time understanding their competitive landscape than the informal planners. There was no difference however between formal planners and non-planners.

While the results of this study show that informal planners spent the least time on gaining industry and competitor information, it did not generate conclusive evidence that environmental turbulence had any impact on the strategic planning process followed and neither can we conclude that it does not. Future research studies should use stratified sampling to get a better understanding of this relationship. A stratified sample would ensure industry representation and therefore allow for a valid result that can be used to assess environmental turbulence.

6.3.3 Growth

Literature reviewed for this study presented contradicting views of the relationship between strategy and growth. While Beaver and Prince (2004) argued that existing research had failed to give conclusive evidence of a direct relationship between small business strategy and growth, some studies found that the degree of formalization in strategic planning increased in high growth firms (Kraus *et al*, 2006, Joyce and Wood, 2003). Joyce and Woods (2003) concluded that growth provides the right conditions for the introduction of strategic management systems. Beaver and Prince (2004) attributed their argument to the unclear definition of strategy and activities that are involved and secondly the lack of a comparison data between the use of a formal strategic planning process and the lack of it in a particular business. While the later would require a case study, this study standardised the definition of what constitutes formal planning in the first section titled 'level of formality' and eliminated any confusion that may arise due to an unclear definition.

This study aimed to establish whether firms in a growth phase had higher levels of formalization in their strategic planning process than firms that had no growth or that had declined. There was no significant difference in the median scores of growth versus non growth companies with respect to the level of formalisation in their strategic planning process. There was also no significant difference in the median scores of growth versus non-growth businesses with respect to whether they preferred to use data to make business decision.

Table 5-17 Kruskal-Wallis test for level of formalisation between growth and non-growth businesses

Kruskal-Wallis' statistic	1.55
X ² statistic	1.55
DF	1
P	0.2134

The data shows that formal planners showed more growth than informal planners and non-planners with 66.67% of the formal planners being in a growth phase compared to 33.33% of both informal planners and non-planners. This result can be interpreted in different ways. It may be argued that growth was experienced as a result of the formal planning process or that due to the growth the businesses experienced, they were driven to increase their degree of formalisation. Causal research is required to investigate whether growth results in higher levels of formalisation or higher levels of formalisation result in growth. From this research we can conclude that there is a positive relationship between formal planning and growth or performance of a small business. This is the same conclusion that was reached by Kraus *et al* (2006), that there was a

positive relationship between the degree of formalisation of the planning process and the performance of small businesses.

6.3.4 Owner/manager influence

This study set out to assess if small businesses intentionally chose the emergent planning process or they just lack the predisposition to engage in a more formalised planning process. Beaver and Prince (2004) stated that the motivations and actions of owners in small businesses couldn't be separated from the management practices of the firm. McCarthy (2003) also observed that if owners in small businesses were not predisposed to planning then it would not happen. The study aimed to explore three factors,

- the level of knowledge of the business owner with respect to strategic planning processes and tools,
- the perception of the business owner towards planning and its overall contribution to business success, and
- the need to influence other stakeholders such as the management team, staff, financiers and investors.

To assess the level of knowledge of the owner with regards to strategic planning processes, the owners were asked to indicate their level of education as well as the number of years they had been working. No significant difference was observed between the median scores of the three sub groups in regard to their level of education. An analysis of the level of education using the frequency of occurrence showed that the level of education increased with the increase in formalisation. We can then infer that exposure to strategic planning

tools and techniques through education may drive businesses to use more formalised strategic planning processes. A lack of knowledge of the strategic planning process and the tools and techniques that may be used is a possible reason why small businesses do not use formalised strategic planning processes. The level of business experience was relatively high with a median of 15 to 20 years working experience and tools and techniques of formal methods of strategic planning may have been acquired in the process. The data however supports the view that a lack of knowledge of tools and techniques of formal strategic planning processes may result in a less formalised process.

To assess the predisposition of owner managers towards planning it was observed that there was no significant difference between the three groups for all questions posed except one. Observing the median scores shows that the formal planners agreed with the different phrases (after coding to positive) while informal planners and non-planners responded with somewhat agree. The respondents somewhat agreed or agreed on the fact that formal strategic planning is critical to business success and it was not redundant even in a fast changing environment. The respondents did not agree with the statements that formal planning creates rigidity or bureaucracy. These results indicate that small business owners acknowledge the importance of formal strategic planning processes and are not necessarily opposed to the idea that it is critical for business success. They do not see it as a rigid or bureaucratic process.

The only significant difference observed was with respect to the phrase 'formal planning makes it easier to manage the business. There was a significant

difference in the median scores of formal planners and the other two groups. While formal planners all agreed or strongly agreed with this statement, 66.67% of informal planners said they somewhat agreed and the rest agreed. The responses from the informal planners ranged from strongly disagree to agree with the highest percentage being somewhat agree (41.67%) followed by agree (33.33%). This result means that formal planners find it easier to manage their businesses using the formal planning process and see the benefits of such a process. Informal planners and non-planners however may have based their responses on their own attitude towards planning rather than experience. A different view may be that they have been exposed to a formal planning process and found that it did not make it easier to manage their businesses. This result however helps us conclude that small business owners do not use a formal strategic planning process because their attitude towards a formal process is that it will not make it easier to manage the business. Owners that have used a formal process however find that it makes it easier to manage the business.

The median scores for the phrase 'informal planning allowed for speedier decision making' stood out lower than the median scores from all the other questions that measured the owner's attitude towards planning. Formal planners tended to fall between somewhat agree and agree while the informal planners and non-planners disagreed. We can therefore infer that small business owners' attitude towards formal planning was that it slowed down decision-making. While business owners did not believe that formal planning was bureaucratic or rigid, they believed that it slowed down decision-making. Since most small businesses are owner managed, a formal strategic planning

process would require that the owner moves from the point of making decisions on his own to a more consultative approach where other stakeholders in the business give their input to decisions. In the literature review it was argued that entrepreneurs are so driven by the need to see their businesses succeed that they may overlook some of the formal planning processes. One of the issues overlooked by this research is the availability of resources to engage in a formal strategic planning process in small businesses. Most businesses in the sample had fewer than five employees and this is an area that should be explored in future research.

The last factor was the need to influence other stakeholders such as the management team, staff, financiers and investors. Over 50% of business had a vision, mission and business plan. It may be argued that a good reason for these tools having the highest frequency is that they are considered to be an indication of formality in the strategic planning process of the business and are needed for any business to obtain financing from banks and other financial institutions. Beaver and Prince (2004) argued that the business plan is often regarded as evidence that a firm is engaged in strategic activity, however many small firms have minimal use for it as a management tool. It is important to note that all the businesses classified as formal planners said they had a business plan, 75% of the informal planners had a business plan and only 8% of the non-planners indicated they had a business plan. 100% of the businesses that responded to having a business plan also responded to reviewing their strategic plans at least once a year. The findings of this study indicate that there is a significant difference in the median scores of the frequency of review of small

businesses that have a business plan and those that don't. The median scores of businesses with a business plan indicate that they reviewed their strategic plans at least once every three months while those without a plan reviewed their strategic plans just over once annually.

Table 5-18 Kruskal-Wallis test results for frequency of review between businesses with a plan and those that do not

Kruskal-Wallis' statistic	5.04
X ² statistic	5.04
DF	1
p	0.0248 (chisqr approximation, corrected for ties)

It can therefore be inferred that businesses that develop a business plan are more likely to engage in a formal strategic planning process than those that do not have a business plan. This refutes the argument presented by Beaver and Prince (2004) and confirms that small business that have a business plan do use it as a management tool and review their plans more frequently than businesses that do not have a business plan.

We can therefore conclude that the process of writing a business plan, whether driven by the owner or other stakeholders and financiers drives a small business to increase the level of formalisation of the strategic planning process in the business.

6.4 Conclusion of discussion

This chapter presented the analyses of the results in the previous chapter.

There was support from the data that small businesses do plan formally or informally and others do not plan at all. The data also supported the proposition that there is a higher prevalence of emergent strategies than prescriptive strategies in South African small businesses.

The second proposition on environmental turbulence could not be statistically tested due to a lack of industry representation but the data showed that there were no significant differences in the level of interaction of the business with the environment.

For the third proposition, although it is not clear whether growth results in increased the degree of formalisation or increased formalisation of the process resulted in growth, the data showed that there was a positive relationship between growth and formal strategic planning. This agrees with the findings of Joyce and Woods (2003) that growth provides the right conditions for the introduction of strategic management systems.

The fourth proposition had interesting results with respondents acknowledging the need for strategic planning for business success. The data showed that there was positive relationship between the level of education of the business owner and level of formalisation of the strategic planning process. Business owners that used a formal process found it easier to manage their businesses.

Although small businesses did not find a formal strategic planning process as bureaucratic or rigid, they found that it slowed down decision-making. The data also supported the view that small businesses that had a business plan increased their level of formalisation and did use the business plan as a management tool.

7. CONCLUSION

7.1 Introduction

This chapter discusses the main findings of the research study. We then make recommendations to small business owners and present recommendations for future research.

7.2 Main findings of the research

The success of small businesses is critical to the development of any economy. Small businesses contribute to reducing unemployment and improving the economic growth rate of a country. South Africa in particular has a growth rate of approximately 6% and much more is needed to curb the high unemployment rate. This research looks to contribute to the small business sector by presenting findings that are specific to South Africa's small businesses. In so doing the small business can have a reference for ways to make their businesses sustainable through strategic planning.

Strategic planning has been defined as the process of formulating broad and flexible long-term plans that give the organisation direction to its envisioned future. This research confirms that there is a higher prevalence of emergent strategies than prescriptive strategies among South Africa's small businesses. The strategic planning process of these businesses is a continuum of emergent strategies to prescriptive strategies with varying levels of use of strategic planning tools and techniques. Rather than defining what constitutes formal planning, it is seen as a process of increased use of these tools and techniques.

The business plan remains a good indication of formal planning. Businesses that had a business plan had more formalised processes than businesses that did not have one. Unlike the argument presented by Beaver and Prince (2004), South Africa's small businesses that have a business plan do use it as a management tool.

Various factors may contribute to the strategic planning process a firm chooses to follow. Of interest to this study was environmental turbulence, growth and the owner influence on the business. While this study was not conclusive on the impact of environmental turbulence, it remains an important factor that should be explored in further research.

The findings show that there is a positive relationship between formal strategic planning and growth. The percentage of businesses that use a formal process in the growth category was higher than those that did not. This study did not investigate the causal relationship but further implications of this finding will be important to assist small businesses in creating sustainability. It would be important to find out if using formal processes resulted in growth in which case we could conclude that businesses should formalise their processes or if growth drove businesses to formalise their processes in which case we could then conclude that small businesses formalise their processes in order to manage the growth they experience.

This research did not do a detailed analysis of the skills and abilities of entrepreneurs. It was however observed that business owners that used formal

processes tend to have a higher level of education than those that did not. Small business owners need to be exposed to formal strategic planning tools and techniques in order for them to make an informed choice on the right process for their business. Business owners were not averse to using formal processes and they thought it was critical to business success. They however acknowledged that it slows down decision-making.

7.3 Recommendation to small business owners

Strategic planning remains a critical element of managing a business. The process of strategic planning allows the business owner to analyse the competitive environment of the business as well as its internal capabilities enabling one to position the business correctly. Small business owners in this study agreed to spending time gathering industry and competitor information. This is an important first step to the strategic planning process.

While the level of formalisation may vary from business to business, there is a positive relationship between growth and increased levels of formalisation. Regardless of the causal relationship between growth and the level of formalisation, small businesses should strive to move from the non-planning end of the strategy continuum to the formal planning end in order to create sustainability. Small businesses would then be able to plan for growth and manage the growth experienced and therefore create a sustainable business.

The data collected for this study shows that a formal strategic planning process is critical to business success. A business plan provides a good starting point in

the process of formalisation as it allows the business owner to look at the different aspects of their business that will result in growth. The business plan then needs to be supplemented with other strategic planning tools as and when the business requires them. The knowledge of available tools and techniques is therefore critical in being able to choose the appropriate tools and techniques to use and therefore improve the decision making process of the business without necessarily reducing the speed of that process.

7.4 Future research ideas

7.4.1 The impact of environmental turbulence on strategic planning

Environmental turbulence is important in the strategic planning process because it presents issues that a small business may not have control over. It is therefore important to investigate if it plays a role in the decision made by a small business to follow a specific strategic planning process. Such information would give guidance to a small business in deciding where the planning process of the firm should fall in the continuum. Further research is needed to explore whether businesses facing increasing environmental turbulence should increase the level of formalisation of their strategic planning process. The research should ensure that there is representation of the various industries if this is the measure for environmental turbulence or a different measure should be chosen as a measure for environmental turbulence.

7.4.2 The causal relationship between growth and strategic planning

This research found that there is a positive relationship between growth and formal strategic planning. Further research is required to find out if growth drives a business to formalise their strategic planning process or that a formal strategic planning process improves the growth rate of a small business. The result of such a study would have different implications for small businesses. If growth drives a business to formalise their strategic planning process, then small businesses need to plan to formalise their processes as part of planning for growth. If formal strategic planning improves the growth rate of a small business, then all small businesses that need to succeed should formalise their strategic planning process at the onset of their business.

7.4.3 Decision making process when using a formal strategic planning process

This study revealed the perception among business owners that formal strategic planning slowed down decision making. Further research is needed to investigate the reasons for this perception.

7.5 Conclusion

This chapter highlighted the main findings and gave recommendations for small businesses and for further research.

While emergent strategies are more prevalent among small businesses in South Africa than prescriptive strategies, the positive relationship between growth and formal strategic planning is a key benefit to using prescriptive

strategies. Small businesses that use a formal planning process have also found it easier to manage their businesses. Small businesses however need to choose a process that will provide them with these benefits without necessarily slowing down the decision making process. Business owners need to understand the tools and techniques available and the value each of them adds to the management process, so that they can use them effectively.

References

- Alexander, K (2006) Advanced Strategic Planning. *Frontiers of Health Services Management*, 23 (2), 39 – 41
- Andrews, K.R. (1987) *Custom Edition of The Concept of Corporate Strategy*. 3rd Ed, USA, Richard D. Irwin Inc.
- Barnes, D. (2002) The manufacturing strategy formation process in small and medium-sized enterprises. *Journal of Small Business and Enterprise Development*, 9(2) 130 - 149
- Beaver, G. (2007) The strategy payoff for smaller enterprises. *Journal of Business Strategy*, 28(1), 11- 17
- Beaver, G. and Prince, C. (2004) Management, strategy and policy in the UK small business sector: a critical review. *Journal of Small Business and Enterprise Development*, 11 (1), 34 – 49
- Blumentritt, T. and Danis, W. M. (2006) Business Strategy Types and Innovative Practices. *Journal of Managerial Issues*, 18(2), 274 – 291
- Dincer, O., Tatoglu, E. and Glaister, K.W. (2006) The strategic planning process: evidence from Turkish firms. *Management Research News*, 29(4), 206-219
- Falshaw, J.R. Glaister, K.W. Tatoglu, E. (2006) Evidence on formal strategic planning and company performance *Management Decisions*, 44(1), 9 - 30
- French, S. J. Kelly, S. J. and Harrison J. L. (2004) The role of strategic planning in the performance of small professional service firms A research note. *Journal of Management development*, 23 (8), 765 – 776

- Georgellis, Y. Joyce, P. and Woods, A. (2000) Entrepreneurial action, innovation and business performance: the small independent business. *Journal of Small Business and Enterprise Development*, 7(1), 7 – 17
- Goldberg, B and Sifonis, J G (1994) *Dynamic Planning The art of managing beyond tomorrow*, New York, Oxford University Press
- Graetz, F. (2002) Strategic thinking versus strategic planning: towards understanding the complementarities. *Management Decision*, 40(5), 456 - 462
- Hisrich, R.D. and Drnovsek, M. (2002) Entrepreneurship and small business research – a European perspective. *Journal of Small Business and Enterprise Development*, 9(2), 172 – 222
- Joyce, P. and Woods, A. (2003) Managing for growth: decision making, planning and making changes. *Journal of Small Business and Enterprise Development*, 10(2) 144 - 151
- Kraus, S., Harms, R. and Schwarz, E. J. (2006) Strategic planning in smaller enterprises – new empirical findings. *Management Research News*. 29(6), 334 – 344
- Kubheka, B. (2006) *Small Business Survey Highlights 2006*. South Africa: Finmark Trust.
- Ladzani, W. M. and Van Vuuren, J. J. (2002) Entrepreneurship training for emerging SMEs in South Africa. *Journal of Small Business Management*, 40(2), 154 - 161
- McCarthy, B. (2003) Strategy is personality-driven, strategy is crisis-driven: insights from entrepreneurial firms. *Management Decision*, 41(4), 327 – 339
- McNamee, P., O'Reilly, D. and McFerran, B. (2001) Mapping the strategic landscape for small businesses through sectoral and cross-sectoral

benchmarking. *Journal of Small Business and Enterprise Development*, 8(1), 47-62

Ogunmokun, G. (1996) Planning in Australian small business organizations. *Proceedings of the joint SEAAZ and IIE Small Enterprise Conference*, Newcastle, 199 –214

O'Reagan, N. and Ghobadian, A. (2002a) Effective strategic planning in small and medium sized firms. *Management Decision*, 40(7), 663 – 671

O'Reagan, N. and Ghobadian, A. (2002b) Formal strategic planning The key to effective business process management? *Business Process Management Journal*, 8(5), 416 – 429

Schraeder, M. (2002) A simplified approach to strategic planning. *Business Process Management Journal*, 8(1), 8 - 18

Stonehouse, G. and Pemberton, J. (2002) Strategic planning in SMEs – some empirical findings. *Management Decision*, 40(9), 853 – 861

Subramoniam, S. and Krishnankutty, K.V. (2002) An expert system for the selection of strategic planning technique. *Kybernetes*, 31(3/4) 550 - 560

Tapinos, E. Dyson, R. G. and Meadows, M. (2005) The impact of performance measurement in strategic planning. *International Journal of Productivity and Performance Management*, 54(5/6), 370 – 384

Thompson A.A (Jr.) and Strickland III A J (1989) *Strategy formulating and implementation Tasks of the General Manager* 4th Ed., USA, Richard D. Irwin Inc

Van der Walt, J.L., Kroon, J. and Fourie, B. J. (2004) The Importance of a Vision and Mission for Small, Medium-Sized and Large Businesses. *South African Journal of Economic and Management Sciences*, 7(2), 206 – 220

Who owns whom (2007), *Who owns Whom in South Africa*, 27th Ed, South Africa, Who owns Whom (Pty) Ltd

Zikmund, W. G. (2003) *Business Research Methods*. United States of America: Thomson Learning

Appendix 1: Data – Edited and Coded



UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA



Appendix 1

ID	Q4	Q5	Q6. No. of employees				Q7. Company turnover			Q8	Q9	Q10	Q11	Q12	Q13
	Industry	Company Life span	At inception	2004	2005	2006	2004	2005	2006	Title of respondent	Highest level of education	Number of years in business	Work experience (total number years)	What type of planning does your business use?	How often are strategic plans reviewed in your business?
535334159	10	1	1	1	1	1	1	1	1	1	2	1	3	5	1
534644876	11	1	1	1	1	1	1	1	1	1	2	1	4	5	4
534525361	10	1	1	1	1	1	1	1	1	1	1	2	4	4	2
534425122	10	1	1	1	1	1	1	1	1	1	2	5	5	2	6
534175680	11	1	1	1	1	1	1	1	1	1	2	1	5	5	1
533879344	8	1	1	1	1	1	1	1	1	1	1	1	5	5	1
526389926	8	1	1	1	1	1	1	1	1	1	3	1	2	4	2
534350324	10	2	1	1	1	1	1	2	2	1	2	2	2	2	4
534249730	10	2	1	1	1	1	1	2	3	1	3	2	4	2	8
533923903	11	2	1	1	1	1	1	1	1	1	2	2	3	3	4
526842992	10	2	1	1	1	1	1	1	1	1	4	2	5	4	5
526520495	6	2	1	1	1	1	1	1	1	1	2	4	3	4	8
534511775	11	3	1	1	1	1	1	1	1	1	2	2	5	2	5
526844778	10	3	1	1	1	2	1	2	3	1	1	2	5	5	2
526547521	10	3	1	1	1	1	1	2	3	3	1	3	5	3	4
525882409	10	3	1	1	1	3	1	1	5	1	4	5	5	2	6
534331520	10	4	1	1	1	1	1	1	1	1	4	4	2	5	7
534320033	10	4	1	1	1	1	1	2	2	1	1	3	3	4	2
534230521	3	4	1	1	2	2	1	2	4	1	2	3	5	4	5
534054526	11	4	1	1	1	1	1	1	1	1	2	5	3	5	7
529454043	10	4	1	1	1	1	1	1	1	1	4	3	5	5	8
529187738	10	4	1	1	1	1	1	1	1	1	1	3	3	4	5
525876829	5	4	2	3	4	5	5	8	8	1	3	4	3	2	8
535328186	11	5	1	1	1	2	1	2	3	1	3	3	4	3	8
534649438	10	5	1	1	1	1	1	2	3	1	1	4	4	5	9
534230435	10	5	1	1	1	1	1	1	1	1	4	4	4	4	7
533890480	3	5	2	1	1	1	2	2	3	1	4	5	5	3	2
533876203	3	5	1	1	2	2	2	3	4	1	2	5	3	5	1
526530224	10	5	1	1	1	1	1	1	1	1	2	4	5	5	7
525723767	10	5	1	3	3	3	5	5	6	1	1	4	3	5	3



Q17.														
Others consider my business successful	I consider my business successful	I am comfortable with the current performance of the business	Formal planning creates rigidity	Formal planning creates bureaucracy	Formal planning make it easier to manage the business	Formal planning is critical for business success	Informal planning allows for speedier decision making	I trust my intuition in making business decisions	I prefer to use data to make business decisions	I spend time gathering competitor information	I spend time gathering industry information	I understand my competitors' strategies	I know where I want my business to be in 3 - 5 years	Long time planning is redundant as the environment changes too fast
3	5	5	1	3	1	1	5	5	1	5	5	4	5	1
3	3	2	3	2	3	4	3	4	4	2	4	2	3	2
4	5	3	4	4	3	3	2	4	4	2	3	3	5	4
3	4	4	3	3	4	3	4	4	3	4	4	4	4	5
1	2	1	2	2	3	4	4	3	2	2	3	2	4	2
3	4	3	4	4	3	3	3	4	4	4	3	3	4	4
3	3	2	3	3	4	3	4	5	3	5	5	4	4	2
4	4	3	1	1	5	4	5	5	5	5	5	4	5	1
4	2	2	2	1	4	5	2	3	5	4	5	4	5	1
3	3	2	3	3	3	4	4	5	1	3	3	4	5	4
4	4	4	3	3	3	5	3	4	3	3	3	3	4	4
3	3	4	4	3	3	2	4	5	3	3	4	3	4	5
5	4	2	3	2	4	4	3	3	4	4	4	4	5	3
4	4	3	3	4	3	4	3	4	2	3	4	4	4	4
4	4	4	2	2	3	3	4	3	4	4	3	4	5	4
5	4	3	1	1	5	4	2	4	4	5	4	4	5	2
5	5	4	1	1	4	5	5	4	5	4	4	5	4	4
4	3	3	2	2	4	4	3	4	4	2	3	2	3	2
3	3	2	3	2	4	4	4	3	3	2	5	4	4	3
3	4	4	4	3	4	4	4	5	4	4	4	4	4	5
2	3	1	5	4	2	1	5	4	3	2	3	4	5	4
3	4	1	3	3	4	5	3	4	5	4	2	3	5	2
5	5	4	2	3	4	4	3	5	5	5	4	4	5	1
4	3	2	3	3	3	3	5	4	3	3	3	4	4	3
4	4	2	4	4	4	3	4	5	4	4	3	3	4	3
4	3	2	2	3	4	3	3	4	4	2	2	3	4	2
4	4	3	2	2	3	3	4	5	4	2	1	1	4	2
5	4	3	2	4	2	2	4	4	2	3	3	2	2	3
3	3	3	3	3	3	2	4	4	3	5	5	4	4	3
4	4	2	2	2	4	4	4	5	3	4	4	4	3	2

Appendix 2: Definition of Numerical Values

Appendix 2

Company		
City		
Province		
Industry		
Company Life span	Less than one year	1
	1 - 2 years	2
	2 - 3 years	3
	3 - 5 years	4
	5 - 10 years	5
	More than 10 years	6
No of employees at inception	Year of inception - 1 - 5	1
	Year of inception - 5 - 10	2
	Year of inception - 10 - 20	3
	Year of inception - 20 - 50	4
	Year of inception - More than 50	5
No of employees 2004	2004 1 - 5	1
	2004 5 - 10	2
	2004 10 - 20	3
	2004 20 - 50	4
	2004 More than 50	5
No of employees 2005	2005 1 - 5	1
	2005 5 - 10	2
	2005 10 - 20	3
	2005 20 - 50	4
	2005 More than 50	5
No of employees 2006	2006 1 - 5	1
	2006 5 - 10	2
	2006 10 - 20	3
	2006 20 - 50	4
	2006 More than 50	5
Company turnover (in million Rands) 2004	2004 - 0 - 0.5	1
	2004 - 0.5 - 1	2
	2004 - 1 - 2	3
	2004 - 2 - 4	4
	2004 - 5 - 10	5
	2004 - 10 - 20	6
	2004 - 20 - 30	7
	2004 - More than 30	8
Company turnover (in million Rands) 2005	2005 - 0 - 0.5	1
	2005 - 0.5 - 1	2
	2005 - 1 - 2	3
	2005 - 2 - 4	4
	2005 - 5 - 10	5
	2005 - 10 - 20	6
	2005 - 20 - 30	7
	2005 - More than 30	8
Company turnover (in million Rands) 2006	2006 - 0 - 0.5	1
	2006 - 0.5 - 1	2
	2006 - 1 - 2	3
	2006 - 2 - 4	4



	2000 - 5 - 10	5
	2006 - 10 - 20	6
	2006 - 20 - 30	7
	2006 - More than 30	8
Title of respondent	Owner/CEO	1
	Financial Manager	2
	General Manager	3
	Other (please specify)	4
Highest level of education	Matric and below	1
	Certificate/Diploma	2
	Undergraduate/Honours degree	3
	Postgraduate degree	4
Number of years in business	Less than 1 year	1
	1 - 3 years	2
	3 - 5 years	3
	5 - 10 years	4
	More than 10 years	5
Work experience (total number years)	1 - 5 years	1
	5 - 10 years	2
	10 - 15 years	3
	15 - 20 years	4
	More than 20 years	5
What type of planning does your business use? (Strategic planning includes internal and external environmental scanning, formulating organisation goals and objectives, creating a plan on how to achieve the goals, implementing the plan, measurement and control.)	Highly structured on all strategic issues	1
	Structured on most strategic issues, some general policies	2
	General policies on most strategic issues, structure on a few issues	3
	General policies for all strategic issues	4
	No formal planning	5
How often are strategic plans reviewed in your business? (i.e. How often does the organisation meet to review business objectives such as financial goals, market share targets, sales targets, staffing requirements, etc)	Frequently	1
	Monthly	2
	Quarterly	3
	Bi-annually	4
	Annually	5
	After a major event	6
	Rarely	7
	Never	8
	Not Applicable	9
Which of the items below are contained in your strategic plan?	Business level objectives	1
	Departmental/divisional objectives	2
	Production/volume/output targets	3
	Profit targets	4
	Sales targets	5



	Cost targets	6
	Market share targets	7
	Staff appraisal	8
	Staff development	9
	Staff training	10
	Not Applicable	11
Please tick if your company uses any of the below mentioned planning tools (as many as required)	Vision	1
	Mission	2
	Business Plan	3
	Strategy sessions	4
	Balanced scorecard	5
	SWOT Analysis	6
	Value Chain Analysis	7
	PEST Analysis	8
	Cost-Benefit Analysis	9
	Breakeven Analysis	10
	Scenario Analysis	11
	None	12
	Other (please specify)	13
	Please indicate who is involved in strategic planning in your organisation	Board of directors
CEO		2
Strategic planning committee		3
Senior Managers		4
Middle Managers		5
External consultants		6
Not Applicable		7
Please tell us how closely the statements below apply to you.	Likert scale	
Others consider my business successful	Strongly disagree (1)	
I consider my business successful	Disagree (2)	
I am comfortable with the current performance of the business	Somewhat agree (3)	
Formal planning creates rigidity	Agree (4)	
Formal planning creates bureaucracy	Strongly Agree (5)	
Formal planning make it easier to manage the business		
Formal planning is critical for business success		
Informal planning allows for speedier decision making		
I trust my intuition in making business decisions		
I prefer to use data to make business decisions		
I spend time gathering competitor information		
I spend time gathering industry information		
I understand my competitors' strategies		
I know where I want my business to be in 3 - 5 years		
Long time planning is redundant as the environment changes too fast		
Email Address		

Appendix 3: Survey Questionnaire

1. Company and Respondent information

This survey will be used to fulfil the requirements of a Masters in Business Administration at the Gordon's Institute of Business Science (GIBS).

The research aims to document the strategic planning practices of small business in South Africa.

The researcher commits to provide a summary of the results to any of the respondents who provides an email address at the end of the survey.

Your assistance will be highly appreciated.

1. Should you wish to remain anonymous, kindly leave the company name field blank.

Company:

City/Town:

State/Province:

2. Please choose the industry that best describes your business

3. How many years has your company been in operation?

4. Number of employees

	1 - 5	5 - 10	10 - 20	20 - 50	More than 50
Year of inception	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2004	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2005	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2006	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Company turnover (in million Rands)

	0 - 0.5	0.5 - 1	1 - 2	2 - 4	5 - 10	10 - 20	20 - 30	More than 30
2004	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2005	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2006	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

6. Title of respondent

Owner/CEO

Financial Manager

General Manager

Other (please specify)

7. Highest level of education

Matric and below

Certificate/Diploma

Undergraduate/Honours degree

Postgraduate degree

8. Number of years in business

- Less than 1 year
- 1 - 3 years
- 3 - 5 years
- 5 - 10 years
- More than 10 years

9. Work experience (total number years)

- 1 - 5 years
- 5 - 10 years
- 10 - 15 years
- 15 - 20 years
- More than 20 years

10. What type of planning does your business use?

(Strategic planning includes internal and external environmental scanning, formulating organisation goals and objectives, creating a plan on how to achieve the goals, implementing the plan, measurement and control.)

- Highly structured on all strategic issues
- Structured on most strategic issues, some general policies
- General policies on most strategic issues, structure on a few issues
- General policies for all strategic issues
- No formal planning

2. Strategic Planning practice in your business

Please answer all questions.

**1. How often are strategic plans reviewed in your business?
(i.e. How often does the organisation meet to review business objectives such as financial goals, market share targets, sales targets, staffing requirements, etc)**

- Never
- Rarely
- After a major event
- Quarterly
- Monthly
- Bi-annually
- Annually
- Frequently
- Not Applicable

2. Which of the items below are contained in your strategic plan?

- Business level objectives
- Departmental/divisional objectives
- Production/volume/output targets
- Profit targets
- Sales targets
- Cost targets
- Market share targets
- Staff appraisal
- Staff development
- Staff training
- Not Applicable

**3. Please tick if your company uses any of the below mentioned planning tools
(as many as required)**

- Vision
- Mission
- Business Plan
- Strategy sessions
- Balanced scorecard
- SWOT Analysis
- Value Chain Analysis
- PEST Analysis
- Cost-Benefit Analysis
- Breakeven Analysis
- Scenario Analysis
- None

Other (please specify)

4. Please indicate who is involved in strategic planning in your organisation

- Board of directors

- CEO
- Strategic planning committee
- Senior Managers
- Middle Managers
- External consultants
- Not Applicable

3. Subjective measures

You are almost done, THANK YOU!

1. Please tell us how closely the statements below apply to you.

	Strongly disagree	Disagree	Somewhat agree	Agree	Strongly agree
Formal planning make it easier to manage the business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I prefer to use data to make business decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I trust my intuition in making business decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formal planning creates bureaucracy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formal planning creates rigidity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I consider my business successful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Formal planning is critical for business success	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I spend time gathering industry information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understand my competitors' strategies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am comfortable with the current performance of the business	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Others consider my business successful	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I spend time gathering competitor information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Informal planning allows for speedier decision making	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I know where I want my business to be in 3 - 5 years	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Long time planning is redundant as the environment changes too fast	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2. Should you be interested in the results of this research, please fill in your email address below.

Appendix 4:

Extract of South Africa National Business Amendment Act (No. 26 of 2003)



SCHEDULE

“SCHEDULE

(See definition of ‘small business’ in section 1)

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 employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very Small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m



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 employees	Total turn-over	Total gross asset value (fixed property excluded)
Transport, Storage and Communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very Small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m**.