The strategic planning practices of small to medium enterprises in the food and beverages manufacturing sector in South Africa

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Submitted for the degree of
Doctor of Business Administration

Heriot-Watt University
Edinburgh Business School

March 2021

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Abstract

This thesis examines the strategic planning practices of small to medium enterprises (SMEs), to establish how SMEs can be better enabled to practice strategic planning. The aim of this study is to use a qualitative approach to elaborate on the practice of strategic planning by SMEs in South Africa.

Existing literature on the practices of strategic planning by SMEs in general and in the food and beverages manufacturing sector in South Africa was reviewed and synthesised. The synthesis informed the development of a theoretical strategic planning framework to frame the empirical study.

The research followed the case study method and nine case studies were identified for the main empirical study using theoretical sampling. There were at least three case studies under each of the SME development stages on (i) very small, (ii) small and (iii) medium enterprises. The use of case studies enabled the collection of data through in-depth interviews, observations and archival documents from the identified case studies. A pilot study was conducted to test, refine and improve the data collection and respective data analysis.

The research established that majority of the SMEs (i) lack an appreciation of the benefits of practicing strategic planning and having a strategy, (ii) they also do not have the strategic management knowledge and skills to facilitate the practice of strategic planning on their own; The study further established (iii) why SMEs do not practice strategic planning and instead focus more on operational planning to achieve their short-term goals and objectives, and (iv) highlighted challenges SMEs face in accessing support available in South Africa.

The research contributes to knowledge on the practice of strategic planning by SMEs in South Africa. This is achieved through (i) the provision of a proposed strategic planning framework that SMEs can use to improve their practice of strategic planning (ii) provision of an accompanying guideline that SMEs can use to better understand how to use the proposed framework and (iii) a theoretical definition of strategy to standardise the view of strategy by SMEs utilising the proposed strategic planning framework.
Dedication

I would like to dedicate this doctoral research study firstly to my mother Wendy Mpambawashe and secondly to my late grandmother Regina Mpambawashe.
Acknowledgement

I would like to thank my wife Fadzai and our children Thandiwe, Thabo and Thulisile for this achievement, your presence in my life was the constant motivation for me to complete this doctorate research.

To my sister Busi, extended family and friends, thank you for all the support and encouragement throughout the journey, it was very much appreciated.

Lastly, but not least, I would like to extend my gratitude to the faculty and administrative staff at Edinburgh Business School, for all the support during this journey. Specifically, I would like to thank the following people;

Professor Neil Kay for the guidance you gave me prior to my commencement of the mentorship stage, thank you for your patience in preparing me for the research stage and showing me the effort required to conduct research at the doctoral level.

To my supervisors; Dr. John Temperley, thank you for the encouragement and confidence you gave me during the mentorship stage when I was developing the research proposal. To Dr. Craig Robinson, without your guidance, detailed feedback and prompt responses, I would not have gained the research knowledge and diligence to do research at this level. A big thank you to both of you for imparting in me the ability to take my time and think things through, it’s an ability and a system I will forever cherish.
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## Glossary of Key Terms

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<tr>
<td>Content Analysis</td>
<td>A systematic process of analysing text in both a qualitative and quantitative way through a process of coding the text content and grouping it into themes or categories (Miles et al., 2014; Bryman and Bell, 2015)</td>
</tr>
<tr>
<td>Emergent Strategy</td>
<td>Strategy that emerges from the day to day processes or organisational initiatives and is formed over time rather than at predefined periods (Mintzberg, 1994; Fletcher and Harris, 2002; Pretorius and Maritz, 2011; Neugebauer et al., 2016)</td>
</tr>
<tr>
<td>Entrepreneurship</td>
<td>The process of creation and management of start-up or new businesses</td>
</tr>
<tr>
<td>External Analysis/Assessment</td>
<td>The process of assessing the impact or influence on the organisation of factors outside of the organisation or those factors not under the direct control of the organisation</td>
</tr>
<tr>
<td>Innovation</td>
<td>The creation of value adding activities through the development of new or changes to products, services or processes (Mazzarol et al., 2014)</td>
</tr>
<tr>
<td>Internal Analysis/Assessment</td>
<td>The process of assessing the capabilities and resources owned or under the direct control of the organisation</td>
</tr>
<tr>
<td>Mission</td>
<td>What an organisation does in terms of its purpose and focus areas (Skrt and Antonic, 2004; Cady et al., 2011)</td>
</tr>
<tr>
<td>Narrative Analysis</td>
<td>The analysis of qualitative data by interpreting research subject experiences or explaining what has occurred by providing perspective and context to how and why something is the way it is, through having reviewed interview transcripts, observations and documents (Bryman and Bell, 2015)</td>
</tr>
<tr>
<td>Operating Model</td>
<td>An operating model is how an organisation delivers its goods and services to its targeted customers, through alignment of resources that it owns or under its control such as people, processes, technology and infrastructure</td>
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<tr>
<td>Term</td>
<td>Description</td>
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<tr>
<td>Phenomenology</td>
<td>A belief system or process that enables the collection and assessment of both objective and subjective aspects of a research subject (Bryman and Bell, 2015; Jankowicz et al., 2016)</td>
</tr>
<tr>
<td>Planned Strategy</td>
<td>Strategy formulated through a structured process usually at predefined periods (Mintzberg, 1994; Fletcher and Harris, 2002; Pretorius and Maritz, 2011; Neugebauer et al., 2016)</td>
</tr>
<tr>
<td>Realised Strategy</td>
<td>The outcome of the combined influence of planned strategy and emergent strategy as it relates to the achievement of the desired future state (Mintzberg and Waters, 1985; Wolf and Floyd, 2017)</td>
</tr>
<tr>
<td>Strategic Learning</td>
<td>The insight gained from the experience and feedback following the strategy implementation and execution of the strategy, which results in the realised strategies and unrealised strategies (Mintzberg and Waters, 1985)</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>The organisation’s strategy captured or presented in the form of a formal document, highlighting the organisation’s goals and objectives as well as how it intends to achieve them</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>The process of setting the organisation’s mission, vision and strategy (O'Regan and Ghobadian 2007; Jarzabkowski and Balogun, 2009).</td>
</tr>
<tr>
<td>Strategic Thinking</td>
<td>An integrated perspective of the enterprise that informs strategic planning through judgment, intuition and problem solving (Mintzberg, 1994; Graetz, 2002)</td>
</tr>
<tr>
<td>Strategy</td>
<td>How an organisation moves from its current position to a desired future position within the confines of its mission, vision, capabilities and environment (Skrt and Antonic, 2004; Phillips, 2011; Box, 2011)</td>
</tr>
<tr>
<td>Strategy Formulation</td>
<td>The process of defining or setting out an organisation’s strategy</td>
</tr>
<tr>
<td>Theoretical Sampling</td>
<td>A process of identifying the sample case study based of previous data collected, thus, the sample selection criteria is not determined in advance but is informed by the research process as it emerges (Marshall, 1996; Coyne, 1997; Bryman and Bell, 2015, p.431)</td>
</tr>
<tr>
<td>Term</td>
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<tr>
<td>Theory Elaboration</td>
<td>“The process of conceptualizing and executing empirical research using preexisting conceptual ideas or a preliminary model as a basis for developing new theoretical insights by contrasting, specifying, or structuring theoretical constructs and relations to account for and explain empirical observations” (Fisher and Aguinis, 2017, p.441).</td>
</tr>
<tr>
<td>Unrealised Strategy</td>
<td>Planned strategies whose results are not achieved</td>
</tr>
<tr>
<td>Validation</td>
<td>Validation in qualitative research is the process of presenting the researchers findings to the research participants with aim of seeking corroboration of the findings and the respective process as it relates to the observations, interviews and transcripts leading to the findings (Bryman and Bell, 2015, p.401).</td>
</tr>
<tr>
<td>Vision</td>
<td>The aspirational long-term goal of what the organisation aims to become and do in the future (Skrt and Antonic, 2004; Cady et al., 2011)</td>
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1.1 Introduction

This thesis examines the strategic planning practices of SMEs, to establish how SMEs can be better enabled to practice strategic planning. Understanding how SMEs practice strategic planning in the research focus area and determining how their practice of strategic planning can be improved is important, to enable them to grow and/or be sustainable.

SMEs are increasingly recognised as a leading vehicle for economic development, a prime source of employment, revenue generation, innovation and technological advancement in both developed and developing nations (Neneh and Van Zyl, 2012a). However, there is a high failure rate of SMEs in South Africa, estimated to be about 60% to 70% (Cant and Wiid, 2013; Fatoki, 2014), this is despite the efforts by the South African government in actively introducing policies, strategies and programmes to create an enabling environment for small businesses (Bureau for Economic Research, 2016). The ability of SMEs to conduct business planning and prepare plans is a capability that may assist them to survive in an unstable and highly competitive business environment like South Africa (Chimucheka, 2012; Dubihlela and Sandada, 2014).

The need to understand how organisations can be better enabled to practice strategic planning was raised by Wolf and Floyd (2017) as an area of interest for further research. The practice of strategic planning and associated activities would enable SMEs to think strategically and plan for their futures by developing alternative strategies and choosing the most appropriate strategy, taking into consideration the consistently changing complex environment they operate in. This is also supported by the argument put forward by French et al. (2004) that it is the process of planning not the plan itself that is important.

In South Africa, however, no study has sort to highlight how SMEs in the food and beverages manufacturing sector can be better enabled to practice strategic planning. This study aims to address this gap.
1.2 Research aim and questions

The aim of this study is to use a qualitative methodology to elaborate on the practice of strategic planning by SMEs in South Africa. The main objective of this research was to establish how SMEs in the food and beverages manufacturing sector in South Africa can be better enabled to practice strategic planning.

The practice of strategic planning has been highlighted as one that could assist SMEs grow and/or be sustainable, thus the main research questions to determine the good practice of strategic planning by SMEs in the food and beverages manufacturing sector in South Africa are;

(1) how do SMEs view strategy?

(2) how do SMEs in the food and beverages manufacturing sector plan for their future?

(3) why do SME managers in the food and beverages manufacturing sector plan in the way they do? and

(4) how can SMEs in the food and beverages manufacturing sector improve their practice of strategic planning?

To answer the research questions an empirical study was conducted using the case study method for the data collection. The case studies for this research were identified from South African based SMEs in the food and beverages manufacturing sector. From the literature reviewed on SMEs in the research focus area, the ‘food preparation’ and ‘processed foods’ sub-sectors have the largest number of SMEs; thus, this research focused on studying these two sub-sectors in the food and beverages manufacturing sector in South Africa.

The next section will provide an overview of the research methodology.

1.4 Overview of the research methodology

The research was a qualitative study that used the case study method for data collection. This approach facilitated the collection and analysis of both subjective and objective
data to achieve the goal of theory elaboration on the practice of strategic planning by SMEs in South Africa. The research design for this research is illustrated in Figure 1.1;

**Figure 1.1**: Research design

![Research Design Diagram]

*Source: Author*

Nine case studies were identified for the main empirical study using theoretical sampling. There were at least three case studies under each of the SME development stages on (i) very small, (ii) small and (iii) medium enterprises. The use of case studies enabled the collection of data through in-depth interviews, observations and archival documents from the identified case studies.

Having illustrated the research design above, the significance of this research study is presented in the next section.

**1.5 Significance of the study**

The significance of this research study is shown through the contribution to knowledge
on the practice of strategic planning by SMEs in South Africa. The research established how SMEs in South Africa can be better enabled to practice strategic planning so they grow and/or be sustainable.

The research outcomes that enable SMEs to improve their practice of strategic planning are (i) the provision of a proposed strategic planning framework that SMEs can use to improve their practice of strategic planning (ii) provision of an accompanying guideline that SMEs can use to better understand how to use the proposed framework and (iii) a theoretical definition of strategy to standardise the view of strategy by SMEs utilising the proposed strategic planning framework.

The proposed framework will also allow SME owner/managers to practice strategic thinking in their strategic planning processes. The process of strategic thinking enables SME owner/managers to think broadly throughout the strategy making process, especially when analysing their business models, assessing their environments and choosing the appropriate strategic alternative(s) to give the SMEs a competitive advantage (Mazzarol, 2005).

The focus on SMEs is primarily due to the job creation opportunities they present if they survive and grow their businesses. South Africa currently has a high national unemployment rate estimated to be about 24% to 25% (Fatoki, 2014; Bureau for Economic Research, 2016; Bushe, 2019). Thus, the survival and growth of SMEs in South Africa could further stimulate economic growth, ultimately contributing to the ability of the economy to address the high unemployment levels.

Building on the findings and recommendations of previous studies (French et al., 2004; Neneh and Van Zyl, 2012a, 2012b; Thompson et al., 2012; Sandada, 2014; Sandada et al., 2014) the outcome of the research provides insight to create a better understanding of the benefits to South African based SMEs in the research focus area, to practice strategic planning when developing their strategies so they can grow and/or be sustainable.

The overall outline of the thesis is provided in the next section.
1.6 Outline of the thesis

The outline of the thesis is as shown below;

Chapter one provides the general background to the research, the research aim and questions, an overview of the research paradigm and research design, as well as the significance of the study.

Chapter two provides the literature review on strategy, strategic planning and an overview of the research focus area on SMEs in the food and beverages manufacturing sector in South Africa. A synthesis of the literature reviewed, the proposed theoretical strategic planning framework that SMEs in the research focus area can use to practice strategic planning.

Chapter three provides the detailed research methodology followed to answer the identified research questions.

Chapter four details the findings, conclusions and recommendations following the pilot study conducted to test the research data collection tools and data analysis methods.

Chapter five provides the within-case findings following the empirical study data collection and analysis, whereas Chapter six provides the cross-case analysis findings following the within-case analysis findings presented in chapter six and also sets out the proposed strategic planning framework developed following the empirical study.

Chapter seven presents the findings on the validation exercise conducted to corroborate the data collection and analysis as well as test the suitability of the proposed strategic planning framework.

Chapter eight details the discussion on the findings of this research study and provides the conclusions on the contribution to knowledge from this research study as well as recommendations for further research on the subject.

These chapters are then followed by supporting references, bibliography and respective appendixes to this thesis.
CHAPTER TWO – LITERATURE REVIEW

2.1 Introduction

An introduction to the research study was provided in the preceding chapter. To develop an understanding of the existing literature on the practice of strategic planning by SMEs in the research focus area, this chapter will provide a detailed literature review on strategy, strategic planning and the South African SMEs environment as well as provide an overview on the food and beverages manufacturing sector in South Africa.

2.2 Strategy and planning

To have a better understanding and appreciation of the field of strategy and strategic planning, the next section will define what strategy is in general and how strategy is to be viewed in the context of this research. This is to provide a perspective for this research on what strategy is, since strategy is one of the key outcomes of the strategy-making process, commonly known as strategic planning.

2.2.1 What is strategy?

The word strategy comes from the Greek word ‘strategos,’ which is a term used to define a general in the army (Ronda-Pupo et al., 2012). However, there generally is no consensus on the definition of strategy or the strategy concept with regards to its use in the field of business (O'Regan and Ghobadian, 2007; Ronda-Pupo et al., 2012). The lack of consensus can be argued, is due to the dynamic relationship between strategy and the business environment, encompassing both the internal and external environments. The internal environment is the structure, culture and resources controlled by the business, whereas, the external environment is comprised of all the elements that impact or influence the business not under the direct control of the business such as, the regulatory environment, competitors, customers etc. Another perspective to consider is the time horizon for the applicable strategy. The complexity
associated with addressing the business environment pressures and the long-term nature of strategy are some of the reasons it is difficult to have a standardised definition of strategy. However, it is important to provide a definition of strategy for the purposes of this research, to put the outcome of strategic planning into better context.

Mintzberg (1987) states that there are five definitions of strategy and thus, strategy can be seen as, a plan, a ploy, a pattern, a position, and a perspective, and further states that it is important to consider some of their interrelationships (Cherp et al., 2007). Cherp et al. (2007, p.626) states Mintzberg’s (1987) five definitions of strategy as follows;

(1) “A plan - a consciously intended course of action, a set of rules to deal with the situation;

(2) A ploy - a scheme intended to outmaneuver opponents and strengthen useful alliances;

(3) A pattern - in a stream of actions, consistency in behaviour (whether or not intended); here strategies result from actions, not designs;

(4) A position - locating an organization in its Environment; its ‘ecological niche’, or, in military terms, literally a position on a battlefield;

(5) A perspective - an ingrained way of perceiving the world; 'strategy in this respect is to the organization what personality is to the individual’’.

Though Mintzberg (1987) states that there are five definitions of strategy, these five definitions ideally should not be read and taken to represent strategy independently of each other, as the five definitions project or present a more comprehensive view of strategy when read together. Strategy being a complex phenomenon is best defined taking all the aspects of the five definitions presented by Mintzberg (1987), since this will likely address different interpretations of strategy, thus satisfying an understanding of strategy for a wider audience.

Strategy is commonly defined as an action plan or how an organisation moves from its current state to a desired future state (Skrt and Antonic, 2004; Box, 2011). It is important to note that good planned strategy cannot be determined outside of the
context of the mission, vision, capabilities and environment of the organisation, as these elements are the foundation that govern the existence of the organisation. The mission statement of an organisation sets out what it does in terms of its purpose and focus areas, with the vision statement providing the aspirational long-term goal of what the organisation aims to become and do in the future (Skrt and Antonic, 2004; Cady et al., 2011). For the achievement of the vision, the organisation needs to understand its environment and also requires a set of capabilities in the form of people, processes, technology and infrastructure. Thus, good planned strategy needs to take into consideration the mission, vision, capabilities and environment of the organisation.

Strategy has also been defined as;

“the long-term direction of an organisation” (Johnson et al., 2014, p.3).

“a plan of action designed to achieve a long-term or overall aim” (Oxford English Dictionary, 2018).

Ackermann and Eden, (2011, p.5) view strategy as;

“agreeing priorities and then implementing those priorities towards the realisation of organisational purpose”.

The definition of strategy that has been cited as one of the most comprehensive is the one by Chandler (1990, p.13);

“the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”.

8
The three definitions of strategy as presented by Chandler (1990, p.13), Ackermann and Eden, (2011, p.5) and Johnson et al. (2014, p.3) align with the view that strategy is an action plan or how an organisation moves from its current state to a desired future state (Skrt and Antonic, 2004; Box, 2011). This perspective of strategy being an ‘action plan’ or ‘how’ an organisation moves from its current state to a desired future state, is simple and most likely easier for most SME owner/managers to understand, thus, creating a common understanding of strategy for the purposes of this research.

A summary highlighting the strategy definitions that have been cited in this section is provided in Table 2.1;
Table 2.1: Summary of key strategy definitions

<table>
<thead>
<tr>
<th>Author</th>
<th>Key Features</th>
<th>Strengthens</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mintzberg (1987)</td>
<td>Presents five different definitions of strategy as (1) a plan, (2) a ploy, (3) a pattern, (4) a position and, (5) a perspective</td>
<td>Presents a view of strategy through five different perspectives, that projects the positioning of strategy to meet different stakeholder’s views</td>
<td>Argues that strategy can be seen from five (5) different perspectives, instead of presenting strategy as an integrated view of all the five (5) different definitions</td>
</tr>
<tr>
<td>Chandler (1990)</td>
<td>Strategy formulation leads to corporate structure</td>
<td>Positions strategy as having a long-term view and states the requirement for courses of action as well as resource allocation to realise the strategy</td>
<td>Does not allude to the achievement of a competitive advantage, which would inform the choice of courses of action</td>
</tr>
<tr>
<td>Skrt and Antonic (2004); Box (2011)</td>
<td>An action plan or how an organisation moves from its current state to a desired future state</td>
<td>Presents strategy as a process of transitioning an organisation from its present positioning to a desired future</td>
<td>Does not state how it considers emergent strategies, assumes realised strategy is fully planned</td>
</tr>
<tr>
<td>Ackermann and Eden (2011, p.5)</td>
<td>Agreeing on the priorities to realise the organisations purpose</td>
<td>Alignment on the priorities, results in fit of the combination of activities or initiatives to pursue</td>
<td>The strategy is focused on achieving the organisations purpose (mission) and not the vision</td>
</tr>
<tr>
<td>Johnson et al. (2014, p.3)</td>
<td>Strategy is a long-term direction</td>
<td>Simple definition to understand, with an emphasis on long term objectives</td>
<td>Does not inform how the long-term direction is set, whether it is planned or emergent?</td>
</tr>
<tr>
<td>Oxford English Dictionary (2018)</td>
<td>Strategy is a plan of action</td>
<td>Simple definition to understand, with a focus on activities or initiatives to be undertaken</td>
<td>Too simplistic definition, as any form of action can then be viewed as part of the strategy</td>
</tr>
</tbody>
</table>

**Source:** Author
At a high-level, strategy can be viewed as a way of linking an organisation to its environment (Ronda-Pupo et al., 2012). Another view of strategy is as, the choices made related to the activities or initiatives an organisation chooses to pursue, established as either corporate strategy or business strategy (Bowman and Ambrosini, 2007; Favaro, 2015). This distinction between the different levels of strategy, specifically as it relates to corporate strategy and business strategy is necessary since the two are usually used interchangeably (Favaro, 2015). Business strategy is how an organisation or a business unit competes within a specific market, whereas, corporate strategy determines what businesses to pursue and how they are managed (Bowman and Ambrosini, 2007; Pidun, 2019, p.1-2).

It is argued that strategy can either be emergent or planned (Mintzberg, 1994; Fletcher and Harris, 2002; Pretorius and Maritz, 2011; Neugebauer et al., 2016). The planning approach follows a structured process in its formulation of strategy usually at predefined periods, whilst with the emergent approach, strategy emerges from the day to day processes or organisational initiatives and is formed over time rather than at predefined periods (Mintzberg, 1994; Fletcher and Harris, 2002; Pretorius and Maritz, 2011; Neugebauer et al., 2016). The premise of this research advocates for the planned approach, due to the benefits associated with the formal process of strategic planning (Thompson et al., 2012).

It has also been posited that most realised strategies are an outcome of the combined influence of planned strategy and emergent strategy (see Figure 2.1), and they term this approach planned emergent (Mintzberg and Waters, 1985; Wolf and Floyd, 2017). The planned strategies which mostly would have been developed by senior management are likely to be changed or slightly adjusted as a result of the influence from middle managers who are mostly the drivers of the emergent strategy approach, such that the strategy formulation approach in the end is neither solely planned or emergent and thus planned emergent (Neugebauer et al., 2016; Wolf and Floyd, 2017).
Figure 2.1: Types of strategies

The planned strategy is also influenced by the strategic learnings gained from the strategy process. Strategic learning is the insight gained from the experience and feedback following the strategy implementation and execution of the strategy, which results in the realised strategies and unrealised strategies (Mintzberg and Waters, 1985).

Another view presented of the planned emergence approach, is that it is a less formalised process of formulating strategy through infusion of input and influence in strategy formulation from the bottom up and top down (Grant, 2003). The bottom up input is provided by the business unit managers, whilst the top down input into strategy formulation will come from more senior corporate executives through the provision of strategic direction in the form of the mission and vision statements, and/or strategic initiatives (Grant, 2003). In essence, there is wider input from the organisational staff members in formulating strategy by following a planned emergence approach. The position that realised strategy is the result of the concept of planned emergent is plausible considering that even though senior management develop planned strategies, these are usually still subjected to the influence of middle management during the implementation and execution phases of the strategy. This is as a result of middle management being closer and more directly exposed to the day to day environmental influences and thus will likely respond or cause the strategy to change in response to the environmental influences or pressure.
Porter (1996) argued that strategy should achieve a competitive advantage and not merely aim to achieve operational effectiveness. A competitive advantage is achieved through determining unique activities the organisation will pursue to reach its desired future state (Porter, 1996; Box, 2011; Sims et al., 2016). The competitive advantage realised from the chosen strategy, is the net value created through, (1) products/services offered to customers, (2) realised revenues from customers, (3) optimised expenditure for inputs into the value chain, (4) minimised costs associated with maintenance of the organisation, and/or through (5) optimising investment in future value creating activities such as market research, innovation, and training (Bowman and Ambrosini, 2007). The achievement of a competitive advantage is key for the survival of small businesses as it will allow them to have an edge over others in the same industry or business. This then means they would stand a better chance to build up reserves in the form of resources that they could use to grow and/or be sustainable in the long term.

Fit of the combination of activities or initiatives pursued by an organisation is important to avoid the various activities or initiatives affecting each other negatively, to the detriment of achieving the desired competitive advantage (Porter, 1996). The requirement to have fit or better integration of the activities or initiatives taking into consideration the available resources or capabilities, brings about the need for organisations to make choices as to which activities or initiatives to pursue (Jarzabkowski and Balogun, 2009). The pressure to grow and increase organisational performance could result in functional or departmental silo driven choices, that could affect the fit of activities or initiatives, thus, compromising the achievement of the desired competitive advantage. Put in another way, the choice of activities or initiatives chosen over and above being aligned to the strategy, should be based on the activities or initiatives that result in the organisation realising the most benefit from the combined set of activities or initiatives.

Rumelt (2012) states that good strategy has three core components which are, (1) a diagnosis that clearly shows stakeholders what is going on, by identifying the challenges, obstacles and opportunities, (2) provide a guiding policy to coordinate and focus the efforts of the organisation, and (3) a set of coherent actions to implement the guiding policy. It has also been posited that strategy is set within three parameters, which are (1) who will be the targeted customers, (2) what products or services will the organisation offer it’s chosen customers and (3) how it will go about delivering the chosen products and services (Markides, 2004). The outcome of strategy as being either
good or bad, in the end is dependent on whether the proposed strategic plans will enable the achievement of the desired future state or a sustainable competitive advantage (Rumelt, 2012). The position of good strategy being comprised of three core components (Rumelt, 2012) or the three parameters (Markides, 2004) supports the argument presented by Porter (1996) that there should be fit of the combined activities or initiatives chosen.

Phillips (2011) argues that strategy is about the ‘what and why’, then ‘how and when’ all within the context of the organisation. The context of the organisation covers the internal and external environments, the now and desired future (Phillips, 2011). Though, Phillips (2011) views strategy as being the 'what and why', this view is the same position as that of other researchers with the belief that strategy is the 'how with strategic intent'.

2.2.1.1 Conclusion

In the context of this research, strategy is ultimately just, how an organisation moves from its current position to a desired future position within the confines of its mission, vision, capabilities and environment (Skr and Antonic, 2004; Phillips, 2011, Box, 2011). This view of strategy will be suitable for SMEs since it is simple to understand and will enable SMEs to consider their desired future taking into consideration key aspects of their businesses such as their mission, vision, capabilities and environment. The ‘how’ in essence cannot be determined if the desired future state has not been set, the future state also needs to be set within the confines of the mission, which states the purpose of why the organisation exists. The environment has to be taken into consideration in determining both the desired future state and the ‘how’, as it can influence the achievement of both factors. A strategy model to summarise the literature reviewed on what strategy is? is shown in Figure 2.2;
Having defined strategy in general and for the purposes of this research, the next section will set out and review the strategy making process commonly known as strategic planning.

2.2.2 Strategic planning

This section will provide a detailed review on strategic planning in general, provide an analysis of why organisations engage or not engage in strategic planning as well as spelling out the outcomes of the strategic planning process, a review of models and frameworks that are commonly used in the strategic planning process, and set out the strategic planning activities.

2.2.2.1 What is strategic planning?

Strategy was defined in the previous section as how an organisation moves from its current position to a desired future position within the confines of its mission, vision, capabilities and environment (Skrt and Antonic, 2004; Phillips, 2011, Box, 2011).
was also highlighted that good planned strategy cannot be determined outside of the context of the mission, vision, capabilities and environment of the organisation, since good planned strategy needs to take into consideration the mission, vision, capabilities and environment of the organisation. In this regard, the process of crafting strategy commonly known as strategic planning should take all these other elements such as the mission, vision, capabilities and the environment into consideration when formulating the organisation’s strategy.

Strategic planning is the process of setting the organisation’s mission, vision and strategy (O'Regan and Ghobadian 2007; Jarzabkowski and Balogun, 2009). It has also been argued that strategic planning is a road map for the organisation enabling it to have an understanding on (1) where it is now, (2) how it got to its present state, (3) where it wants to be in the future, and (4) how it intends to get to its future state (Alkhafaji and Nelson, 2013, p.11-12). Practitioners and scholars argue that strategic planning is still one of the most widely used strategy tools in business (Grant, 2003; Giraudieu, 2008; Rigby and Bilodeau, 2017), of which it is believed to be a periodic engagement that provides a structured approach to strategy formulation, implementation, and control (Wolf and Floyd, 2017). However, it has been posited by other scholars that strategic planning in small businesses is mostly informal, unstructured, and irregular (Balasundaram, 2009).

Mintzberg (1994) distinguishes strategic planning from strategic thinking and argues that strategic planning is analysis whilst strategic thinking is synthesis. Strategic thinking results in an integrated perspective of the enterprise that informs strategic planning through judgment, intuition and problem solving (Mintzberg, 1994; Graetz, 2002). Stonehouse and Pemberton (2002) further distinguish strategic planning from business planning, arguing that strategic planning should have a long-term perspective, whilst, business planning is focused on short term day to day planning. These distinctions are necessary as the respective concepts are often used interchangeably in business.

The purpose of strategic planning is to formulate strategy through enabling discussion amongst managers, thus creating a shared understanding and commitment to set objectives (Giraudieu, 2008; Vilà and Canales, 2008). The process of strategic planning, thus, enables the setting of direction, establishment of clear priorities and communication of the meaning of strategy to the wider stakeholders (Giraudieu, 2008; Vilà and Canales, 2008; Alkhafaji and Nelson, 2013). Whilst, believed to be a means to
communicate strategy, to effectively deliver integration and alignment amongst the various stakeholders, the strategic planning process needs to take account of the divergent interests that stakeholders or participants bring to the process, thus, creating an environment to enable fit of the chosen strategic initiatives (Jarzabkowski and Balogun, 2009).

It has also been posited that the strategic planning process and the development of strategic plans as an outcome of the planning process is a communicative process (Giraudeau, 2008; Spee and Jarzabkowski, 2011). The process of developing the strategic plans as an outcome of the strategic planning process facilitates communication through enabling platforms such as board meetings, committees, informal social interactions and through dissemination of written text and documents through emails (Spee and Jarzabkowski, 2011). These communication platforms are integral in enabling the sharing of information, that ultimately brings about the necessary buy-in on the chosen strategy by key stakeholders and foster alignment on the various initiatives or activities geared towards achievement of the set goals and objectives.

The argument on the benefits of strategic planning as a communication and integration enabler is supported by Kaplan and Beinhocker (2003), who stated that strategic planning adds value if it has two overarching goals, which are (1) to build prepared minds by ensuring that decision makers have a good understanding of the business strategy and (2) that they are geared towards enabling innovation.

Strategy being one of the main outcomes of the strategic planning process comprising of the overall strategic direction and strategic decisions, is usually captured in a document known as a strategic plan (Wolf and Floyd, 2017). Strategic plans are mostly associated with formal strategic planning processes and formal strategic planning is a formalised process of formulating strategy, through a process of developing and documenting the objectives of the organisation and determining how it intends to achieve the objectives (Mazzarol, 2005; Giraudeau, 2008; Dibrell et al., 2014). Following various empirical studies on the benefits of strategic planning it has been discovered that organisations that follow formal strategic planning tend to outperform those that follow less formalised processes (O'Regan and Ghobadian 2007; Sandada, 2014). However, there needs to be planning flexibility to enable the adjustment of the strategic plans to changes in the environment, especially in more complex changing environments.
(Dibrell et al., 2014). Formalising strategic planning will enable the organisation to ensure that all key stakeholders are consulted and provide input into the strategy making process. The formalisation of the process also enables ease of obtaining buy-in and commitment from all stakeholders as it relates to the implementation of the strategy, since there will be a formal document in the form of a strategic plan, that they can use to communicate the strategy and track progress on its implementation, thus leaving little room for ambiguity on the required implementation activities.

To put strategic planning into better perspective in relation to other strategy activities such as strategic management and strategy implementation, other researchers and practitioners have argued that strategic planning is a separate activity to strategy implementation (Aldehayyat and Anchor, 2010; Favaro, 2015; Amirtham et al., 2016). Strategic planning just like strategy implementation are both elements of strategic management (Alkhafaji and Nelson, 2013, p.20-21; Amirtham et al., 2016). As much as strategy formulation and the strategic plan are the key outcomes of the formal strategic planning process, the strategic planning process will also determine and evaluate the strategy implementation activities or strategic initiatives to be pursued to enable the achievement of the chosen strategy. Thus, the actual activity of strategy implementation is a separate activity from strategic planning (Aldehayyat and Anchor, 2010). This distinction seems to support the view that the aim of strategic planning is that of strategy formulation and that implementation is not an activity that is part of strategic planning (Aldehayyat and Anchor, 2010; Favaro, 2015; Amirtham et al., 2016). The argument on the separation of strategic planning from strategy implementation could be true, however, the separation is not in totality, since the strategy implementation activities or strategic initiatives are usually set or proposed as part of the strategic planning process (Alkhafaji and Nelson, 2013, p.20-21). On the premise of the separation argument between strategic planning and strategy implementation, it is suggested that the implementation of strategy is informed by the outcome of strategic planning, since strategy implementation is the next sequential stage after strategy formulation (Alkhafaji and Nelson, 2013, p.20-21). Thus, the actual activity of implementation of the strategy decisions, lays outside the strategic planning process, this then means strategic planning and strategy implementation are indeed separate, though the implementation of strategy is informed by the strategic planning process.

Strategic planning from a practice perspective raises questions such as, (i) how exactly is strategic planning work performed in different organisations, (ii) who precisely is
involved in the process, and (iii) what kinds of tools are used and how (Cailluet and Whittington, 2008). Organisations usually make use of experienced executives or consultants to manage their strategic planning processes and these role players are known as strategic planning practitioners or champions (Nordqvist and Melin, 2008). The strategic planning practitioners, be they external or internal experts, are skilled strategic thinkers and analytical planners, who can use various strategy tools, facilitate strategic thinking, communicate strategy, enable integration and encourage/foster the participation of the multiple organisational stakeholders in the strategic planning process (Nordqvist and Melin, 2008). Some organisations might not have the knowledge and skills in-house or have the resources to hire external consultants to provide the necessary insight and guidance to practice strategic planning, but this shortcoming can be overcome by establishing voluntary advisory boards or appointing non-executive board members to their boards that have the requisite knowledge and skills required. The appointment of voluntary advisory boards or non-executive board members will enable the SMEs to avoid the higher remuneration arrangements commonly associated with the appointment of permanent or executive personnel versus the more flexible remuneration arrangements possible with non-executive board appointments. Non-executive directors usually have formal engagements with more than one organisation, thus, they have diverse experience and wide networks, which could be a source of competitive advantage for the SMEs, through having access to experienced personnel that can assist with addressing various business challenges or providing required business insight, advice and guidance.

2.2.2.1.1 Conclusion

This section has shown that strategic planning is a process which organisations follow to formulate their strategy and is a required practice for organisations to enable them to plan for their future and achieve a competitive advantage. It was also shown that there are benefits to organisations practicing formal strategic planning, however, the organisations need to have the knowledge and skills to practice formal strategic planning. Other benefits from the formal strategic planning process over and above the formulation of strategy, is the enablement of communication among key stakeholders that creates the necessary buy-in and alignment on chosen strategic initiatives and activities. The next section will set out the benefits of practicing strategic planning.
2.2.2.2 The benefits of practicing strategic planning

The belief by business managers that strategic planning is merely a paper exercise and the lack of substantive empirical evidence of the benefits associated with practicing strategic planning have been cited as some of the reasons for not engaging in strategic planning (O'Regan and Ghobadian 2007). Some of the other predominate reasons cited by organisations for not practicing formal strategic planning include the lack of management skills related to strategic planning, the small size of their organisations and the length of time associated with the process (Kraus et al., 2006; Wang et al., 2007; Thompson et al., 2012; Majama and Magang, 2017). The lack of sound strategic management knowledge by SME owner/managers, results in most SMEs limiting their strategic planning assessments to financial related matters, such as budgets, financial forecasts and cash-flow (Thompson et al, 2012).

The practice of formal strategic planning could effectively facilitate the sourcing and development of the knowledge and skills owners/managers require to practice formal strategic planning (Almatrooshi et al, 2016).

Organisations will choose to practice strategic planning for the benefits associated with the successful practice of strategic planning such as achieving a competitive advantage and achievement of the desired organisational performance (Glaister and Falshaw, 1999).

To put organisational performance into context, performance has been defined as;

“doing today what will lead to measured value outcomes tomorrow” (Neneh and Van Zyl, 2012b, p.125).

Organisational performance has been defined as;

"the performance of a company as compared to its goals and objectives" (Almatrooshi et al., 2016, p.846),

and Tomal and Jones (2015) define organisational performance as;

"the actual results or output of an organization as measured against that organization’s intended outputs" (Almatrooshi et al., 2016, p.846).
Schmidt (2010) argues that the reason organisations practice strategic planning is to achieve the advantages related to (i) the planning process and (ii) the personnel involved in the planning process. These advantages are as listed in Table 2.2;

Table 2.2: Advantages of practicing strategic planning

<table>
<thead>
<tr>
<th>Planning process advantages:</th>
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<tbody>
<tr>
<td>• Identification and exploitation of future marketing opportunities</td>
</tr>
<tr>
<td>• Provides an objective view of management problems</td>
</tr>
<tr>
<td>• Provision of a framework for the review of plan execution and control of activities</td>
</tr>
<tr>
<td>• Minimization of effects from adverse conditions and changes</td>
</tr>
<tr>
<td>• Major decisions can be related more effectively to established objectives</td>
</tr>
<tr>
<td>• More effective allocation of time and resources to identified opportunities</td>
</tr>
<tr>
<td>• Provision of co-ordination of the execution of the tactics of the plan</td>
</tr>
<tr>
<td>• Allowing for the combination of all functions into a combined effort</td>
</tr>
<tr>
<td>• Lessening of resources and time needed to correct erroneous ad hoc decisions</td>
</tr>
<tr>
<td>• Creation of a framework for internal communication between personnel</td>
</tr>
<tr>
<td>• Identification of priorities within the timing of the plan</td>
</tr>
<tr>
<td>• The utilisation of planning provides an advantage over competitors</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Personnel advantages:</th>
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</thead>
<tbody>
<tr>
<td>• Helps to integrate the behavior of individuals in the organisation into a team effort</td>
</tr>
<tr>
<td>• Provides a basis for the clarification of individual responsibilities, contributing to motivation</td>
</tr>
<tr>
<td>• Encourages forward thinking on the part of personnel</td>
</tr>
<tr>
<td>• Stimulates a cooperative, integrated and enthusiastic approach to tackling problems and opportunities</td>
</tr>
<tr>
<td>• Encourages a favorable attitude to change</td>
</tr>
<tr>
<td>• Gives a degree of discipline and formality to the management of a business function that would not exist without planning</td>
</tr>
</tbody>
</table>

Source: Adapted from Schmidt (2010)

The benefits of practicing strategic planning seen as outcomes of the strategic planning process can be argued are (i) developing an understanding of the environment including any organisational performance gaps, (ii) allocation of resources to initiatives that are
aligned to the achievement of set goals and objectives, (iii) maintaining or improving the organisations competitive position, and (iv) preparing the organisation to operate in its desired future environment (Cordeiro, 2013). Another outcome of the strategic planning process is organisational situation awareness, which an organisation is supposed to acquire or have following an environmental assessment (Vargo and Seville, 2011).

Wolf and Floyd (2017) posit that the outcomes of strategic planning are either proximate or immediate outcomes, distal outcomes, or contingency variables. Proximate or immediate outcomes define the processes or activities that explain how strategic planning influences organisational outcomes. The benefit of proximate or immediate outcomes is mostly internal to the organisation and not usually visible or immediately realisable to the external environment (Phillips and Moutinho, 2014; Wolf and Floyd, 2017). Distal outcomes are those outcomes or benefits of practicing strategic planning that are mostly visible to the external environment and not only intrinsic (Phillips and Moutinho, 2014; Wolf and Floyd, 2017).

To realise the proximate or distal outcomes there needs to be the right combination of strategic planning practitioners who will facilitate or conduct formal or informal strategic planning. The activities that organisations follow to enable the formulation and realisation of their strategy, have been defined as ‘strategic planning praxis’ (Whittington, 2006; Phillips and Moutinho, 2014) and some of these processes and/or activities are highlighted in Figure 2.3.
Figure 2.3: Description of strategic planning (SP) and its outcomes

<table>
<thead>
<tr>
<th>SP Practitioners</th>
<th>SP Practices</th>
<th>SP Praxis</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Attitudes towards planning</td>
<td>• Formality, sophistication, comprehensiveness</td>
<td>• Strategic plans</td>
</tr>
<tr>
<td>• Top managers roles</td>
<td>• Flexibility</td>
<td>• Strategy workshops</td>
</tr>
<tr>
<td>• Middle manager roles</td>
<td>• Participation</td>
<td>• Analytical tools</td>
</tr>
<tr>
<td>• Strategic planning professionals</td>
<td>• Routinisation</td>
<td>• Creativity tools</td>
</tr>
</tbody>
</table>

Proximate Outcomes

- Quality of strategic decisions
- Strategic planning effectiveness
- Integration
- Coordination
- Strategy communication
- Legitimisation
- Shared understanding and commitment to strategy
- Strategy thinking
- Planned emergence

Distal Outcomes

- Organisational performance
- Adaptation
- Strategic change and renewal
- Realised strategy
- Organisational learning
- Strategic legitimacy
- Dynamic capability

Source: Adapted from Phillips and Moutinho (2014) and Wolf and Floyd (2017)

The proximate or immediate outcomes of strategic planning as depicted in Figure 2.3, include processes or activities such as, quality of strategic decisions, strategic planning effectiveness, integration, coordination, strategy communication, authentication of the strategic process, shared understanding and commitment to strategy, strategic thinking, and planned emergence (Whittington, 2006; Phillips and Moutinho, 2014; Wolf and Floyd, 2017).

Distal outcomes include benefits such as organisational performance, adaptation, strategic change and renewal, realised strategy, organisational learning, strategic legitimacy, and dynamic capability (Phillips and Moutinho, 2014; Wolf and Floyd, 2017).
2.2.2.1 Conclusion

The structure and formality brought about in the management of an organisation if they practice formal strategic planning, provides the organisation’s management with a guiding framework to follow and facilitate communication/engagements with the wider stakeholder community on the organisation’s strategy. The process of strategic planning will also enable organisations to have points of reflection as well as reference points to compare the organisations performance against the desired goals and objectives.

The benefits from the practice of strategic planning such as achieving a competitive advantage and desired organisational performance have been termed as distal outcomes (Phillips and Moutinho, 2014; Wolf and Floyd, 2017). The benefits of practicing strategic planning and general outcomes of practicing strategic planning have been highlighted and reviewed in this section.

The next section will set out the generic strategic planning process and the review of the respective elements.

2.2.2.3 The elements of strategic planning

There are three main stages to the strategic planning process to develop the organisation’s strategy that will enable them to achieve their desired future state and these are namely, (1) strategic analysis, (2) strategic choice and (3) strategic implementation (Arasa and K’Obonyo, 2012). These three stages are further broken down into the following five strategic planning elements/activities (1) defining the organisation's direction, (2) scanning and appraisal of the environment, (3) identification of the organisation’s strategic issues, (4) strategy choice, and (5) setting up of implementation, evaluation and control systems (Arasa and K’Obonyo, 2012) (see Figure 2.4).

These common strategic planning activities can also be presented as follows, (1) defining the mission, vision, goals and objectives, (2) conducting an internal and external environmental analysis, (3) development of strategic alternatives, (4) choosing the most suitable strategic alternatives, (5) determining the strategic implementation activities, then (6) monitoring, evaluation and control of the overall process (Kraus, 2007; Ibrahim, 2012; Sandada, 2015).
A comparison of the strategic planning elements/activities proposed by Arasa and K’Obonyo (2012) and those by Kraus (2007), Ibrahim (2012) and Sandada (2015) shows that they are largely aligned on the elements/activities, however, with slight variations. Though the activities appear generic, they are a pathway to formulating strategy and the respective strategic plans.

**Figure 2.4:** Generic strategic planning process

![Generic strategic planning process diagram]

**Source:** Adapted from Arasa and K’Obonyo (2012)

It is argued that the way the activities in the strategic planning process are practiced is the real source of the benefits of strategic planning (French *et al*., 2004). Following other researcher’s empirical studies, it is also posited that each of the elements/activities of the strategic planning process has a positive relationship with the performance of the organisation (Sandada, 2015).

Engaging in strategic planning is important as it will foster strategic thinking by the owner/managers, which ultimately enables them to think broadly throughout the strategy-making process, especially when analysing their business models, assessing their environments and choosing the appropriate strategic alternative(s) to achieve a competitive advantage (Mazzarol, 2005).
The strategic planning process elements/activities as highlighted in Figure 2.4 are the elements/activities reviewed in further detail in the sub-sections below. The choice of these elements/activities as set out by Arasa and K’Obonyo (2012) is because of the grouping of the strategic planning process activities into the three stages on (1) strategic analysis, (2) strategic choice and (3) strategic implementation, that provide a summarised and simplified overview of the strategic planning process.

a. Defining the organisation's direction

The organisation’s direction is generally articulated and provided through the mission and vision statements, as well as the organisation’s goals and objectives.

The mission and vision statements position why an organisation exists, what it aims to achieve and how it intends to achieve its goals and objectives (Skrt and Antonic, 2004; Cady et al., 2011). A mission statement also serves as a communication channel to external and internal stakeholders about the organisation’s purpose as well as act as an inspirational message to its staff and partner networks (Forbes and Seena, 2006; Cady et al., 2011). The mission statement can be a formally written document that is publicly visible to all stakeholders, through various organisational communication channels and it often projects the inherent strategy and identity of the organisation (Cady et al., 2011). However, it is sometimes not formally documented and widely publicised, but its existence is visible through practice and organisational experiences.

Mission statements are a strategic tool that can be used to increase or secure the commitment of the organisation's members and it is argued that developing mission statements will enable the achievement of improved organisational performance through (i) providing the organisation’s direction and purpose, (ii) focusing the allocation of organisational resources, (iii) communicating the direction and purpose of the organisation to internal and external stakeholders, (iv) setting out the values of the organisation that will guide and inspire organisational members (Desmidt et al., 2011).

There is no commonly agreed definition of a vision statement, however, it is supposed to act as a long-term guide to a desired future state for the organisation (Kantabutra and Avery, 2010). A vision is critical to influencing the organisational performance and it is believed that a powerful vision statement will have a positive impact on organisational performance if it has the following characteristics (i) states brief long-term aspirational
goals, (ii) is challenging, (iii) is future oriented, (iv) espouses clarity and (v) stability, and (vi) has the ability to inspire (Kantabutra and Avery, 2010). It is posited that to realise the vision, it is important that the vision is communicated and shared among organisational members, that organisational processes and systems are aligned to the vision, that staff members are empowered and motivated to act to achieve the vision (Kantabutra and Avery, 2010).

There is a positive influence on the organisational performance from having a mission and vision statement that the organisations executives understand and use, to provide direction and purpose (Kantabutra and Avery, 2010; Desmidt et al., 2011; Sandada, 2014).

The goals and objectives of the organisation are the desired outcomes from the various strategic initiatives and business activities undertaken by the organisation, in pursuit of its desired future state. For the realisation of the goals and objectives, the mission and vision statements are an important enabler that even SMEs should have to ensure that all their stakeholders are aware of their purpose and desired future. The mission and vision statements will also serve as a guide as to how resources will be allocated and prioritised.

b. Scanning and appraisal of the environment

The scanning and appraisal of the environment is seen as a critical element of the strategic planning process as it will enable organisations to understand the current state of the organisation and ongoing trends or changes that will impact the organisation in the future (Sandada, 2014; Du Toit, 2016). Thus, investing in environmental scanning will allow the organisations to get the information in time to influence strategy formulation or strategy changes (Jorosi, 2008; Du Toit, 2016).

There are several strategic tools or frameworks that are used by both large enterprises and SMEs to analyse their environments, however, the two most common assessment frameworks in practice are the SWOT (strengths, weaknesses, opportunities and threats) analysis and the PESTEL (political, economic, social, technological, environmental and legal) analysis (Bell and Rochford, 2016). The PESTEL analysis is most suitable for the external environmental analysis, whilst SWOT analysis is an integrative process of analysing both internal and external environments (Bell and Rochford, 2016). The
integrated insight provided by the use of the SWOT analysis is as a result of applying all its elements to get a sum of the total picture on the impact of the internal and external environments, this then shows that, applying the elements of SWOT independently or as a series of buckets is not the most ideal use of the framework (Bell and Rochford, 2016). These two predominate environmental analysis tools are often used to varying degrees with other frameworks such as the four-action framework (Kim and Mauborgne, 2005), the strategic management framework for SMEs (Mazzarol, 2005), the balanced scorecard strategic management model (Ronchetti, 2006) and the resource-based view to strategy (Sims et al., 2016). However, there is another widely used assessment framework that was introduced by Michael Porter on the five competitive forces (Chimucheka, 2013; Bell and Rochford, 2016).

The process of scanning and appraising the organisation’s environment will enable the organisation to identify strategic issues the organisation should focus on, in order to achieve set goals and objectives.

c. **Identification of the organisation’s strategic issues**

The strategic issues organisations identify are an outcome of the scanning and appraisal of the organisation’s environment conducted either formally or informally. The strategic issues are usually those aspects from the environmental assessment that have the biggest impact or influence on the achievement of the desired future state (Dutton et al., 1989; Schneider and De Meyer, 1991). To achieve the desired future state, the organisation will have to achieve the sum of the outcomes from the set goals and objectives, this will effectively be done through addressing the identified strategic issues. Thus, the process of scanning and appraisal of the environment will have to enable the identification of issues that will hinder or enhance the ability of the organisation to achieve its set goals and objectives.

The strategic issues will also include aspects related to the organisation having the ability to capitalise on available opportunities and ability to address identified competitive forces, depending on the culture at both national and organisational levels, these strategic issues can also be summarily categorised as either organisational opportunities or threats (Dutton et al., 1989; Schneider and De Meyer, 1991).
Having identified the strategic issues that will inform the strategic choices, the process of how organisations make the choice of initiatives to pursue, is elaborated in the next section on the strategic planning element of strategy choice.

d. Strategy choice

Strategy choice is dependent on the goals and objectives that would have been set by the organisation as well as the identified strategic issues following the business environmental assessment. Strategic choice involves the generation, evaluation and selection of the most appropriate strategic initiatives for the organisation to pursue to achieve its goals and objectives (Nutt, 2002; Arasa and K'Obonyo, 2012). The chosen strategic ideas or initiatives are ideally those that will give the organisation the best chance to achieve the set goals and objectives (Nutt, 2002). It was posited that strategic choices are made through the use of judgement, bargaining, or analysis to select the most suitable strategic alternatives or initiatives (Nutt, 2002; Elbanna and Child, 2007). Judgement or intuition is the process of using the decision makers insight and experience in assessing strategic alternatives or initiatives, whereas, bargaining involves a consultative process of negotiation with key stakeholders in reaching a decision (Nutt, 2002; Elbanna and Child, 2007). A major drawback of the bargaining approach is that it takes time to come to a decision, however, the decisions are often well informed (Nutt, 2002).

The process of making these choices with regards to which strategic alternatives or initiatives to pursue is commonly known as strategic decision making.

Strategic decision making was defined as;

“one having considerable importance due to the resources required or expected consequences” (Nutt, 2002, p.74) or

“intentional choices or programmed responses about issues that materially affect the survival prospects, well-being and nature of the organization” (Schoemaker, 1993, p.107) Gibcus et al. (2008, p.76).

Strategic decisions on strategy choices are mostly made with the use of analysis or financial models based on a set of assumptions such as market growth, total expenses, inflation rates, and profit or net benefit (Nutt, 2002; Chussil, 2005). The initiatives or
strategic alternatives that are expected to provide the most benefit or result in a higher forecasted profit, are usually the initiatives chosen. The combination of strategic alternatives or initiatives chosen needs to have fit, to ensure the net result from all initiatives or strategic alternatives chosen is positive or provides the best result possible (Porter, 1996; Jarzabkowski and Balogun, 2009). This approach is the rational way of making strategic decisions, however, this is usually bounded by the availability of information required to make good strategic decisions such as, (1) accurate, timely data about the past and present, (2) expert forecasts about the future of the market and competition, and (3) enough time to analyse the data thoroughly (Chussil, 2005). Thus, taking into consideration the three requirements positioned above to make good strategic decisions, it then means that good strategic decisions can be achieved depending on (1) how available information is utilised, (2) how strategy ideas are generated, and (3) how aligned the members of the organisations are to the goals (Chussil, 2005).

Decision makers in larger organisations are likely to have access to a lot more information to inform their decision-making processes, than SMEs (Gibcus et al., 2008). The access to information and ability to adequately, as well as timeously analyse the information, will determine the relevance of the strategic issues identified, that will need to be addressed to achieve the organisations set goals and objectives. Thus, strategic decision-making is affected by the strategic issues that would have been identified following the internal and external environmental assessment.

The level of risk acceptance of the organisation and the confidence level of the individuals involved in the decision-making process, has an influence on the strategic decision-making process (Jansen, 2013). It is also posited that strategic decisions are also influenced by the level of experience and education of the decision makers or individuals involved in the decision-making process (Gibcus et al., 2008; Jansen et al., 2013). The positions presented on the influence of (1) the confidence level, (2) risk acceptance, (3) experience and education level of decision makers are plausible, as these play a role in analysing and acceptance of different strategic alternatives in the strategic decision-making process.

It has also been posited that failure to achieve the desired outcomes from the chosen strategic ideas or initiatives is largely due to failure to adequately respond to industry forces as illustrated through Porter’s five competitive forces (Chimucheka, 2013; Bell and Rochford, 2016) and environmental influences (Chussil, 2005).
Strategic decision-making in SMEs is often enabled by a single individual or by a small group of people, however, this is different in larger organisations, where a higher number of senior management team members are usually involved in the strategic planning process and in the decision-making process (Jansen et al., 2013). Due to the higher number of people involved in the decision-making process in larger organisations, decision-making in larger organisations is likely to take longer than in SMEs. It could be argued that the ability of SMEs to make faster decisions, could counter their lack of access to extensive information to inform their decision-making processes. The faster decision-making by SMEs will thus enable them to be quicker to influence their strategy or respond to the environmental pressures.

Decision-making in larger organisations is also influenced by the conflicting motives between those of the managers and the organisation, largely due to the separation of ownership between managers and the shareholders in larger organisations. The conflicting motives can be a major contributing factor in decision-making, especially if the remuneration of the managers is linked to the outcome of the chosen strategy, thus, managers are likely to opt for initiatives or strategic ideas that they believe they can achieve, as opposed to selecting the initiatives or strategic ideas that are likely to carry more risk with the potential of achieving better results for the organisation (Chussil, 2005). Managing these conflicting motives is a challenge for most large organisations because of the split between owners and managers, whereas, this spilt is not so ever present in SMEs. Having well defined strategic decision-making processes that are managed through a formal strategic planning process will allow for better management of this potential conflict of motives challenge, in both large and SME organisations, since the strategic planning process will seek to ensure that the chosen strategy is aligned to the mission and vision of the organisation.

To realise the targeted benefits from the chosen strategic ideas or initiatives, they have to be enabled through strategy implementation, implementation progress evaluated and control measures adopted to address any deviations identified. This strategic planning process element on implementation, evaluation and control systems is reviewed next.
e. Setting up of implementation, evaluation and control systems

The enablement of implementation activities as well as the evaluation and control systems, is important for the realisation of the benefits of the chosen strategy. Strategy implementation, evaluation and control involves putting in place the relevant policies that will enable the translation of chosen strategies into actionable plans as well as provision of guidance with regards to resource allocation aligned to the chosen strategies (Aaltonen and Ikävalko, 2002; Okumus, 2003).

The evaluation and control involves formulation and adoption of performance measurement frameworks that will allow management to track progress with the achievement of set goals and objectives, as well as provide feedback to inform management of the results, such that management will be empowered to inform and/or take any necessary adjustments to their strategy and/or resource allocation (Arasa and K'Obonyo, 2012).

2.2.2.3.1 Conclusion

Having set out and reviewed the key elements of the strategic planning process, it has been shown that there are benefits from practicing strategic planning, especially if organisations set their mission and vision statements, and conduct a periodic environmental assessment (Sandada, 2014). It has also been posited that the benefits of practicing strategic planning are also enabled through following a formal strategic planning process, since it will facilitate organisations to follow all the necessary strategic planning process activities/elements (Sandada, 2014). Organisations benefit from the practice of each of the strategic planning process elements/activities, as there are good business insights to be derived from each one of the elements/activities.

The next section will present a review of commonly used strategy formulation/planning models and frameworks that could be used by SMEs in their strategic planning processes.
2.2.2.4 Frameworks to promote formal strategic planning by SMEs

The literature review has shown that strategic planning contributes to the performance of SMEs, however, this is more pronounced in SMEs that follow a formal process (Kraus et al., 2006; Kraus et al., 2007; Balasundaram, 2009; Thompson et al, 2012; Sandada, 2014). The practice of formal strategic planning brings about structure in the strategy-making process, thus, ensuring that all steps that should be considered in the planning process are well considered to enable the achievement of set goals and objectives (Balasundaram, 2009; Brinckmann et al, 2010; Cordeiro, 2013).

To develop a suitable strategic planning framework that SMEs could use to practice formal strategic planning, a consideration is made to frameworks and processes that SMEs could use such as (i) the process of initiating strategic planning, (ii) the environmental assessment and (iii) a review of a strategic management framework for SMEs, that was identified from the existing literature reviewed.

One of the challenges with organisations practicing strategic planning is getting the planning process started, thus the first framework we will review is on how to initiate successful planning.

1. Initiating strategic planning

To enable the process of strategic planning, one of the main activities is the conduct of strategy workshops. These are usually held over one to three days and are attended by senior management to formulate, deliberate and agree on strategies (Hodgkinson et al., 2006). Harris and Ogbonna (2006) argue that there are factors that are required to be present to initiate successful formal planning, thus effectively enabling strategic thinking. They posit that the initiation of planning is driven by ten factors that are grouped into the following categories (i) management characteristics, (ii) firm dynamics, and (iii) environmental factors (Harris and Ogbonna, 2006). These factors that influence the successful initiation of planning are depicted in Figure 2.5;
Figure 2.5: Factors associated with the successful initiation of planning

<table>
<thead>
<tr>
<th>Management Characteristics</th>
<th>Firm Dynamics</th>
<th>Environmental Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Executive’s planning skills</td>
<td>• Competitor orientation</td>
<td>• Competitive intensity</td>
</tr>
<tr>
<td>• Long-term orientation</td>
<td>• Cultural entrainment</td>
<td>• Industry-wide mindset</td>
</tr>
<tr>
<td>• Intrapreneurship</td>
<td>• Resource richness</td>
<td></td>
</tr>
<tr>
<td>• Perception of past success</td>
<td>• Anti-planning political behavior</td>
<td></td>
</tr>
</tbody>
</table>

SUCCESSFUL INITIATION OF PLANNING

Having the ability to initiate planning and conducting strategy workshops is very helpful, in that it will encourage SME owner/managers to set aside time to engage fully in the strategic planning process without being distracted by day to day operational demands. The act of being strategic entails owner/managers to make deliberate choices to set aside time to plan their future, instead of devoting all their available time to day to day operations.

2. Environmental assessments and strategy options

Seeing that the environmental analysis activity is a crucial element of the strategic planning process, we will set out and review some of the models and frameworks used to conduct an environmental analysis. It is argued that environmental scanning will enable organisations to understand trends or changes that will impact the organisation in the future, thus, investing in environmental scanning will allow the organisations to get the information timeously to influence strategy (Jorosi, 2008; Du Toit, 2016). The outcome of an environmental analysis should enable the owner/managers to have an overall situation awareness of the organisation (Vargo and Seville, 2011).

Source: Adapted from Harris and Ogbonna (2006)
Organisational situation awareness was defined as;

“a continuous extraction of environmental information, integration of this information with previous knowledge to form a coherent mental picture, and the use of that picture in directing further perception and anticipating future events (Dominguez, 1994 as cited in Salas et al, 1995, pg 3)” (Vargo and Seville, 2011, p.7).

Though, many South African companies do not conduct formal environmental scanning, it is important for South African companies to conduct formal environmental scanning to ensure that they have a good understanding of their environment to inform their strategy development processes (Du Toit, 2016).

The most common environmental assessment frameworks in practice, are the SWOT analysis and the PESTEL analysis (Bell and Rochford, 2016). The PESTEL analysis is most suitable for the external environmental analysis, whilst SWOT analysis is an integrative process of analysing both internal and external environments (Bell and Rochford, 2016).

The conduct of an environmental assessment is important for organisations to gain the necessary environmental insight to inform the development of their strategies. Making use of frameworks such as PESTEL and SWOT will provide a structured process to follow to enable identification of critical aspects of the environment that could impact the organisation. The use of a combination of the two frameworks in an environmental assessment is likely to provide a more comprehensive environmental assessment outcome for the organisation.

3. Entrepreneurial focused framework for strategic management

Mazzarol (2005) proposed an entrepreneurial focused framework for strategic management of small firms with three practice areas on (A) opportunity recognition (B) resource accumulation, and (C) capacity building, with the goal of enabling sustainable SME growth (see Figure 2.6). The key components of the framework are (1) the entrepreneurial character of the organisations leadership team, (2) the use of innovation to provide a foundation for growth, (3) the use of strategic networking to secure access to resources and markets, (4) the identification of a product market growth vector, and (5) the management team’s ability to balance the ‘strategic triangle’ of strategy,
structure and resources (Mazzarol et al., 2014). The SME strategic management framework presented by Mazzarol (2005) is supported by the argument put forward by Kraus et al. (2006) that strategic planning enables the generation of new ideas, broadens opportunities and reduces uncertainty through better understanding of the environment.

The framework is meant to guide SME owner/managers to practice strategic thinking in their strategic planning processes. This framework being focused on entrepreneurship is likely a very simple framework for SMEs to use in their strategic planning process as it seeks to enable SMEs to have answers to (1) what opportunities to pursue, (2) what resources they would require to pursue identified opportunities and (3) setting the direction and enabling the ideal organisation structure.

**Figure 2.6:** Entrepreneurial focused framework for strategic management of SMEs

![Entrepreneurship Triangle Diagram](image)

1. **Entrepreneurship** (Personal characteristics)
   - Creativity
   - Desire for Achievement
   - Desire for Autonomy
   - Calculated risk taking
   - Internal locus of control

2. **Innovation** (New ideas & New entry)
   - New products
   - New processes
   - Incremental innovation
   - Synthetic innovations
   - Discontinuous innovations

3. **Strategic Networks** (Partnerships & Alliances)
   - Production network
   - Resource network
   - Social network
   - Creating new value
   - Building capability
   - Defending market position

4. **Strategic Growth**
   - Existing product & market
   - Existing product – new market
   - Existing market – new product
   - Diversification

**Source:** Adapted from Mazzarol (2005)

Entrepreneurship was defined as an activity that involves the identification, evaluation and exploitation of opportunities (Shane 2012). This definition of entrepreneurship supports the strategic management activities for SMEs presented by Mazzarol (2005). Though this framework was developed through a longitudinal empirical study of SMEs
in only one developed country, it looks like a suitable framework that SMEs in a developing country could use, either in its present state or potentially after further development to better align it to the needs of SMEs in a developing country like South Africa.

### 2.2.2.4.1 Conclusion

The concepts of strategy, strategic planning and the respective planning processes that SMEs could consider to practice formal strategic planning have been set out and reviewed in the previous sections.

The choice of frameworks reviewed in this section, was on the basis of their potential usefulness by SMEs in their practice of formal strategic planning. The frameworks reviewed are used in combination with others, thus the adoption or use of one framework is not mutually exclusive. The organisation’s choice of frameworks to use in their practice of formal strategic planning is dependent on the context of the organisation, from both an internal and external environmental perspective.

Frameworks such as PESTEL and SWOT have been in use for a while and are well entrenched within the planning and management approaches of most organisations, whereas, the entrepreneurial focused framework for strategic management is a newer approach that was introduced with the intent of further improving the strategic planning process of SMEs.

The next section will position the role of strategy and strategic planning to SMEs and review how strategic planning is practiced by SMEs as well as set out the challenges they face in practicing strategic planning.

### 2.3 Strategy and strategic planning in the context of SMEs

Beaver (2007) and Box (2011) posit that strategy is important to SMEs and that strategy is not the preserve of larger organisations. Strategy as seen from the perspective of most SMEs has a focus on short-term performance, survival and growth (Mazzarol et al., 2014). However, strategy is viewed the same way by SMEs and larger organisations as much as it provides a sense of purpose and direction, which then serves as a guide for
decision making (Beaver, 2007; Mazzarol et al., 2014). Strategy, thus, is largely not different for SMEs and larger organisations, except as it relates to the applicable time horizons, since SMEs mostly focus on short-term performance, whilst, larger organisations have a longer planning time horizon.

Using Porters (1980) generic strategy matrix, Box and Miller (2011) developed a matrix of ‘strategy archetypes' (see Figure 2.7). The ‘experimenter’ archetype is the one aligned to focused differentiation which was noted as being the most successful generic strategy for SMEs to pursue (Box and Miller, 2011). The focused differentiation strategy appears to be the most suitable for SMEs, as it will give SMEs the flexibility to channel the limited available resources to a narrow-targeted market, whilst enabling them to also be innovative by developing and offering products or services that are different from what their competitors will be offering. The potential flexibility they have to change the markets or the products/services they offer by focusing on a narrow market instead of serving a bigger and broader market, is why they are then viewed as experimenters. This positioning as a focused differentiator allows them to have the flexibility to shift their business positions in the early stages of their life cycle until they find the right business model and product/services mix.

**Figure 2.7**: Strategy archetypes

<table>
<thead>
<tr>
<th>Lower Cost</th>
<th>Differentiation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploiter (Cost Leadership)</td>
<td>Explorer (Differentiation)</td>
</tr>
<tr>
<td>Economiser (Cost Focus)</td>
<td>Experimenter (Differentiation Focus)</td>
</tr>
</tbody>
</table>

**Source**: Adopted from Porter (1985) and Box and Miller (2011)
Several researchers in their studies found that there was a positive relationship between the practice of strategic planning and the performance of SMEs (Kraus et al., 2007; Balasundaram, 2009; Sandada et al., 2014). Despite the positive relationship shown between strategic planning and the success of SMEs (Stonehouse and Pemberton, 2002; Skrt and Antonic, 2004; Wang et al., 2007; O'Regan and Ghobadian, 2007; Thompson et al., 2012; Sandada et al., 2014), most SMEs follow an emergent short-term approach in developing their strategies, rather than following a formal process with a long-term perspective (Stonehouse and Pemberton, 2002; Garengo et al., 2005; Thompson et al., 2012; Sandada, 2014). Thus, understanding how SMEs practice strategic planning and determining how their practice of strategic planning can be improved, is important for SMEs to be better enabled to practice strategic planning so they can grow and/or be sustainable.

Strategic planning is made up of two elements namely (i) the strategic direction, evident in terms of the mission and vision of the SME, and (ii) a strategic plan, shown in the form of long-term goals and objectives, however, only one of these two elements is usually present or prepared by SMEs (Thompson et al., 2012). The fact that only one of the two elements are usually present in SMEs, is the reason why it would be necessary for SMEs to practice formal strategic planning, since the process is more structured and will act as a guiding framework for the SME owner/managers to follow all the prescribed activities in the formulation of strategy, to realise the full benefits from strategic planning.

It is argued that strategic planning is present in most SMEs, however, sometimes in a different form to the conventional approach prevalent in larger established organisations (Kraus et al., 2007; Thompson et al., 2012; Cordeiro, 2013; Verreynne et al., 2016). Thompson et al. (2012) further argue that most SMEs gather limited competitive information through interactions with their suppliers and customers, versus, how larger organisations gather competitive intelligence by using strategic tools to gain a wider perspective of their environments. The position presented by Thompson et al. (2012) that most SMEs gather limited information through their suppliers and customers, is contrary to that presented by Verreynne et al. (2016), who posit that SMEs develop their strategies through the involvement of a wider stakeholder community made up of both internal and external stakeholders that they call a strategy community. Though both positions posited by Thompson et al. (2012) and Verreynne et al. (2016) on how SMEs gather information are plausible, the position posited by Thompson et al. (2012)
seems more plausible taking into consideration the singular personality or significant influence the SME owner/managers will have on the strategy making process as well as the usual limited resources available to SMEs to consult wider stakeholders and conduct a detailed environmental assessment (Liberman-Yaconi et al., 2010).

The strategy community interactions do not always follow a formal structure, thus, occur in a variety of settings such as meetings, workshops, and interactions with customers and service providers (Hendry and Seidl, 2003). Depending on the level of influence the SME owner/managers have on the strategy-making process, the SME strategy will be influenced by a mixture of (i) internal participation, (ii) external participation, and (iii) centralised strategy-making (Verreynne et al., 2016). Centralised strategy-making takes place when the SME owner/managers are strong leaders who strive to influence all decision-making aspects of the strategic planning process (Liberman-Yaconi et al., 2010; Verreynne et al., 2016). However, good strategy should ideally have a fair balance of the three approaches on internal and external participation as well as centralised strategy-making (Verreynne et al., 2016). It is argued that the use of centralised strategy-making is meant to ensure effective allocation of the limited resources available to SMEs and to save on the decision-making time, however, this usually results in decisions that are not well considered or informed, taking into consideration all available information (Liberman-Yaconi et al., 2010).

It has been posited that SMEs seem to plan in a less structured way than larger organisations (Kraus, 2007; Thompson et al., 2012; Cordeiro, 2013). This seems to be mainly due to several reasons, however, the lack of management skills related to strategic planning and the time associated with the process, have been cited as the most predominate reasons (Kraus et al., 2006; Beaver, 2007; Thompson et al., 2012). Wang et al. (2007) and Majama and Magang (2017) state that the lack of strategic planning has been cited as a contributing factor for the low performance and failure of SMEs. They also cite insufficient knowledge of the planning process and the size of the SMEs, as some of the major reasons for not practicing strategic planning (Majama and Magang, 2017). The lack of sound strategic management knowledge by SME owner/managers results in most SMEs limiting their strategic planning assessments to financial related matters such as budgets, financial forecasts and cash-flow (Thompson et al, 2012).
The strategic planning time horizon for most SMEs is between one to three years as compared to that of larger organisations of more than three years (Kraus et al., 2006; Kraus, 2007). This is primarily due to the lower level of information available to SMEs and a lack of resources by SMEs to assess and plan for such a long period (Kraus et al., 2006). Having a focus on a shorter planning horizon of one to three years will be more suitable for SMEs since it will afford them the opportunity to be more flexible in their strategic approaches to respond to environmental changes, assuming they might have to significantly change their strategic direction or priorities. This then means, they will not have to expand a lot of their limited resources as well as time and effort to change their strategic direction or priorities.

Even though SMEs follow some form of strategic planning (Thompson et al., 2012; Cordeiro, 2013), it has been presented from various empirical studies that the practice of strategic planning is linked to the success of the organisation (Wang et al., 2007; Balasundaram, 2009; Sandada et al., 2014). Empirical studies have shown that strategic planning contributes to the performance of SMEs, however, this is more pronounced in SMEs that follow a formal process (Kraus et al., 2006; Balasundaram, 2009; Thompson et al., 2012; Sandada, 2014). A formal process brings about structure in the decision-making process, thus, ensuring that available resources are utilised or allocated appropriately to enable the achievement of set goals and objectives (Balasundaram, 2009; Brinckmann et al, 2010; Cordeiro, 2013). However, most SME owner/managers argue that the planning process has the potential to take up too much management time, which would result in lower returns, as their time is not channelled to activities that drive operations (Brinckmann et al, 2010). Wang et al. (2007) argue that SME owner/managers that aim to pursue a profit/growth maximisation agenda are more likely to practice strategic planning as compared to those in business for personal fulfilment.

It is also argued that good strategy determines how SMEs will address the challenges they face and is the difference between success or failure of the SME (Beaver, 2007). Thus, it is encouraged that SMEs practice formal strategic planning as this has higher positive results than practising informal strategic planning (Thompson et al., 2012; Cordeiro, 2013). Strategic planning in SMEs also needs to be more formalised due to the more complex competitive environments faced by SMEs, however, SME owner/managers need to be trained or given access to hire skilled consultants to enable them to use strategic planning tools to perform environmental assessments, thus, enabling them to better understand the environment and develop competitive strategies.
(Sandada et al., 2014). The discipline and structure of a formal strategic planning process will allow the SME owner/managers to gain a better understanding of their environments and be better prepared to respond to the environmental changes (Kraus et al., 2006; Balasundaram, 2009; Cordeiro, 2013; Sandada et al., 2014). The need for SMEs to have the ability to conduct environmental assessments even whilst they might have limited strategic planning skills, supports this research’s proposal to identify or develop a simpler strategic planning framework for SMEs to follow, to allow them to practice formal strategic planning.

The strategic planning process has also been viewed as a resilient planning process for dealing with crisis. A crisis is usually an event which is an element of surprise, that pauses a threat to the organisation and requires quick decisions (Vargo and Seville, 2011). Organisational resilience was defined as;

“the ability of an organisation to not only survive but to thrive, both in good times and in the face of adversity” (Vargo and Seville, 2011, p.4).

Given the complexity and uncertainty of the environments most SMEs operate in, having the ability to effectively respond to a crisis is important for the SMEs survival (Vargo and Seville, 2011). Strategic planning in the event of a crisis, guides leadership, provides decision-making guidance and situation awareness (Vargo and Seville, 2011). Thus, having a strategic plan will provide a guiding framework for SMEs, on how to respond to the crisis, as well as enabling them to remain focused on channeling resources to the activities or initiatives that are geared towards enabling the organisation to achieve its desired future state, either as a result of having a new strategy or maintaining the same strategy.

It has also been argued that the determination of whether an SME will practice strategic planning or not, is dependent on the motivation that drove the SME owner/manager to establish the business, and the two primary motivations for an SME going into business were identified as (i) profit or growth maximisation of the enterprise or (ii) personal fulfilment/lifestyle sustenance (Wang et al. (2007). SMEs that are established with a motivation for profit or growth maximisation are likely to practice strategic planning more than those that were established with a motivation for personal fulfilment/lifestyle sustenance (Wang et al. (2007). The profit or growth maximisation objective aims to achieve a competitive advantage and thus the process of strategic planning will assist
the SME develop a good strategy to achieve a competitive advantage. Whereas, the personal fulfilment/lifestyle sustenance objective aims to meet the requirements of the SME owner/manager at a personal level through the achievement of goals such as having a job, income, a preferred freedom to managing one’s time on their own outside of formal employment.

The lack of strategic planning knowledge and skills having been cited as one of the major reasons for not practising strategic planning, can potentially be addressed by appointing advisory boards, that is if there are no sufficient resources to hire internal or external strategic planning expertise. Advisory boards can be constituted that would be made up of non-executive directors with the requisite knowledge and experience or identifying select individuals from their strategy community interactions that they could engage with, to test their thinking and get advice. In the longer term, as the business grows, it would be necessary for the SME owner/managers to invest in acquiring the requisite knowledge on the strategic planning process, this is even despite them having sufficient resources to hire either internal or external expertise.

Related to this, it was established that there is a positive relationship between the practice of strategic planning and the business performance of SMEs (Gomera et al., 2018). In their study, Rizan et al. (2019) also found that strategic planning is one of the important business practices that influence the positive business performance of SMEs. This finding is supported by other similar studies conducted in the context of the South African environment by Neneh and Van Zyl (2012b) and Sandada et al. (2014).

2.3.1 Conclusion

Having had an understanding as to how SMEs currently practice strategic planning in general, and in an effort to capacitate the SMEs to be more sustainable, it would be good for SMEs to have ability to better practice strategic planning. The practice of strategic planning and associated activities would enable SMEs to think strategically and plan for their futures by developing alternative strategies and choosing the most appropriate strategy, taking into consideration the consistently changing complex environment they operate in. This is also supported by the argument put forward by French et al. (2004) that it is the process of planning not the plan itself that is important.
Following various empirical studies on the benefits of strategic planning, it is argued that organisations that follow formal strategic planning tend to outperform those that follow less formalised processes (O’Regan and Ghoobadian 2007; Balasundaram, 2009; Sandada, 2014). Based on this argument, it is proposed that SMEs be better enabled to practice formal strategic planning. To further support the justification for this research, it has been posited that there is limited empirical evidence on the study of the role of strategic planning in SMEs (Kraus et al., 2006; Sandada, 2014).

The next section will provide an overview of the SME business environment in South Africa.

2.4 An overview of the SME business environment in South Africa

South Africa currently has a high national unemployment rate estimated to be about 24% to 25% (Fatoki, 2014; Bureau for Economic Research, 2016; Bushe, 2019). There are an estimated 2.2 million small, medium and micro enterprises (SMMEs), of which only about 30% are formally registered SMMEs (Bureau for Economic Research, 2016). The SMME sector contributes about 50% to the Gross Domestic Product (GDP) of South Africa and employs about 60% of the labour force (Bureau for Economic Research, 2016; Bhorat et al., 2018). The contribution to GDP by SMEs ranges from 16% in low-income countries to 51% in developed countries (D’Imperio, 2015), however, in some middle-income countries SMEs contribute up to 70% of the GDP (Bhorat et al., 2018), whereas in other developed countries SMEs can contribute up to 90% of the GDP (Booyens, 2011). If SMEs could be enabled to survive, grow and formalise their business ventures this would assist in alleviating the high unemployment in South Africa and enable them to further contribute more towards the GDP of South Africa.

There is a high failure rate of SMEs in South Africa, estimated to be about 60% to 70% (Cant and Wiid, 2013; Fatoki, 2014), this is despite the efforts by the South African government in actively introducing policies, strategies and programmes to create an enabling environment for small businesses (Bureau for Economic Research, 2016).

Fatoki (2014) defined business failure as the termination of business operations to prevent further losses or the discontinuance of a business for any reason and/or formal
bankruptcy proceedings such as liquidation and/or insolvency. Another definition of failure offered by Titus (2008) is when an entity;

“fails to meet its responsibilities to the stakeholders of the organisation, including employees, suppliers, customers and owners.” (Fatoki, 2014)

Bushe (2019) in his study posits that there are three primary causes of SME failure in South Africa and these are (i) entrepreneur incapacity, (ii) environmental inauspiciousness and (iii) enterprise incompetence. Entrepreneur incapacity is the lack of requisite management skills and knowledge by the SME owner/managers, whereas environmental inauspiciousness and enterprise incompetence generally mean a failure to comprehend the external and internal business environment, thus lacking the ability to ascertain the challenges faced by the business and capabilities required to run the business effectively (Bushe, 2019).

The causes of SME failure highlighted by Bushe (2019) were also identified by Fatoki (2014) and Bhorat et al. (2018), however, they were listed and categorised differently as internal (endogenous) and external (exogenous) factors. The internal factors were identified as lack of management experience and low functional skills as well as poor customer understanding, whereas the external factors include expensive supply chain infrastructure associated with high cost of distribution, competition, lack of financial assistance and high crime level (Fatoki, 2014; Bhorat et al., 2018).

Other researchers on the failure of SMEs in South Africa listed some of the challenges SMEs face as, access to finance and credit, inflation and interest rates, crime and unemployment, access to markets, the wrong pricing strategies, inadequate infrastructure and critical skills shortage (Cant and Wiid, 2013; Bureau for Economic Research, 2016).

The challenges and causes of SME failure cited in the preceding paragraphs could somewhat be addressed if the SMEs have good business strategies, which was highlighted to be a key capability to chart a way for the SMEs to achieve their goals and objectives. It has been posited that good strategy determines how SMEs will address the challenges they face and is the difference between success or failure of the SME (Beaver, 2007).
Despite there being no conclusive study to clearly ascertain the causes of failure of businesses, poor business planning has been cited as one of the most dominant causes of SME failure (Olawale and Garwe, 2010; Bushe, 2019).

SMEs are increasingly recognised as a leading vehicle for economic development, a prime source of employment, revenue generation, innovation and technological advancement in both developed and developing nations (Neneh and Van Zyl, 2012a). Nevertheless, SMEs are still “plagued by high failure rates and poor performance levels” despite their many contributions (Neneh and Van Zyl, 2012a; Fatoki, 2014). With SMEs being seen as a key contributor to economic development, it therefore calls for both the public and private sectors in South Africa to advocate for sufficient resources to be channeled to the development of SMEs.

The process of creation and management of start-up or new businesses that are synonymously classified as SMEs is commonly known as entrepreneurship and the success of this process is associated with bringing about the benefits related to the survival and growth of SMEs (Acs, 2006; Soni, 2014). However, there is no one definitive definition of an entrepreneur, it was posited that there are difficulties in agreeing on a definition of an entrepreneur, given the very diverse nature of their backgrounds, what they actually do, varying opportunities pursued such as early-stage start-ups that commercialize new ideas as compared to buying an existing business and building it further (Howorth, Tempest, and Coupland, 2005). In the South African context, an entrepreneur can be viewed as any owner of a business that falls into the category of SMMEs as classified by the National Small Business Act (102 of 1996) as shown in Table 2.3.

The entrepreneurship activity in South Africa is low as compared to the average metrics across comparative regions such as Asia, Latin America and other regions in Africa, thus there is an opportunity for South Africa to leverage on the benefits of SME survival and growth (Bhorat et al., 2018). The opportunity that could be realised from the success of SMEs in South Africa can also be highlighted by the gap between how much SMEs are currently contributing to the overall GDP in South Africa at 50% (Bureau for Economic Research, 2016; Bhorat et al., 2018) versus the contribution levels of 70% in other middle-income countries (Bhorat et al., 2018) and up to 90% in some developed countries (Booyens, 2011). Enabling SME owner/managers to have capabilities that would enable them to formalise their entrepreneurial ventures would capacitate them to formalise more of their ventures, considering that only 30% are formally registered out.
of the 2.2 million SMMEs in South Africa. Formally registering their business ventures will also potentially make it easier for the SMEs to access available support considering they would be formally recognised by the respective public and private institutions.

Given that South Africa is one of the better developed nations amongst most of the developing nations in Africa, there is potential to increase the contribution by SMEs to the overall GDP and thus alleviate some of the unemployment challenges facing the country. Due to the benefits that can be derived from the success and survival of SMEs such as job creation, the South African government therefore has an objective to promote the development of SMEs as a means of increasing job creation in order to reduce the high unemployment rate (Neneh and Van Zyl, 2012a; Fatoki, 2014; GEM South Africa, 2018).

2.4.1 SME support environment in South Africa

The South African government through SME development agencies such as the Small Enterprise Development Agency (SEDA), National Youth Development Agency (NYDA) and Technology and Innovation Agency (TIA) provide support to SMEs through (i) business incubation, (ii) promoting SME services through enterprise supplier development initiatives (iii) imparting business management skills through training programmes, (iv) availing access to specialist business management capabilities and (v) providing funding support (Soni, 2014; Emerging Companies Insight, 2015; Cant, 2016; GEM South Africa, 2018; Bushe, 2019). These government SME support initiatives as listed in the preceding statement are explained in more detail below;

(i) Business incubation is the process of providing stewardship, mentorship and supporting activities such as training on how to run a business, business administration support, provision of office/workspace, subsidies, financing and/or equity investment to SMEs, in an effort to assist in their growth and sustainability (Masutha and Rogerson, 2014). However, the support activities vary widely between different business incubators. The business incubators also facilitate networking and marketing events for SMEs so as to promote and grow the SMEs businesses (Masutha and Rogerson, 2014). For an entity to be identified as a suitable fit for such support, there is usually a selection process followed that involves assessment of the proprietors and the viability of the business venture.
(ii) Promoting SME services through enterprise supplier development initiatives, involves the development agencies using their contacts and relationships with big businesses and other government division and/or entities to link SMEs in their database to provide goods and services to identified big businesses or government divisions and/or entities (Pooe, 2016; SME South Africa, 2019). This is seen as a faster way to enable SMEs to gain access and be recognised as credible service providers by big businesses as well as government divisions and/or entities.

(iii) There are a varied range of business-related training courses such as entrepreneurship, financial management, project management, business etiquette, business writing etc. that either would have been developed by the development agencies or service providers contracted to train identified SMEs owner/managers to impart the required business management skills and knowledge (Dladla and Mutambara, 2018). Imparting business management skills such as financial management was highlighted to be very beneficial to SME owner/managers in enabling them to effectively manage their finances (Kirsten, 2018).

(iv) Availing access to specialist business management capabilities, involves providing support services such as assisting SMEs prepare their business plans, bookkeeping and accounting, secretarial services, website design, as well as other support services as management coaching or provision of critical skills on a short-term basis that the business venture might require to progress their activities etc. (Dladla and Mutambara, 2018).

(v) Providing funding support to specific SME ventures especially those being promoted by persons from disadvantaged backgrounds, who likely don’t have collateral, the youth or business ventures in areas deemed to be key for the development of jobs by government. The funding provided is either in the form of debt that requires repayment or grant funding that does not require repayment but is usually associated with close supervision to achieve certain milestones, and in certain instances, the funding can also be in the form of equity, thus the development agencies get an ownership stake in the SME business venture in lieu of the funding provided (SME South Africa, 2018; Rungani and Potgieter, 2018).

There are also a number of similar complimentary private sector led SME incubator initiatives to stimulate SME activity through entrepreneurship development
programmes and mentorships (Masutha and Rogerson, 2014; Emerging Companies Insight, 2015; GEM South Africa, 2018).

Though it is not the primary responsibility of government to create new businesses, it is expected that government should create a conducive environment for the creation of new businesses and further support the process with policies and programmes that enable the SMEs to survive and grow (Soni, 2014; GEM South Africa, 2018).

The South African government introduced the ‘National Small Business Act (102 of 1996)’ as an enabling framework for SMEs in South Africa. Small businesses in South Africa range from medium-sized enterprises such as those listed on the Johannesburg Stock Exchange – Alternative Index (JSE-AltX), employing over a hundred people, to informal micro-enterprises. The upper end of the range is comparable to SME segments found in developed countries (Bureau for Economic Research, 2016). There are currently about 60 companies listed on the JSE-AltX with an estimated market capitalisation of R30 billion (Brougham-Cook, 2016). The National Small Business Act (amendment Act No.29 of 2004, p.4) defines an SME as;

“This any entity, whether or not incorporated or registered under any law, which consists consisting mainly of persons carrying on small business enterprise concerns in any economic sector, or which has been established for the purpose of promoting the interests of or representing small business enterprise concerns, and includes any federation consisting wholly or partly of such association, and also any branch of such organisation”.

The National Small Business Act (102 of 1996) classifies SMEs into the following categories (i) medium, (ii) small, (iii) very small and (iv) micro enterprises using a set of thresholds that include standard sector and/or subsector classification, size of class, equivalent of paid employees, turnover and asset value – excluding fixed property. Table 2.3, provides a summary of the classifications of SMEs in South Africa based on the National Small Business Act;
Table 2. 3: Definitions of SMMEs from the National Small Business Act (SA)

<table>
<thead>
<tr>
<th>Category of SMME</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survivalist Enterprise</td>
<td>Operates in the informal sector of the economy. Mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. Little capital invested, not much assets. Not much training. Opportunities for growing the business very small.</td>
</tr>
<tr>
<td>Micro Enterprise</td>
<td>Between one to five employees, usually the owner and family. Informal - no license, formal business premises, labour legislation. Turnover below the VAT registration level of R300 000 per year. Basic business skills and training. Potential to make the transition to a viable formal small business.</td>
</tr>
<tr>
<td>Very Small Enterprise</td>
<td>Part of the formal economy, use technology. Less than 10 paid employees. Include self-employed artisans (electricians, plumbers) and professionals.</td>
</tr>
<tr>
<td>Small Enterprise</td>
<td>Less than 100 employees. More established than very small enterprises, formal and registered, fixed business premises. Owner managed, but more complex management structure.</td>
</tr>
<tr>
<td>Medium Enterprise</td>
<td>Up to 200 employees. Still mainly owner managed, but decentralised management structure with division of labour. Operates from fixed premises with all formal requirements.</td>
</tr>
</tbody>
</table>

**Source:** National Small Business Act (102 of 1996) and Entreprenuerstoolkit.org

Despite the definition of SMEs by the National Small Business Act (102 of 1996), there generally is no consensus over what constitutes an SME across countries (Balasundaram, 2009; Abor and Quartey, 2010).

To support the development and survival of SMEs in South Africa this research focused on ‘Very Small Enterprises’, ‘Small Enterprises’ and ‘Medium Enterprises’ as defined in Table 2.3. These three SME groupings are believed to be formalised and have complex management structures, with the medium enterprises having decentralised
management structures as well. As a result of the growth stage that ‘Very Small Enterprises’, ‘Small Enterprises’ and ‘Medium Enterprises’ are at, they are likely the most suitable to have the ability to practice strategic planning and benefit from a formalised strategic planning process, to bring structure in their strategy making processes. It is important to capacitate SMEs that fall into these three groupings, so they have a better chance to continue to grow and/or be sustainable, as their failure would result in a higher number of job losses or the loss of the potential job opportunities they would create if they are to survive and grow.

This section has provided an overview of the SME environment in South Africa, the next section will provide an overview of the targeted research sector on SMEs in the food and beverages manufacturing sector in South Africa.

2.5 The food and beverages manufacturing sector in South Africa

The food and beverages manufacturing sector is a significant contributor to the South African economy, as it accounts for approximately 18% of the manufacturing sales in South Africa (FoodBev SETA, 2011; Statistics South Africa, 2014). There is an income distribution disparity between large and small enterprises within the food and beverages manufacturing sector. This disparity was skewed towards the larger enterprises at 91% versus 9% for SMEs, as of 2011 (FoodBev SETA, 2011). However, this income distribution disparity has largely remained the same as indicated in the South Africa Manufacturing Industry Report (Statistics South Africa, 2014), which shows that 85% of the revenue is attributed to large enterprises versus 15% to SMEs. SMEs in this sector employ about 36% of the total labour force in the sector. The food and beverages manufacturing sector’s contribution to the total manufacturing sales in South Africa has remained constant at 24% from 2011 (FoodBev SETA, 2017), this translates to about 3% of the GDP of South Africa.

The success of the food and beverages manufacturing sector in South Africa is ideally suited to stimulate growth and further economic development, since it gets most of its inputs from the agriculture industry which is one of the largest employers of unskilled labour, outside of the mining sector in South Africa.

The food and beverages manufacturing sector has the following sub-sectors (i) Baking, Cereals, Confectionary and Snacks (BCCS), (ii) Beverage Manufacturing, (iii) Dairy
Manufacturing, (iv) Manufacture of Food Processing, and (v) Food Preparation that covers Processed and Preserved Meat, Fish, Fruit and Vegetables. The industry sub-sector overview is as shown in Figure 2.8;

**Figure 2.8**: Food and beverages manufacturing industry sub-sector composition

![Figure 2.8: Food and beverages manufacturing industry sub-sector composition](image)

**Source**: FoodBev SETA, (2011)

With a total of 11,011 levy paying companies in 2017, the sector has grown from the 7,513 levy paying companies registered in 2011 (FoodBev SETA, 2011; FoodBev SETA, 2017). Of the 11,011 levy paying companies, 93% are small enterprises, 5% medium sized enterprises, whilst 4% are large businesses (FoodBev SETA, 2017). The income distribution of the food and beverages manufacturing sector is heavily skewed towards the large entities as highlighted in the FoodBev SETA Sector Report (2011), which indicated that out of a total income of R225 billion, large enterprises accounted for R204 billion (91%) and the SMEs a combined R21 billion. For the 2018 to 2019 period the number of registered companies increased to 12,355, however, the industry sub-sector composition and income distribution has largely remained the same as it was from 2011 to 2017 (FoodBev SETA, 2020). The growth and performance challenges faced by SMEs could be a contributing factor to this income distribution disparity, of which the practice of formal strategic planning could potentially address this disparity in the long-term.
With an estimated 2,2 million SMMEs in South Africa and only 660,000 (30%) of these being formally registered (Bureau for Economic Research, 2016), SMEs in the food and beverages manufacturing sector in South Africa thus account for about 2% (12,107 which is 98% of the registered entities in FoodBev sector) of the formally registered SMEs in South Africa.

The sub-sector composition in Figure 2.8 shows that the largest number of SMEs are in two sub-sectors, namely the ‘food preparation’ and ‘processed foods’ sub-sectors. Firms in these two sub-sectors are likely to be more homogenous as they have relatively similar operating environments across the two sub-sectors, thus this research will focus on studying these two sub-sectors in the food and beverages manufacturing sector in South Africa.

2.6 Literature review synthesis

The literature review showed that there is no common standardised definition of strategy, however, for the purposes of this research, strategy has been defined as, how an organisation moves from its current position to a desired future state within the confines of its mission, vision, capabilities and environment (Skrt and Antonic, 2004; Phillips, 2011, Box, 2011). The definition of strategy that has been cited as one of the most comprehensive, is the one by Chandler (1990, p.13) below;

“the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals”.

The process of formulating strategy is commonly known as strategic planning and strategic planning was defined as the process of setting the organisations mission, vision and strategy (O'Regan and Ghobadian 2007; Jarzabkowski and Balogun, 2009). The activity of strategic planning is believed to be a periodic engagement that provides a structured approach to strategy formulation, implementation, and control (Wolf and
Floyd, 2017). Strategic planning was shown to be the most widely used strategic management tool (Grant, 2003; Giraudeau, 2008; Rigby and Bilodeau, 2017).

The strategic planning process is comprised of the following five generic activities or elements, (i) defining the organisation's direction, (ii) scanning and appraisal of the environment, (iii) identification of the organisation’s strategic issues, (iv) strategy choice, and (v) setting up of implementation, evaluation and control systems (Arasa and K'Obonyo, 2012). Environmental scanning is a crucial activity of the strategic planning process as it will enable organisations to understand the current status of the organisation as well as trends or changes that will impact the organisation in the future (Sandada, 2014; Du Toit, 2016). Thus, getting the environmental assessment information timeously will enable owner/managers to effectively influence strategy formulation and strategy changes (Du Toit, 2016). Vargo and Seville (2011) referred to the understanding of the environment as organisational situation awareness. Organisational situation awareness was defined as;

“a continuous extraction of environmental information, integration of this information with previous knowledge to form a coherent mental picture, and the use of that picture in directing further perception and anticipating future events (Dominguez, 1994 as cited in Salas et al, 1995, pg 3)” (Vargo and Seville, 2011, p.7).

Wang et al. (2007) and Majama and Magang (2017) state that the lack of strategic planning has been cited as a contributing factor for the low performance and failure of SMEs. It was shown that it is beneficial for SMEs to practice strategic planning and that having a good strategy enables SMEs to achieve a competitive advantage and be sustainable (Mazzarol, 2005; Cordeiro, 2013; Sandada et al., 2014). The practice of strategic planning could potentially enable the SMEs to develop suitable strategies informed through strategic thinking to grow their businesses and achieve the desired organisational performance (Mazzarol, 2005; Cordeiro, 2013; Sandada et al., 2014). Kraus et al. (2006) argue that the more formalised the process of strategic planning the higher the impact it has on organisational performance.
Organisations will choose to practice strategic planning for the benefits associated with the successful practice of strategic planning such as achieving a competitive advantage and achievement of the desired organisational performance. However, there are challenges that organisations face that result in some of them not practicing strategic planning, but this is more predominate in SMEs.

A competitive advantage is achieved through determining unique activities the organisation will pursue to reach its desired future state (Porter, 1996; Box, 2011; Sims et al., 2016). Organisational performance has been defined as;

"the performance of a company as compared to its goals and objectives", or as "the actual results or output of an organization as measured against that organization’s intended outputs" Almatrooshi et al, (2016, p.846).

Strategy is important to SMEs and it is not the preserve of larger organisations only (Beaver, 2007; Box, 2011). Strategy as seen from the perspective of most SMEs has a focus on short-term performance, survival and growth (Mazzarol et al., 2014). Strategy is largely not different for SMEs and larger organisations, except as it relates to the applicable time horizons, since SMEs mostly focus on short-term performance, whilst, larger organisations have a longer planning time horizon.

Sandada et al. (2014) in their study found that there was a positive relationship between the practice of strategic planning and the performance of SMEs in South Africa. It is argued that SMEs seem to plan in a less structured way than larger organisations (Kraus, 2007; Thompson et al., 2012; Cordeiro, 2013). This seems to be mainly due to several reasons, however, the lack of management skills related to strategic planning and the time associated with the process, have been cited as the most predominate reasons (Kraus et al., 2006; Beaver, 2007; Thompson et al., 2012).

The strategic planning time horizon for most SMEs is between one to three years as compared to that of larger organisations of more than 3 years (Kraus et al., 2006; Kraus, 2007). Enabling SMEs to have a longer planning time horizon of at least three years will be beneficial for SMEs since it will afford them the opportunity to be more strategic in their approaches to responses to environmental changes, assuming they might have to significantly change their strategic direction or priorities.
It is also argued that good strategy determines how SMEs will address the challenges they face and is the difference between success or failure of the SME (Beaver, 2007). Thus, it is encouraged that SMEs practice formal strategic planning as this has higher positive results than practising informal strategic planning (Thompson et al., 2012; Cordeiro, 2013). Strategic planning in SMEs also needs to be more formalised due to the more complex competitive environments faced by SMEs, however, SME owner/managers need to be trained or given access to hire skilled consultants to enable them to use strategic planning tools to perform environmental assessments, thus, enabling them to better understand their environment and develop competitive strategies (Sandada et al., 2014). The discipline and structure of a formal strategic planning process will allow the SME owner/managers to gain a better understanding of their environments and be better prepared to respond to the environmental changes (Kraus et al., 2006; Cordeiro, 2013; Sandada et al., 2014).

The research opportunity in the identified research focus area on SMEs in the food and beverages manufacturing sector in South Africa is provided in the next section.

2.6.1 Research opportunity

The research focus area will be on SMEs in the food and beverages manufacturing sector in South Africa. The focus on SMEs is primarily due to the job creation opportunities they present if they survive and grow their businesses. Thus, the survival and growth of SMEs in South Africa could further stimulate economic growth, ultimately contributing to the ability of the economy to address the high unemployment levels.

The growth and performance challenges faced by SMEs in the food and beverages manufacturing sector can be seen from three perspectives, (i) the income distribution in the sector is heavily skewed in favour of large enterprises at 85% versus that of SMEs at 15% (Statistics South Africa, 2014), (ii) SMEs in the sector employ 36% of the respective labour force, whilst only commanding 15% of the total revenue in the sector, (iii) whilst, SMEs contribute 15% of the total revenue in the sector, SMEs in South Africa in general contribute up to 50% of the total GDP of South Africa (Booyens, 2011). These disparities show that there could be an opportunity for SMEs in the sector to be more competitive and grow their revenue to address the identified disparities.
The food and beverages manufacturing sector’s contribution to the total GDP of South Africa has remained constant at 3% from 2012 to 2014 (FoodBev SETA, 2017). The higher percentage of jobs created in comparison to income generated by SMEs in the sector, is yet another indication of the potential SMEs in this sector have to stimulate economic development and increase the sector’s overall contribution to GDP.

The literature review has shown that SME managers should spend a significant amount of time analysing both of their internal and external environments, developing and analysing alternative strategic options, choosing and committing resources to the chosen strategy (Skrt and Antonic, 2004; French et al., 2004; Sandada, 2014). Despite the positive relationship shown between strategic planning and the success of SMEs (Stonehouse and Pemberton, 2002; Skrt and Antonic, 2004; Wang et al., 2007; O'Regan and Ghobadian, 2007; Thompson et al., 2012; Sandada et al., 2014), most SMEs follow an emergent short-term approach in developing their strategies, rather than following a formal process with a long-term perspective (Stonehouse and Pemberton, 2002; Garengo et al., 2005; Thompson et al., 2012; Sandada, 2014).

The practice of strategic planning could potentially enable the SMEs to develop suitable strategies informed through strategic thinking to grow their businesses and achieve the desired organisational performance (Mazzarol, 2005; Sandada et al., 2014). Kraus et al. (2006) and Sandada (2014) argue that the more formalised the process of strategic planning the higher the impact it has on organisational performance.

To address the challenges identified in this research focus area and some of the findings from the literature reviewed as it relates to the practice of strategic planning by SMEs, a proposed theoretical strategic planning framework for SMEs to practice strategic planning has been developed and is set out in the next section.

2.6.2 Proposed theoretical strategic planning framework

Following the literature review and the literature review synthesis in the previous sections, the proposed theoretical strategic planning framework for SMEs to practice strategic planning set out in this section seeks to provide an answer to one of the research questions on how can SMEs in the food and beverages manufacturing sector
improve their practice of strategic planning? Thus, the framework should act as a guide for SMEs in the research focus area on how they can better practice strategic planning.

The proposed theoretical strategic planning framework for SMEs (see Figure 2.9) to better practice strategic planning was based on the entrepreneurial focused framework for the strategic management of small firms developed by Mazzarol (2005) and the generic strategic planning process set out by Arasa and K’Obonyo (2012).

The framework introduced by Mazzarol (2005) has three practice areas on, (A) opportunity recognition, (B) resource accumulation, and (C) capacity building, the goal of the framework is enabling the sustainability of SMEs. The five key complementary elements of the framework proposed by Mazzarol (2005) for SMEs are, (i) the entrepreneurial character of the organisations leadership team, (ii) the use of innovation to provide a foundation for growth, (iii) the use of strategic networking to secure access to resources and markets, (iv) the identification of a product market growth vector, and (v) the management team’s ability to balance the ‘strategic triangle’ encompassing the strategy, structure and resources (Mazzarol et al., 2014).

Though the proposed theoretical strategic planning framework for this research will follow the three practice areas on, (A) opportunity recognition, (B) resource accumulation, and (C) capacity building, it will only use the following three complementary elements from the framework by Mazzarol (2005), (i) the use of innovation to provide a foundation for growth approach for the opportunity recognition, (ii) the use of strategic networking to secure access to resources and markets, and (iii) the identification of a product market growth vector. This is primarily to simplify the strategic implementation aspect of the proposed framework.

The SME strategic management framework presented by Mazzarol (2005) is supported by the argument put forward by Kraus et al. (2006) that strategic planning should enable the generation of new ideas, broaden opportunities and reduce uncertainty through better understanding of the environment. The framework is meant to guide SME owner/managers to practice strategic thinking in their strategic planning processes. The process of strategic thinking will enable the SME managers to think broadly throughout the strategy making process, especially when analysing their business models, assessing their environments and choosing the appropriate strategic alternative(s) to give the SMEs a competitive advantage (Mazzarol, 2005).
Though the framework by Mazzarol (2005) was developed through a longitudinal empirical study of SMEs in only one developed country, it looks like a very suitable framework that SMEs in a developing country could use in its present state or potentially after further development/refinement to better align it to the needs of SMEs in a developing country like South Africa.

Arasa and K’Obonyo, (2012) proposed the following five generic strategic planning process activities, (i) defining the organisation’s direction, (ii) scanning and appraisal of the environment, (iii) identification of the organisation’s strategic issues, (iv) strategy choice, and (v) setting up of implementation, evaluation and control systems. These generic strategic planning process activities were taken into consideration in the development of the theoretical strategic planning framework for SMEs as illustrated in Figure 2.9, however, they were categorised differently.

**Figure 2.9:** Theoretical framework for SMEs to practice strategic planning

[Diagram showing strategic planning framework]

*Source:* Adapted from Mazzarol (2005) and Arasa and K’Obonyo (2012)
The theoretical strategic planning framework follows three stages on, (1) strategic direction, (2) strategic assessment and choice, and (3) strategic implementation. These three stages are explained below;

(1) Strategic direction

The strategic direction of the organisation is informed by the mission and vision statements, as well as set goals and objectives. As previously stated by other researchers, a mission and vision statement are important to ensure that all organisational stakeholders are aware of the direction the organisation has chosen and will also act as a guide for resource allocation, decision making and overall organisational alignment. A mission statement states what an organisation does in terms of its purpose and focus areas, whilst, the vision statement is a long-term aspirational goal of what the organisation aims to become and do in the future (Skrt and Antonic, 2004; Cady et al., 2011).

The mission and vision statements are commonly well documented and communicated within larger organisations, however, it is important for SMEs to have well-defined mission and vision statements as well, to ensure all their stakeholders are aware of the strategic direction of their organisations.

(2) Strategic assessment and choice

The strategic assessment and choice stage involves the process of assessing the internal and external environment, to understand the current status of the organisation as well as identify any potential impact to the organisation’s future plans to achieve its desired future state. The assessment can be conducted utilising a wide range of models such as SWOT, PESTEL and Porter’s five competitive forces. However, in order to ensure that this assessment process is simple and is not too difficult for SME owner/managers to perform/conduct, it is proposed that they focus on innovation by identifying new ideas for products/services, new or improved processes and ways to enter or expand new markets. This innovation activity was termed or recognised as opportunity recognition by Mazzarol (2005).
Given that the environmental assessment is a crucial exercise for all organisations, it is proposed to simplify this activity for SMEs, so it is simple and can easily be done more frequently/iteratively throughout the year.

The choice of opportunities or initiatives to pursue would have to be aligned with the organisation’s strategic direction. The chosen initiatives have to be those that will result in the organisation achieving the highest benefit from the combined outcomes of the chosen initiatives. The process of determining which initiatives the SMEs chose to pursue is known as strategic decision making. The strategic decision-making process is largely influenced by (i) confidence level, (ii) risk acceptance, (iii) experience and education level, of the SME owner/managers. Strategic choices are made through the use of judgement, bargaining, or analysis to select the most suitable strategic alternatives or initiatives (Nutt, 2002).

Though it was posited, that most strategic choices are made through the use of analysis (Nutt, 2002; Chussil, 2005), SMEs are most likely going to use judgement for their strategic decision making. Thus, it is important for the SME owner/managers to equip themselves with the ability to conduct environmental assessments to enhance their insight and experience, to be better positioned to inform their strategic decision making with regards to the choice of initiatives to pursue.

(3) Strategic implementation

Strategic implementation involves the process of enabling the accumulation of resources required to implement the chosen strategies as well as building the necessary capacity to realise the full benefits from the chosen strategies by scaling up the existing products and services to grow market share. Aaltonen and Ikävalko (2002) and Okumus (2003) posit that strategy implementation, evaluation and control involves putting in place the relevant policies that will enable the translation of chosen strategies into actionable plans as well as provision of guidance with regards to resource allocation aligned to the chosen strategies. The evaluation and control activity involves the formulation and adoption of performance measurement frameworks that will inform management of the progress with the achievement of set goals and objectives, as well as providing feedback to inform management of the results, that will then influence any necessary adjustments to the strategic direction, strategy and resource allocation (Arasa and K'Obonyo, 2012).
Due to the challenge of limited resources that most SMEs are exposed to, it is recommended that SMEs build partnerships and alliances to better position themselves to implement chosen strategies optimally. By leveraging on partnerships and alliances, SMEs could achieve economies of scale, thus, effectively lowering their cost of doing business. The sharing of capabilities with other SMEs and having access to a wider network of resources through the partnerships and alliances, will also enhance their reach to other capabilities that they require or would require to produce and deliver their products/services.

### 2.7 Conclusion

This chapter has provided a literature review on strategy and strategic planning in general as well as provided the context as it relates to SMEs in general and in South Africa. An overview of the research focus area on SMEs in the food and beverages manufacturing sector in South Africa was also provided in this chapter, highlighting the need for SMEs in South Africa to grow, achieve a competitive advantage and be sustainable as well as some of the challenges SMEs face in South Africa.

Following the synthesis of the literature review a proposed theoretical strategic planning framework for use by SMEs in South Africa to practice strategic planning was also developed.

The theoretical strategic planning framework as illustrated in Figure 2.10 is meant to enable SMEs to practice strategic planning. The theoretical framework will enable SME owner/managers to answer these three strategic questions on business management, (i) where are we now, (ii) where do we want to be in future, and (iii) how will we get there (French et al., 2004; Majama and Magang, 2017). This then will allow SMEs to develop good planned strategies that will enable them to achieve their desired future and remain sustainable.

The choice of merging the strategic management framework by Mazzarol (2005) and the generic strategic planning process activities by Arasa and K'Obonyo (2012) in developing the proposed theoretical strategic planning framework, was primarily based on the relevance of the respective elements identified from both planning frameworks.
The proposed theoretical strategic planning process is meant to be a simple framework for SMEs to follow to enable them to practice strategic planning.

The framework by Mazzarol (2005) provides SMEs with an insight and guidance on focus areas for strategic planning for SMEs, whilst, the strategic planning process by Arasa and K’Obonyo (2012) provides insight and guidance on key generic strategic planning activities. The choice of the Arasa and K'Obonyo (2012) strategic planning process is also due to the grouping of the strategic planning process activities into the three stages on, (i) strategic analysis, (ii) strategic choice, and (iii) strategic implementation. The grouping of the strategic planning process activities into the three stages provides a summarised and simplified overview of the strategic planning process. The three stages as presented by Arasa and K'Obonyo (2012) can be easily aligned with specific strategic planning elements from the framework by Mazzarol (2005) that are suitable for SMEs to follow such as, (A) opportunity recognition, (B) resource accumulation and (C) capacity building.

The literature review was conducted to gain an understanding of the existing literature and knowledge, thus creating the foundational knowledge in understanding the existing knowledge gap in the practice of strategic planning by SMEs and validating the research questions listed below;

(1) how do SMEs view strategy?

(2) how do SMEs in the food and beverages manufacturing sector plan for their future?

(3) why do SME managers in the food and beverages manufacturing sector plan in the way they do? and

(4) how can SMEs in the food and beverages manufacturing sector improve their practice of strategic planning?

The next chapter will outline the detailed research methodology that shows how this research was conducted.
CHAPTER THREE – RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the detail on the research methodology for this research study. The sections under this chapter outline the research paradigm, research design, case study selection approach, data collection and analysis, as well as the pilot study approach.

3.2 Research paradigm

Research is a systematic process undertaken to discover new facts or knowledge about a phenomenon (Bryman and Bell, 2015; Saunders et al., 2016). However, the research process is influenced by the assumptions and beliefs associated with the development of knowledge or theory related to epistemology, ontology and axiology.

Epistemology is concerned with how we acquire and accept the truth associated with what we know to be true or false (assumptions about knowledge), thus, when researchers are faced with a business and management issue or positions they understand them differently dependent on the level of knowledge they have on the subject or what they believe they know on the subject (Aliyu et al., 2015; Saunders et al., 2016, p.133-134).

Ontology is how people in their individual capacity see or perceive reality as they interact with respective business and management issues, this involves the interpretation of issues and determining what is important, what has an impact and what is not important or is irrelevant (Aliyu et al., 2015; Saunders et al., 2016, p.133-134).

Axiology involves the values and beliefs of the researcher and those of the research participants, and how this will likely influence their positions as it relates to the subject of the research study, this in essence seeks to clarify how the research will address any bias associated with the values and beliefs of the research participants (Aliyu et al., 2015; Saunders et al., 2016, p.133-134).
Thus, in summary, ontology is concerned with the nature of reality of a phenomenon and epistemology refers to how we know the various realities we encounter, whereas axiology refers to the values and beliefs of the researcher and research participants.

The three research assumptions (epistemology, ontology and axiology), inform the research philosophy and influences the methodology of the research study. Dependent on the position of the researcher on these assumptions and beliefs, it will influence whether they believe the process they should follow will be objective, subjective, or a mix of both. Taking into consideration the three underlying assumptions and beliefs that shape research, in order to answer the research questions in this research study, the phenomenological/interpretivism philosophy was more appropriate for this research study rather than the positivist philosophy.

The positivist philosophy is concerned with seeking to understand a subject through objective analysis, thus it takes the stance that the researcher’s interpretations, opinions and ideas of the study subject, are excluded in assessing/analysis of the sample (Bryman and Bell, 2015; Saunders et al., 2016, p.144-147). Positivism is associated with highly structured research methodology that involves generating a series of hypotheses and then subsequently testing them using established statistical tools and techniques, and the outcome is the generalisation of theory, as it requires larger samples that are a fair representation of the study population (Bryman and Bell, 2015; Saunders et al., 2016, p.144-147).

Phenomenology is a belief system or process that enables the collection and assessment of both objective and subjective aspects of a research subject (Bryman and Bell, 2015; Jankowicz et al., 2016). It is also an exploratory approach that enables the development of innovative solutions through the understanding of how a team or an organisation works by being part of it or through collecting as much information on the subject through direct involvement (Bryman and Bell, 2015; Jankowicz et al., 2016).

The research was a qualitative study that followed a deductive approach and utilised the case study strategy for data collection. The phenomenological research philosophy allowed the researcher to collect and analyse more detailed information, thus enabling theory elaboration (Bluhm et al., 2011) as it relates to developing a better understanding to answer the research questions.
Theory elaboration has been defined as;

“the process of conceptualizing and executing empirical research using preexisting conceptual ideas or a preliminary model as a basis for developing new theoretical insights by contrasting, specifying, or structuring theoretical constructs and relations to account for and explain empirical observations” (Fisher and Aguinis, 2017, p.441).

The use of case studies is a suitable strategy for a phenomenological based research study as it enables the collection of rich data through in-depth interviews, observations and archival documents (Eisenhardt and Graebner, 2007; Tsang, 2014; Yin, 2017). The case study being one of the most popular qualitative research strategies was defined as an enquiry that;

“involves intensively investigating a single case or a small number of cases in their naturalistic contexts (Piekkari et al. 2009)” (Tsang, 2014, p.371).

Other researchers have used the case study to build theory (Gilbert, 2005; Eisenhardt and Graebner, 2007). This research study proposes to use multiple case studies, and in this regard, it is posited that for the purposes of theoretical generalisation, the use of multiple case studies is better than using a single case study (Eisenhardt and Graebner, 2007; Tsang, 2014; Yin, 2017).

The use of multiple case studies in this research study involves identifying and investigating more than one single case from a defined sample or population of research study (Miles et al., 2014; Bryman and Bell, 2015; Yin, 2017; Lune and Berg, 2017, p.170-180). Multiple case studies will enable the comparison of findings which will facilitate the development of a richer and more detailed understanding of the phenomenon of study through both single-case analysis and cross-case analysis (Miles et al., 2014; Lune and Berg, 2017, p.170-180). The single-case analysis or ‘within-case’ analysis captures findings based on an assessment of a single case study, looking at key highlights, trends and themes identified from the single-case study, whereas the ‘cross-
case’ analysis involves looking at similarities and differences of findings across multiple cases (Eisenhardt, 1989; Miles et al. 2014).

Schwandt’s (1997, p.57) defined generalisation as a;

“general statement or proposition made by drawing an inference from observation of the particular” (Tsang, 2014, p.371).

There are two main forms of generalisation, namely empirical generalisation and theoretical generalisation, of which empirical generalisation is associated with using findings from case studies to generalise the findings to the wider population from which the case studies were drawn or across populations, whereas theoretical generalisation which in essence is indicative, is associated with theory building (or revising existing theory) through case studies (Tsang, 2014). Given that this research will follow the case study method and will make use of multiple case studies, the findings will thus seek to achieve theoretical generalisation (indicativeness).

The research model to operationalise the research highlighting the relationship between strategic planning and good planned strategy to achieve a competitive advantage, desired organisational performance and sustainability is illustrated in Figure 3.1.

**Figure 3.1:** Research model for operationalisation

```
Research Questions

SMEs practicing Strategic Planning

1. Defining the strategic direction
2. Conducting strategic assessments and making strategic choices
3. Determining the strategic implementation activities or initiatives

PLANNED STRATEGY
```

*Source:* Author
3.3 Research design

The research philosophy that forms the basis of the research approach was set out in the preceding section. This section of the research methodology provides an outline of the deductive research design and process as illustrated in Figure 3.2, covering (1) conducting a literature review, (2) identifying or developing a conceptual strategic planning framework, (3) conducting a pilot study, (4) collecting qualitative and quantitative data, (5) analysing the data, (6) developing propositions and recommendations.

**Figure 3.2: Research design (same as Figure 1.1)**

1. Literature Review
2. Literature Synthesis
3. Proposed Strategic Planning Model
4. Preparation of Data Collection Tools
5. Pilot Study
6. Data Collection
7. Data Analysis
8. Validation Exercise
9. Discussion and Conclusions

**Source:** Author

The deductive approach commences with creating an understanding of existing literature. Thus, a literature review was conducted to develop an understanding of the existing literature on the practices of strategic planning by SMEs in general and in the research focus area on the food and beverages manufacturing sector in South Africa. The literature review was then synthesised, thus highlighting the major findings from
the literature review. The synthesis informed the basic theory, identification and development of a theoretical strategic planning framework that SMEs in the food and beverages manufacturing sector in South Africa could use. The data collection approach and tools as well as the chosen data analysis techniques were piloted. The insight gained from the pilot study provided input to refine and improve the data collection approach and respective tools. After the pilot study was completed, the main empirical study was conducted through in-depth interviews with SME owner/managers, observations and collection of archival documents from the identified case studies. The collected data was then analysed using multiple qualitative analysis methods such as thematic analysis, content analysis and narrative analysis. The results from the analysis of the collected data informed the research conclusions, propositions and recommendations, which are contained in this thesis write up.

3.4 Case study selection

The research design has been outlined in the previous section, this section provides a review on sampling for qualitative studies and details how the case studies for this research study were selected.

There are no prescriptive sampling methods for qualitative research as there are in quantitative research (Coyne, 1997; Bluhm et al., 2011). This lack of guidelines on the principles of sampling approaches for qualitative research ultimately affects replication of qualitative studies (Coyne, 1997).

There are three methods commonly used when identifying a sample for qualitative research which are (i) selective sampling, (ii) purposeful sampling and (iii) theoretical sampling (Marshall, 1996; Coyne, 1997). Selective sampling is the identification of a sample in advance of the study, based on some predefined criteria aligned to the aim of the research (Coyne, 1997). Whereas, it is argued that selective and purposeful sampling are similar, purposeful sampling is when sample case studies are identified primarily based on the depth of information that can be gained from the case studies which is aligned to the aim of the research (Marshall, 1996; Coyne, 1997; Bryman and Bell, 2015, p.429). Theoretical sampling has been defined as a process of identifying the sample case study based of previous data collected, thus, the sample selection criteria is
not determined in advance but is informed by the research process as it emerges (Marshall, 1996; Coyne, 1997; Bryman and Bell, 2015, p.431).

“Glaser (1978) defines theoretical sampling as the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyses his data and decides which data to collect next and where to find them, in order to develop his theory as it emerges” (Coyne, 1997, p.625)

In qualitative research, it is important to reach a point of saturation, this is a stage in the research process were sufficient data would have been collected to be able to come to a reasonably well-informed conclusion from the research, thus deeming it unnecessary to identify other case studies, collect more data or to perform further data analysis for the research study (Saunders et al., 2017).

The lack of defined guidelines or rules for an appropriate sample size in qualitative research does not make the process of qualitative research inferior to quantitative research (Tuckett, 2004; Bluhm et al., 2011). The focus in qualitative research is exploratory and data is commonly gathered through observations and the conduct of in-depth interviews, with the aim of seeking rich data on the identified case studies (Tuckett, 2004; Bluhm et al., 2011).

For this research, theoretical sampling was used to identify case studies for the empirical study. The case studies for this research were identified from South African based SMEs in the food and beverages manufacturing sector. From the literature reviewed on SMEs in the research focus area, the ‘food preparation’ and ‘processed foods’ sub-sectors have the largest number of SMEs. Firms in these two sub-sectors are likely to be more homogenous as they have relatively similar operating environments across the two sub-sectors, thus this research focused on studying these two sub-sectors in the food and beverages manufacturing sector in South Africa.

The case study sample as shown in Table 3.1 enabled the research study to gather a wide variation of empirical evidence about the practice of strategic planning by SMEs in the chosen two sub-sectors.

It was planned to identify at least three case studies under each of the SME development stages, thus nine case studies were identified for the main empirical study. The identification of multiple case studies enabled the research to have some basis of
comparison on the practice of strategic planning amongst SMEs in the identified sub-sectors. The adoption of comparative case studies enables determination of commonalities or differences with regards to the strategic planning processes of SMEs in the research focus area (Grant, 2003). Table 3.1 shows the targeted number of case study interviews against the actual initial empirical case study interviews conducted.

Table 3.1: Number of initial empirical case study in-depth interviews

<table>
<thead>
<tr>
<th>Age of the business</th>
<th>SME Development Stage</th>
<th>Targeted Case Studies</th>
<th>Actual Case Studies</th>
<th>Targeted Interview Participants</th>
<th>Actual Interview Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>Start-Up Stage (Very small enterprises)</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>5 years to 9 years</td>
<td>Expansion Stage (Small enterprises)</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>More than 9 years</td>
<td>Maturity Stage (Medium enterprises)</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>9</strong></td>
<td><strong>9</strong></td>
<td><strong>18</strong></td>
<td><strong>16</strong></td>
</tr>
</tbody>
</table>

**Targeted versus actual studies achieved**

100% of targeted case studies conducted

89% of targeted in-depth interviews conducted

Source: Author

Table 3.2: Number of validation exercise interviews

<table>
<thead>
<tr>
<th>Age of the business</th>
<th>SME Development Stage</th>
<th>Case Study Interview Participants</th>
<th>Industry Experts Interview Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>Start-Up Stage (Very small enterprises)</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>5 years to 9 years</td>
<td>Expansion Stage (Small enterprises)</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>More than 9 years</td>
<td>Maturity Stage (Medium enterprises)</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>3</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Source: Author
This section has detailed the case study selection approach, the next section will set out the data collection process.

### 3.5 Data collection

The case study data was collected through semi-structured in-depth interviews (Grant, 2003), observations and archival documents collected (Eisenhardt, 1989; Eisenhardt and Graebner, 2007). For this research, the in-depth interviews for the initial empirical study were held with at least one SME owner/manager from each of the identified case studies, however, in some instance’s interviews were held with two SME owner/managers. With sixteen initial in-depth interviews conducted from the nine case studies against the proposed number of eighteen in-depth interviews (see Table 3.1), there was a reach of 89% of the proposed initial empirical study interviews conducted against the targeted number of eighteen interviews.

After conducting the initial sixteen in-depth interviews for the main empirical study a further eight interviews were held for the validation exercise. Three of the validation exercise interviews were held with three participants from the main empirical case studies and a further five interviews were held with industry experts. Thus, over and above other data collection related engagements and discussions held with participants from the nine case studies and industry experts, in total this research study held at least twenty-four (24) in-depth interviews.

The collection of data using different methods and participants, supports triangulation. Triangulation is the process of using more than one method to collect data, thus increasing the credibility and validity of the research outcome (Miles et al., 2014; Bryman and Bell, 2015).

The case study method enabled the collection of both subjective and objective data. The collection of data can either make use of quantitative methods or qualitative methods, however, this is dependent on the research paradigm and phenomenology. Quantitative methods are objective, require large volumes of data and the data is gathered mostly through structured interviews/questions, whereas, qualitative methods are largely subjective and are commonly associated with both unstructured and semi-structured interviews (Bryman and Bell, 2015). The analysis of the collected quantitative data
helps in understanding the historical practice and the respective role of strategic planning, whilst, the qualitative data assists in gaining a deeper understanding on why certain strategic planning approaches were chosen and how the practice of strategic planning could be improved. The data collected from the in-depth interviews enabled the refinement and enhancement of the proposed strategic planning framework that the respective SMEs can use as well as assist in formulating recommendations for SMEs in the food and beverages manufacturing sector in South Africa, on how they could better practice strategic planning.

The in-depth interviews largely followed a similar structure to that used by Grant (2003) which made use of semi-structured and open-ended questions. However, in order to have a bit of structure and ensure the process collects as much relevant data as possible, the interviews also followed a structure similar to that used by Stonehouse and Pemberton (2002) and French et al. (2004) which had questions divided into sections geared towards providing an understanding on the use of strategic planning by SME’s. The Stonehouse and Pemberton (2002) questionnaire had five sections specifically on the company's general philosophy with regards to strategic planning, time horizon over which such planning takes place, importance attached to strategic planning, issues addressed in the strategic plan, frequency of use of the various tools and techniques available in strategic analysis.

To ensure there is an accurate record of the in-depth interviews and to maintain a reference point for transcription purposes, all interviews were audio recorded using a standard interview audio recorder. Permission to record the interviews was requested at the beginning of the interviews and this request was highlighted when engagements for the case study interviews were being arranged.

A guide on how the interviews were conducted and the respective questions that were asked, is provided in the next sub-section. The detailed interview guide is provided in Appendix A of this research document.

3.5.1 Interview guide and approach

The data was collected through in-depth interviews, observations and archival documents collected. The proposed interview structure and questions are as illustrated
in Appendix A. The interviews comprised of a set of structured and open-ended questions. At a high-level the in-depth interviews were structured into three sections;

(i) Section A captured detail about the organisation that ideally was collected prior to the scheduled interviews such as (a) Year the organisation was established, (b) Number of years in business, (c) Current number of employees. This information also served to confirm that the case study meets the set sample selection criteria.

(ii) Section B had a set of open-ended questions that were grouped into the following categories (a) Strategic direction, (b) Strategic assessment, (c) Strategic choice and (d) Strategic implementation, similar to those of the theoretical strategic planning framework in Figure 3.1.

(iii) Section C captured a record on whether the organisation had or prepared any formal strategic plans and the respective strategic planning time horizons. A record on whether the organisation had or prepared formal annual reports in the form of either financial statements or integrated financial reports was also captured.

All efforts were made to collect information and data to questions listed under Section A and Section C prior to the interview, so that no time was wasted during the scheduled interview requesting and capturing mundane organisational details or data. Thus, the interview time was ideally spent addressing questions listed in Section B and partly Section C of the interview if the respective secondary data had not already been collected.

At the commencement of the interviews the interviewee was reminded of the following, (i) the research topic, (ii) main research questions and aim (iii) confirmation of the research ethics and confidentiality as guided by Heriot-Watt University, (iv) anonymity of the organisation and interviewee, and lastly (v) permission was requested from the interviewee to make an audio recording of the interview. The request for the audio recording was so that there is an accurate record of the interview, that can be used later when transcribing the interview or if any verification of the interview responses was required.
3.5.2 Archival documents

Various archival documents were collected from the case studies and these included business profiles, product listings, extracts and downloads from corporate websites of the case studies with content on their missions, visions and strategy. A lot of the material was consolidated with the interview transcripts and the data analysed following a similar process to the interview transcripts as described in section 4.6. The next section details how the collected data was analysed.

3.6 Data analysis

When the respective interview engagements with the identified SME owner/managers at the research case studies were completed, all the data collected from the audio recorded interviews was transcribed from the audio recordings into text transcripts. The transcribed text from the interviews, notes captured from observations and archival documents collected was then analysed using multiple qualitative analysis methods such as thematic analysis, content analysis and narrative analysis (Miles et al., 2014; Bryman and Bell, 2015).

Transcription is the process of converting audio recordings of interviews or meetings into text (Miles et al., 2014; Bryman and Bell, 2015). For the purposes of this research and to ensure that the audio recordings that were converted into text, are complete and present a true reflection of the interview content, the transcription was verbatim, thus the text transcript captured every word as stated/captured by the audio recorder.

The analysis followed a two-stage process which commenced with the ‘within-case’ analysis and then followed by the ‘cross-case’ analysis (Eisenhardt, 1989). The ‘within-case’ analysis focused on capturing findings based on an assessment of a single case study, looking at key highlights, trends and themes identified from the case study, whilst the ‘cross-case’ analysis involved looking at similarities and differences of findings across multiple cases (Eisenhardt, 1989; Miles et al. 2014). The analysis process followed is as illustrated in Figure 3.3.
The overall analysis strategy for this research relied on, (i) the theoretical proposition, (ii) working through the data collected from the ground up and (iii) developing case descriptions and synthesis (Yin, 2017).

**Figure 3.3:** Data analysis process

The process of data condensation leading to the findings, results and interpretations, followed techniques such as thematic analysis and content analysis at first, to identify themes or categories as well as key findings, this was then followed by narrative analysis as a complementary analysis method to gain a deeper understanding of what happened at the case studies that is related to the research questions. Similar data analysis methods such as thematic analysis, content analysis and narrative analysis have been used in other research studies that used the case study method (Grant, 2003; Gilbert, 2005; Bluhm et al., 2011; Eisenhardt and Graebner, 2007).
Thematic analysis is a foundational method of qualitative data analysis that involves identifying, analysing, organising and describing themes from collected data (Vaismoradi et al., 2013; Bryman and Bell, 2015, p.599; Nowell et al., 2017). It is also argued that it is not so different to other data analysis methods such as content analysis (Bryman and Bell, 2015, p.599; Nowell et al., 2017).

Content analysis being one of the chosen analysis methods is a systematic process of analysing text in both a qualitative and quantitative way through a process of coding the text content and grouping it into themes or categories (Vaismoradi et al., 2013; Miles et al., 2014; Bryman and Bell, 2015). The content analysis method was used to analyse responses to open-ended questions from the semi-structured interviews and observation notes, as well as the analysis of other relevant secondary text data from collected archival documents.

Narrative analysis is a method of analysing qualitative data by interpreting research subject experiences or explaining what has occurred by providing perspective and context to how and why something is the way it is, through having reviewed interview transcripts, observation notes and archival documents, it also enables the researcher to gain a deeper understanding of the research subject (Bryman and Bell, 2015).

The collected data was analysed using a computer assisted qualitative data analysis software (CAQDAS) called NVivo. The NVivo software is one of the popular software platforms that is used to aid the qualitative data analysis process and is believed to be a reliable tool for this purpose (Hilal and Alabri, 2013). The use of the NVivo software in the data analysis process enabled the coding and data retrieval process to be faster and efficient, as well as enabled the researcher to maintain an electronic repository of the transcribed data for future data retrieval during the study (Bryman and Bell, 2015).

The coding process followed to enable data analysis is outlined in the next section.

### 3.6.1 Coding process

Coding is a process of identifying or defining key topics and themes related to the research subject and then identifying these topics or themes in the transcribed text (Miles et al., 2014; Bryman and Bell, 2015). The coded topics or themes are then grouped and analysed using identified qualitative or quantitative methods.
The coding themes or categories are determined looking at repetitions, indigenous typologies or categories, metaphors and analogies, transitions, similarities and differences, linguistic connectors (Bryman and Bell, 2015, p.599). All identified themes or categories have to be relevant to provide content answers to the research questions.

The coding commenced with the analysis of the data from the ground up (see Appendix B), thus enabling the identification of patterns, findings or additional relationships without the confines of the theoretical proposition (Yin, 2017, p.169). To deepen the analysis further, another round of coding was conducted after the themes or categories were clustered into groupings related to the theoretical strategic planning framework (see Appendix C); (1) Strategic direction, (2) Strategic assessment, (3) Strategic choice, and (4) Strategic implementation. A further manual coding analysis was conducted looking at findings and themes from the content captured in the groupings coded as shown in Appendix C.

To aid the narrative presentation of the findings, concept maps were developed and presented in the analysis findings write-up to visually present the findings so the presentation of the findings does not become too descriptive. Concept maps are a graphical visual presentation of how concepts, themes or categories identified in a research study are interlinked with each other as well as defining the relationship between the concepts, themes or categories (Daley, 2004; Kinchin et al., 2010; Lune and Berg, 2017, p.34 - 36).

Causal maps were developed in the cross-case analysis presented in chapter seven after collating and interpreting the respective influence of the planning activities/concepts from the within-case concept maps presented in chapter six. A causal map is a visual representation of concepts or activities in a process, showing how the concepts/activities influence each other or other outcomes (Miles et al., 2014).

A pilot study was conducted prior to the main empirical study and the pilot study approach is detailed in the next section.
3.7 Pilot study approach

The pilot study for this research was conducted through in-depth interviews with two representatives from Company G one of the research samples. The pilot case study is an SME in the food and beverages manufacturing sector in South Africa.

The pilot study tested the validity of the data collection approach, data collection tools and data analysis methods, which were used in the main empirical research study. The pilot study was limited to the ‘within-case’ analysis, however, the pilot study tested the overall interview approach, assessed how to best present the empirical study findings for the ‘within-case’ analysis and provided insight on areas for further improvement or refinement on the proposed structure of the semi-structured, open-ended questions and presentation of the empirical study findings. The final data collection approach, data collection tools and data analysis methods for use in the main empirical study were then refined, taking into consideration the input and feedback from the pilot study.

3.8 Validation approach

Validation in qualitative research is the process of presenting the researchers findings to the research participants with the aim of seeking corroboration of the findings and the respective process as it relates to the observations, interviews and transcripts leading to the findings (Bryman and Bell, 2015, p.401).

The validation was conducted in two phases, phase one and phase two. Phase one involved a validation with three of the research case study participants from companies B, D and I with the primary goal being the corroboration of the findings. The participants were a fair representation of the three SME development stages. The identified participants were presented with their respective ‘within-case’ analysis research findings and the overall findings from the ‘cross-case’ analysis.

Phase two involved sharing the proposed strategic planning framework and guideline with three of the SMEs that did not practice strategic planning and five industry experts (see Table 3.2). The aim was to get feedback from the validation study participants on; (i) their view of the proposed strategic planning framework, (ii) if the accompanying guideline is simple enough for SME owner/managers to understand and follow, and (iii)
provide any suggestions on how the framework and guideline could be improved. Appendix E presents an overview of the validation exercise participants and the respective interview guideline is presented in Appendix F.

3.9 Research ethics

The research was conducted in compliance with all the prescribed Heriot-Watt University regulations and this includes compliance with guidelines on plagiarism. Plagiarism is capturing other people’s work, findings or statements as the writer’s own original statements without acknowledging the origin/author(s) or giving credit to the true source (Bryman and Bell, 2015, p.123-125).

The research data collected from the interviewees and information about their organisations will be kept anonymous and no individual or company identifying details are captured in the thesis. All participation in the research was voluntary and no one was coerced to participate in the research in anyway, either financially or in any other way that is not ethical.

To minimise the bias associated with researcher reflexivity, responses to the interview questions were not influenced or misinterpreted by myself and were captured and interpreted as accurately as possible to reflect the true stated positions from the respondents. Reflexivity is the potential influence of the researcher, based on his or her views and/or values, taking into consideration the researcher’s cultural, political and social context (Bryman and Bell, 2015, p.714-715). The interviews were audio recorded and permission was requested from the interviewees to have the interviews recorded prior to the commencement of the interviews. The interviews were audio recorded so there is an accurate record of the interviews, that the researcher could use when transcribing the interviews into text documents. All data collected is kept in a secure access-controlled environment.
3.10 Conclusion

The chosen research methodology for this research allowed this study to gather rich data about the case studies, thus enabling the study to contribute to theory through theory elaboration, by answering the four research questions listed below;

(1) how do SMEs view strategy?

(2) how do SMEs in the food and beverages manufacturing sector plan for their future?

(3) why do SME managers in the food and beverages manufacturing sector plan in the way they do? and

(4) how can SMEs in the food and beverages manufacturing sector improve their practice of strategic planning?

This chapter has detailed the research methodology and pilot study approach. The next chapter will set out the pilot study report that details the pilot study findings that informed recommendations and proposed improvements to the main empirical study approach, data collection and data analysis methods.
CHAPTER FOUR – PILOT STUDY REPORT

4.1 Introduction

A pilot study was conducted through holding in-depth interviews with two senior representatives from Company G, an SME in the food and beverages manufacturing sector in South Africa. Though the pilot study was limited to a ‘within-case’ analysis, the pilot study was conducted to test the data collection approach and tools as well as the data analysis methods prior to commencing the main empirical study. The insight gained from the pilot study informed the improvements required to the data collection and data analysis processes for the main empirical study.

4.2 Pilot case study details – Company G

Company G is a holding company that owns and operates a range of food and beverages subsidiaries and operating divisions in South Africa. The scope of business operations spans across most of the five sub-sectors of the food and beverages manufacturing sector, however, its primarily a ‘food preparation’ business. Its business system is that of business to business (B2B), meaning that it provides its products and services to other businesses. The data was collected through in-depth interviews with the Managing Director (MD) who is one of the founding directors, the Finance Director (FD) as well as through archival documents collected.

4.3 Recommendations to improve the data collection and analysis methods

The pilot study provided a lot of insight on the appropriateness of the proposed data collection and analysis methods as well as providing insight to the researcher on how to better conduct the in-depth interviews for the main study on aspects related to (i) how to present the questions, (ii) waiting for the responses and (iii) how to effectively further probe to get more detailed responses.
The duration of the interviews was largely well within the estimated timeframe of 60 minutes per interview. The first interview with the MD took 54 minutes and the second interview with the FD took 41 minutes.

The interview participants had no problems following the interview questions in general, except in certain instances where some clarifications were being sought, however, these were minor aspects that were easily addressed by providing the requested clarification.

The structure of the interviews as per the interview guide was good, as this provided a structure to ensure that all key aspects that need to be covered in the in-depth interviews are covered, however, the interview participants in some instances provided answers to some questions even prior to the researcher raising the questions, thus the related questions were later not raised/asked, unless the researcher felt there were aspects that were not fully addressed in the earlier responses provided.

The set of questions in the interview guide were suitable to enable the collection of sufficient responses and secondary data to conduct a detailed data analysis to answer the main research questions, research objectives and test the suitability of the proposed strategic planning framework.

Following the pilot study, some of the ‘closed’ open-ended questions were changed from starting with ‘Do you’ to ‘How do you’ so they are more exploratory and/or more enquiring.

Though the data analysis conducted during the pilot study was limited to ‘within-case’ analysis and thus did not test the ‘cross-case’ analysis. The proposed data analysis methods of making use of multiple qualitative data analysis methods such as thematic analysis, content analysis and narrative analysis proved to be sufficient to draw the necessary conclusions from the data collected.

The findings in the main study are presented using the theoretical proposition on the proposed strategic planning framework and the analysis under each of the strategic planning process activities is done from the ground up, to deepen the analysis thus enabling the identification of patterns, findings or additional relationships without the confines of the theoretical proposition (Yin, 2017, p.169).
4.4 Conclusion

This section has provided an overview of the pilot study findings and recommendations. The findings from the pilot study analysis were limited to the ‘within-case’ analysis, the pilot case study (Company G) is further analysed and the respective findings presented as part of the main study. Company G findings are also further analysed as part of the cross-case analysis.

The approach of utilising the pilot case study data as part of the main study was indicated not to be a problem in qualitative research studies, as contamination is less of a concern primarily due to the fact that qualitative research is progressive in nature (Van Teijlingen and Hundley, 2010). This is more so because the conduct of follow-on interviews is likely to be influenced by the experiences from previous interviews (Van Teijlingen and Hundley, 2010; Ismail, Kinchin and Edwards, 2017). It was also stated that so long as the data collected is similar to that which would have been collected in the main study, use of the pilot case study data in the main study would not be a problem especially in qualitative research studies (Van Teijlingen and Hundley, 2010).

Having updated the proposed data collection and analysis methods following the pilot study conducted, the main empirical study was conducted and the respective findings captured in the next chapter.
CHAPTER FIVE – WITHIN-CASE ANALYSIS

5.1 Introduction

This chapter will detail the ‘within-case’ findings from the main empirical study of the nine case studies grouped into the three development stages on (i) Very Small Enterprises, (ii) Small Enterprises and (iii) Medium Enterprises. A summary overview of the nine case studies is shown in Table 5.1 and is complemented by a case study interviews schedule presented in Appendix D.

Table 5.1: Summary overview of the nine empirical research case studies

<table>
<thead>
<tr>
<th>Size of Business</th>
<th>Company Code</th>
<th>Type of Business Operations</th>
<th>Development Stage</th>
<th>Number of Staff</th>
<th>Ownership Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Small</td>
<td>A</td>
<td>Processed Foods</td>
<td>Less than 5 years</td>
<td>6</td>
<td>Multi-Shareholder</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Food Preparation</td>
<td>Less than 5 years</td>
<td>6</td>
<td>Single Owner</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Food Preparation</td>
<td>Less than 5 years</td>
<td>7</td>
<td>Family Business</td>
</tr>
<tr>
<td>Small</td>
<td>D</td>
<td>Food Preparation</td>
<td>5 years to 9 years</td>
<td>35</td>
<td>Multi-Shareholder</td>
</tr>
<tr>
<td></td>
<td>E</td>
<td>Food Preparation</td>
<td>5 years to 9 years</td>
<td>35</td>
<td>Family Business</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>Processed Foods</td>
<td>5 years to 9 years</td>
<td>65</td>
<td>Family Business</td>
</tr>
<tr>
<td>Medium</td>
<td>G</td>
<td>Food Preparation</td>
<td>More than 9 years</td>
<td>150</td>
<td>Multi-Shareholder</td>
</tr>
<tr>
<td></td>
<td>H</td>
<td>Processed Foods</td>
<td>More than 9 years</td>
<td>84</td>
<td>Family Business</td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>Food Preparation</td>
<td>More than 9 years</td>
<td>26</td>
<td>Family Business</td>
</tr>
</tbody>
</table>

Source: Author

To support the development and survival of SMEs in South Africa this research focused on ‘Very Small Enterprises’, ‘Small Enterprises’ and ‘Medium Enterprises’ as defined in Table 2.3. These three SME groupings are believed to be formalised and have
complex management structures. (i) Very Small Enterprises have less than 10 employees and are owner managed. (ii) Small Enterprises are more established than very small enterprises, are more formal, registered and have fixed business premises. (iii) Medium Enterprises were defined as having up to 200 employees, still mainly owner managed, but have a decentralised management structure with division of labour and operate from fixed premises with all formal requirements.

The case studies identified provided the insight to address some of the challenges identified from the literature review. The literature review showed that there is a need for SMEs to practice strategic planning and that SMEs in the food and beverages manufacturing sector in South Africa need some strategic management capabilities to address the disparities they face within the industry, especially with regards to the income disparity against the larger organisations. The SME sector in the food and beverages manufacturing sector is very competitive. Of the 11,011 levy paying companies, 93% are small enterprises, 5% medium sized enterprises, whilst 4% are large businesses (FoodBev SETA, 2017). The income distribution of the food and beverages manufacturing sector is heavily skewed towards the large enterprises at 85% versus that of SMEs at 15% (Statistics South Africa, 2014).

5.1.1 Structure of the ‘within-case’ analysis presentations

The findings under each of the within-case studies are presented using the structure of the proposed theoretical strategic planning framework for consistency in the presentations. The structure of the theoretical framework covers, (i) the strategic direction, (ii) strategic assessment, (iii) strategic choice and, (iv) strategic implementation.

The presentations commence with, a brief overview of the case study SME, followed by the findings. Finally, the conclusion of each case study presents a summary analysis of the findings on the planning practices of the respective SME case study. At the end of the presentation of each of the three SME development stages on (i) Very Small Enterprises, (ii) Small Enterprises and (iii) Medium Enterprises, a conclusion is presented answering the four research questions from the findings in each of the respective SME development stages.
The standardised structure for presenting the findings will make it easier to compare findings across the various case studies. Concept maps that present the findings visually are also included, these highlight the main elements influencing each of the planning activities.

5.1.1.1 Concept maps

Concept maps are a visual summary of the findings under each of the activities of the theoretical strategic planning framework. They were developed taking into consideration the interpreted influence of each of the elements on the respective theoretical strategic planning activity following the coding process and data analysis (see Appendix C for coding list).

The next section of this chapter will detail the ‘within-case’ analysis findings from very small enterprises, starting with Company A.

5.2 Very Small Enterprises

This section details the findings from the ‘within-case’ analysis of very small enterprises namely Company A, B and C.

5.2.1 Company A

Company A is a start-up processed foods business that specialises in the production of high nutrition food products that are sold as shakes, snack bars and a porridge. The company is a private limited entity that was established in 2015 and currently has a staff complement of six (6) permanent employees. Its business system is that of business to business (B2B), thus its focus is on selling its products and services to other businesses. It currently subcontracts the manufacturing and distribution of its products; thus, its business model utilises partnership arrangements for these two aspects.

The data was gathered through an in-depth interview with the Managing Director (MD) and archival documents collected. The MD has over 20 years corporate management
experience, he is a holder of a Master of Business Administration (MBA), Diploma in Strategic Management and a Master of Philosophy (MPhil) in Labour Relations

5.2.1.1 Strategic direction

Company A’s vision and mission statements are defined and these are written down and are available to all stakeholders. The statements are accessible through various platforms such as their business profile, promotional flyers as well as their corporate website. The need to have the mission and vision statements written and available to various stakeholders was highlighted as being very important. This is because their target market which is mostly the large distribution networks and larger retail outlets require this kind of information to establish a business relation with suppliers. The following was said in support of this finding;

Quote 1: ‘Like I said, you won’t get a listing if you don’t have that business plan with all the formal stuff like a mission, vision, strategy [...] Once you have a business and you want to grow, you can’t grow without a mission or vision or having a strategy.’

From the information provided Company A does practice strategic planning, their planning time horizon is three years, however, the plans are reviewed annually at their strategic planning sessions held in February, because they believe that the strategic plan is a living document that needs to be updated and agreed upon. The following was said related to the planning time horizon;

Quote 2: ‘We have a three-year time horizon and it’s then reviewed annually. So, we are going to completely review the first three years we did previously, this February, and then there’s the second cycle. And that is reviewed every year because the plan is a living document so we review it every year. But we plan it in three-year cycles.’

Due to that fact that Company A’s MD has a Master of Business Administration (MBA) degree and has been a consultant in strategy development, Company A does have a person internally with the skills to facilitate the practice of strategic planning, thus they do not make use of external consultants. It was stated that even if they did want to make use of external consultants they would not have the funds as such services are expensive. The following was said with regards to SMEs in general not having the
funds to engage external consultants or facilitators for the purpose of developing strategies;

Quote 3: ‘For SMEs, it’s too expensive to have a consultant or facilitator to do that [...] one of the barriers or the challenges of SMEs is access to those kinds of skills.’

Despite having the internal capability to facilitate strategic planning in formulating Company A’s strategic direction, the effort exerted by Company A in defining its strategic direction is due to the formality that is required to get Company A listed as a supplier with the larger retailers and distributors.

**Figure 5.1**: Concept map of findings on Company A’s direction setting activity

![Concept map of findings on Company A’s direction setting activity](image)

**Source**: Author

The visual summary provided by the concept map above (Figure 5.1) shows that the mission and vision are well defined and that Company A does practice formal strategic planning. There is a strategy defined and there is a focus on the longer-term with a planning cycle period of three years. Despite Company A being a fairly new entity, its planning is very formal because of the requirements from the board of directors, the
ability of the entity to conduct strategic planning, as well as an appreciation of the benefits of practicing strategic planning, as they have an internal resource that can facilitate this.

5.2.1.2 Strategic assessment

Strategic assessments of the business are regularly conducted by Company A to get insight on both the internal and external environment.

Given that Company A is a start-up business, extensive external assessments through research were conducted to get an understanding of the environment in the process of establishing the business, this is evidenced by the assertion below;

Quote 4: ‘In 2015, I went around the country obviously doing research, identifying people that can help me, like food scientists and institutions. To understand if we have a market. You need to say, once we formulate it, will the people love it? Will the people buy it?’

Conducting strategic assessments is important and this is evidenced by the insight Company A gained from the assessments conducted as a way of informing its start-up business model and operating model.

Having conducted the assessments to inform their business model, a decision was made to outsource the manufacturing aspect of their operating model as it required less capital investment. This resulted in significant capital expenditure savings at this early stage of the business as the company was able to then focus on market development. The following was said in support of this finding;

Quote 5: ‘Our market entry strategy was we’re going to outsource manufacturing, because this approach requires less capital [...] let’s have a less risky way of getting to market. So, we are going to outsource. We’re not spending anything on plant capital or whatever, all we spend is for production that we have outsourced. Our focus is on market development, marketing, advertisement and promotions.’

For ongoing improvement of the products offered and to gain market share, market tasting events and promotions are held regularly, the respective feedback collected is then utilised to improve the products and associated services. This kind of market
assessment is given a lot of priority by Company A since the insight gained from these promotional events (including products tasting) provide the necessary input for continued product development and/or improvement.

The business model, operating model and continuous improvements of Company A’s products and services, have been informed by the insight gained from the assessments conducted. Thus, conducting strategic assessments, positions Company A very well in developing a suitable strategy to achieve its mission and vision.

**Figure 5.2:** Concept map of findings on Company A’s assessment activity

As summarily presented in Figure 5.2, there is a sound understanding of both the internal and external environments of the business, as indicated through a high understanding of the internal capabilities, profitability and competitor activity. This is primarily due to the detailed environmental assessments conducted and guidance provided in the assessment process by the MD.
5.2.1.3 Strategic choice

As an outcome of the assessments conducted by Company A, strategic initiatives are identified, and choices made to achieve set goals and objectives. In this regard, one such key strategic choice was the decision to outsource the manufacturing and distribution of their products in the interest of conserving capital at the early stages of establishing the business. The two statements below are evidence of the market entry strategy chosen by Company A;

Quote 6: ‘Our market entry strategy was we’re going to outsource manufacturing, because this approach requires less capital.’

Quote 7: ‘But to have that product go to market, you need to forward the products to downstream suppliers or partners to take the products to market […] We have teams that handle sells […] But at the moment it’s all outsourced.’

From the above statements, it is clear that market entry strategy has the power to inform the choice of markets to serve and products to offer. This is supported by the following statement;

Quote 8: ‘We want to produce products of good quality but affordable to the mass market. There are good products in the market but they are not affordable to the mass market, hence, they don’t have access to the nutritional products.’

Following the assessments conducted as part of the various promotional events held and input collected, decisions are made as to which products to make and how to tweak the formulas of existing products to meet customer requirements. The following was said with regards to making changes to the existing products and introducing alternative product variations;

Quote 9: ‘The feedback we got that made us improve one of our main products was “it’s too gross, it needs to be a bit finer”. Obviously when it’s gross and you add water […] because it’s a mixture or a blend of maize and soy, when you eat it immediately you can still feel the particles. So, we went and improved on that.’

Quote 10: ‘Because we started with the original and then people were like, do you have strawberry? Do you have vanilla? Do you have banana? That’s how we came up with those various alternatives.’
From the information provided it shows that product assessments help Company A to improve their products and the feedback from their customers has made them develop different flavours of their current products. To ensure that Company A’s products remain relevant to its target market, the information gathered shows that choices have to be made as to which products to make. In addition, making the necessary changes to existing products is vital, so that the products meet the target customers requirements and deliver the profits or returns expected by Company A.

The visual summary of the findings on the strategic choice of Company A are presented in Figure 5.3;

**Figure 5.3:** Concept map of findings on Company A’s choice activity

The concept map in Figure 5.3 shows that Company A has well defined markets that it serves and that there is alignment between its offerings and the objectives. Whereas, the offerings are defined, they are still fine tuning their product offerings to meet their customer requirements. This is because they are still in the early stages of their business, were they are introducing their new products to the market.
5.2.1.4 Strategic implementation

Company A does have a strategic plan that they follow and use to track progress in achieving their set goals and objectives, and the following was said in this regard;

Quote 11: ‘We have a strategic plan document, we have a strategy [...] that we review every year with targets and everything. So, we have proper documentation.’

From the information provided by the MD, it is clear that Company A produces a three-year strategic plan that is documented and reviewed annually. The following statement supports the assertion of the strategic planning sessions held annually in February;

Quote 12: ‘Every year in February we go on a strategic planning session. We review every step obviously in line with what has happened in the market and what is emerging.’

As part of their management process, quarterly meetings are held to check on progress against the strategic plan. The following was said in this regard;

Quote 13: ‘We meet quarterly [...] but it’s more a shareholder/stakeholder update, what is happening in the business in relation to the plan, to the strategy for the year and for the targets and all of that.’

The positions stated above show that having a strategic plan document is important, as it provides information that stakeholders can refer to. The strategic plan provides insight on the strategic initiatives being pursued by Company A, as well as enable the measurement and visibility on progress in implementing the initiatives.

It is the view of Company A that partnerships are important especially in this type of business for them to access the manufacturing capability, raw materials and distributors, given the fact that the value chain of the whole industry is interdependent. This view is evidenced by the statement below;

Quote 14: ‘No way could you say I can do this on my own. But it’s very important to have credible partners and value them, of course [...] Because the entire value chain is interdependent.’

The MD highlighted the importance of having partnerships hence the following was said in further support of this assertion;
Quote 15: ‘Yes, absolutely. For example, with us, access to the manufacturing plant is through a partnership arrangement, let alone the suppliers because we are nothing without either, from a pricing point of view or delivery.’

Quote 16: ‘Those raw material input suppliers are very important, they are the partners. You need to value them. Any delays from them affects your production timeline. Any poor-quality material affects the quality of your products.’

The information gathered indicated that Company A is facing some challenges in implementing its strategy to gain access to some of the larger retailers. The MD asserted that they are facing obstacles in convincing the retailers that their products are better than most that they are already stocking. The following was said in this regard;

Quote 17: ‘You may well have the best way to tell the people, but if the product is not good, they will eat and say you are lying. And then, you may have a good product that people say, wow, this thing is not bad, but you may not have the technique or know-how of telling the people that actually this product is a great one.’

Identifying appropriate initiatives to address the challenge related to the inability to convince the retailers and having the respective initiatives documented will be very helpful, as this will ensure the necessary attention is given to addressing this challenge. More so, stakeholders will also have visibility on the progress in addressing these challenges.

Despite Company A having a strategic plan and requiring funding to fund their growth, getting the required funding from the traditional banks was proving to be difficult as most of the banks want too many requirements which they cannot meet at this stage. They indicated that they also have not sourced funding from the various SME development agencies and instead opt to self-fund, as it often takes time for the SME development agencies to get back to them, thus they see the process as not being worth pursuing.
Figure 5.4: Concept map of findings on Company A’s implementation activity

![Concept Map Illustration]

Source: Author

The positions visually presented in the concept map in Figure 5.4 show that (i) there is a strategic plan prepared to guide implementation of chosen initiatives to achieve its vision, and (ii) partnerships and alliances are important to enable the achievement of Company A’s goals and this is because Company A subcontracts its manufacturing and distribution to other entities, thus alleviating the pressure to raise a lot of capital at these early stages of the business’s formation.

5.2.1.5 Conclusion

A summary analysis of findings on the planning practices of Company A is presented in Table 5.2.
<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>High</td>
<td>The mission and vision are well defined, and they do practice formal strategic planning. This is primarily due to an internal resource that has strategic management knowledge.</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Moderate</td>
<td>Environmental assessments are conducted. Though they consider the long-term impact, they are mostly short-term focused due to the fact that the business is still in the early stages of formation.</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The choice of markets to serve is well defined and there is alignment of the choices with the objectives.</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Moderate</td>
<td>There are strategic plans prepared to guide implementation of initiatives to achieve its vision and objectives, and partnerships are an important element of their value chain.</td>
</tr>
</tbody>
</table>

**Source:** Author

The analysis shows that Company A practices formal strategic planning, this is evidenced by the fact that once every three years at their annual strategic planning sessions held in February, Company A produces a three-year strategic plan that is documented and reviewed annually.
5.2.2 Company B
Company B is a private limited company in the food preparation business, specialising in the provision of food offerings to corporate entities. Though it was registered in 2013 it only started formal business operations in 2017. It is still in a start-up phase as it refines its business model and explores options to scale up its operations to serve more corporate clients. Its business system is that of business to consumer (B2C), thus it provides its products and services directly to the consumer. It currently serves an average of two hundred (200) meals per day and has a total staff complement of six (6) permanent employees with casual workers hired as and when required.

The data was collected through an in-depth interview with the Managing Director (MD) and the Consultant/Mentor, as well as through content from archival documents collected. The MD started the business after gaining a little bit of experience for about two years at one of the big banks in South Africa, she has a Bachelors in Business Administration. The consultant/mentor has over 20 years corporate management experience and has an MBA.

5.2.2.1 Strategic direction
Data extracted from the two participants from Company B shows that the vision was articulated, however, it is not clear and not written down. There is no mission statement formally defined and this was evidenced by the process the business is currently going through in defining its service offering. This finding is demonstrated by the statement below;

Quote 1: ‘Yes, I have it on my business plan. But on my business plan, it was speaking to a coffee shop, which we have to change now to a restaurant.’

By describing a view of the business in five years’ time, the following vision was provided for Company B;

Quote 2: ‘It should look like a proper restaurant outside, in a corporate building, where everybody can access it.’

Though Company B has articulated a view of the business in five years’ time, Company B only has a two-year strategic plan that captures the initiatives to be pursued towards achieving its vision and objective, stated in the vision statement shared above. The
strategic plan was created when the engagement to operate at one of the buildings housing a large business incubator was entered into.

Having a strategy is viewed as being important because it will enable Company B to achieve its vision, and Company B did say they have a strategy. The following was said as confirmation of their strategy;

Quote 3: ‘Yes, I have, because my strategy is that I must really go and market to the people outside to come here. That’s my strategy. Because the people that are in this building, they are not here every day [...] they’re in and out.’

Quote 4: ‘But also, we are really targeting events, because those events, when they happen, they cover our revenues that we are supposed to make on a daily basis.’

Though Company B presented the statements above as their strategy, the goals and initiatives stated are actually short-term operational plans, instead of strategy which should have a longer-term focus. The following was said on the importance of taking time off to plan for the future;

Quote 5: ‘It’s very, very necessary. When it’s not busy, then you must take time off to plan what’s the next step.’

The finding stated above indicates that the MD values the process of planning, however, Company B does not practice strategic planning to formulate a well-informed strategy. Taking the view presented by the MD, that the planning should be done when not busy, this shows some level of lack of appreciation of the need to prioritise strategic planning, despite having stated its very necessary.

The data shows that, the MD does not have the level of strategic management knowledge to practice strategic planning on their own and there is no effort exerted to seek external support to facilitate the practice of strategic planning. Despite the position just stated, it was highlighted that having the skills and knowledge to practice formal strategic planning is important, thus giving the owner/managers the ability to set the strategic direction.
The concept map in Figure 5.5, shows that the strategic direction of Company B is not well defined as evidenced by the mission and vision that are not clearly defined. Though having a strategy was indicated as being important, there is a lack of focus on the longer-term as their plans are for about two years only. The failure by Company B to practice strategic planning is likely due to the focus of the owner/manager on survival and not having an appreciation of the benefits of having a well-informed strategy that could arise from having a clear strategic direction.

5.2.2 Strategic assessment

There are no set periodic assessments that are conducted by Company B because they do not practice strategic planning, however, sporadic assessments are conducted. The lack of skills and knowledge of strategic management is likely the reason why this is not done comprehensively and systematically.
Feedback from customers was highlighted as being one of the most important sources of information to inform the development of their service offerings or improvement thereof. The following was said on collecting feedback from customers;

Quote 6: ‘I notice all the time the comments that are coming from people once they have eaten our food.’

Though the feedback from customers is noted by Company B, its use is limited to informing their short-term operational plans and not the longer-term strategy since they do not practice strategic planning.

Company B does have a lot of competitors within close proximity to their location, however, because of the proximity of its location to its primary clients, since they are housed in the same building, the threat from competitors is not always present. It was highlighted that if they do not produce enough food in a given day or the food is not what is desired on the day, their clients often then go to close-by fast food outlets. The following was said with regard to Company B’s view of its competitors;

Quote 7: ‘There are competitors for us in the sense that if we run out of food, they can always go there. Let’s say we didn’t cook enough food. They will always run there. If we’re not cooking, they’re always going to go there. But if we do our food the way we do it and we don’t run out of food, there’s not much competition, because […] we don’t cook the same thing that our competitors provide.’

The assessments of their pricing is another aspect that was raised as being important in ensuring that their offerings are priced correctly, in light of their competitor’s offerings. This is also important to ensure that they maintain an appropriate profit margin on their products. The following was said in this regard;

Quote 8: ‘Because when using ingredients, we do our costing, to say, how much does it cost us to make for example a wrap.’

The majority of assessments conducted by Company B are internally focussed on their capabilities and resources. On this point, there is a lot of attention being paid to building capacity to work in a bigger kitchen, so they have the capacity to increase their offerings as highlighted by the MD.
A concept map presenting a summary of the findings on the activity of strategic assessment for Company B is shown in Figure 5.6.

**Figure 5.6**: Concept map of findings on Company B’s assessment activity

The concept map above shows that there is a good understanding of the internal capabilities. However, very limited attention is given to external environmental assessments, as indicated by the low to moderate understanding of industry offerings, competitor activity and regulatory requirements. The lack of management resources, be it manpower or time devoted to environmental assessments, is very limited and this could be the major reason why there is limited understanding of their external environment, this coupled with the lack of appreciation of the benefits associated with strategic planning.

**Source**: Author
5.2.2.3 Strategic choice

From the data provided by the participants, Company B does make choices informed by the limited assessments conducted, especially as it relates to service offerings, pricing of their offerings and resources required. However, the choices are not always so strategic as they are mostly just geared towards addressing the short-term operational requirements or challenges. A major strategic choice they have made is related to how they intend to enter and grow their presence, by locating their business in a multi-tenant building housing an SME incubator business. Furthermore, they have to choose what their offering mix will be given the time of the year and weather. The following was said about their choice of service offerings taking into consideration the diversity of their client base, the wide variety of offerings they could offer and also considering that they have not yet narrowed down their offering:

Quote 9: ‘Any type of food is our mission. However, we can’t do some traditional dishes. Not unless we manage to hire a chef who will be able to do that.’

The MD wishes the company would be able to serve more corporates around them, as a way of expanding their products and services. Supporting the above information on the choice of markets to serve the following was said:

Quote 10: ‘We’re really looking forward to serving more corporates, located in and around the proximity of our location.’

The desire to expand the markets they serve as stated above, is aligned with their plan to operate from a bigger kitchen which will enable Company B to have sufficient production capacity to produce a wider variety of offerings and higher volumes.

To achieve its goal to serve more corporate clients, Company B identified that it requires a bigger kitchen to prepare its food offerings following its strategic assessment. Engagements have been held with their strategic partner to build a bigger fully functional commercial kitchen. This position is highlighted in the statement below:

Quote 11: ‘When we have the bigger kitchen fully functioning, we’re going to go outside and market to the people that are around these buildings, because they need to come here.’
With the bigger commercial kitchen, the goal is to immediately increase the food offerings from an average of two hundred (200) per day to about three hundred and fifty (350) per day.

Without the strategic investment or partnership to gain access to a bigger kitchen, Company B’s vision and objectives to serve more markets or a wider market and increase their offerings will likely not be achieved, since they won’t have the increased production capability required.

**Figure 5.7:** Concept map of findings on Company B’s choice activity

![Concept map of findings on Company B’s choice activity](image)

**Source:** Author

Though the choice of markets to serve are well defined as shown in Figure 5.7, the offerings to these markets are still being refined, which then supports the position that there isn’t alignment between the offerings and the objectives. The misalignment between the offerings and objectives is due to the absence of a clear strategic direction, which would then serve as a guide as to what Company B can and should not do.

### 5.2.2.4 Strategic implementation

Company B has a two-year plan, however, it is not written down in any detailed format and it is not current. The plan was developed when they were applying to join the business incubator that’s currently supporting them, however, it has not been updated since it was developed two years ago. The plan to achieve its short-term objectives is
shared primarily between the MD and the Head Chef. It is the view of the MD that the other staff members at this stage would not add value in having sight of the objectives or plan. This assertion is evidenced by the statement below;

*Quote 12: ‘I do share with our chef, because he will understand better […] The chef is the head person.’*

Though it was highlighted that the plan and objectives are shared with the Head Chef, the MD confirmed that due to the pressure of work they don’t meet as frequently as they should, to discuss Company B’s plans, and the following statement highlights this finding;

*Quote 13: ‘I feel bad. I haven’t met up with him for quite some time. But I was speaking to him last week […] That’s something I need to do, to constantly meet up with him and just share the vision and share the goals.’*

Partnerships are viewed as being important in their strategic implementation, however, only to the extent that they enable them to fulfil a demand when Company B does not have the capacity to service the whole request on their own. The following was said in this regard;

*Quote 14: ‘Those partnerships are absolutely fine. It helps you to handle the whole project and still make money.’*

Over and above refining its business model, it was highlighted that Company B needs to have a fully resourced operating model for it to grow and meet its vision and objectives. Currently the business does not have access to all the resources it requires to operate as efficiently as it would want to. The following was said in this regard;

*Quote 15: ‘You can’t operate without legal documents. Every employee must sign a contract. They must know the terms and conditions of the workplace. And moving forward, you then need a salesperson. There’s nothing as important as sales and marketing. If you don’t market, there’s no business. You live in a corner, nobody knows about you.’*

Given the size and phase of development stage of Company B it needs to continue to develop its business model and operating model to effectively deliver its identified or desired products and services. They currently do not qualify for mainstream banking finance and it was indicated that the requirements from the banks are too onerous, thus
the business has self-financed its operations to date and has grown organically. However, in support of their growth, the MD stated that operating with the assistance of the business incubator and also being based at one of their premises helps in creating a captive market for some of Company B’s products and services.

A visual summary of the findings on Company B’s activity on strategic implementation is shown in Figure 5.8;

**Figure 5.8:** Concept map of findings on Company B’s implementation activity

![Concept Map](image)

**Source:** Author

There are business plans prepared, however, they are not detailed enough and they mostly don’t capture any of the strategic initiatives identified. Thus, there is limited guidance available to the rest of the stakeholders including staff and potential funders on the initiatives being pursued to bring about the necessary alignment. The failure of Company B to produce strategic plans is primarily as result of them not practicing strategic planning, lack of the requisite strategic management knowledge and not having the appreciation of the benefits that could be derived from having a well-informed long-term strategy.
### 5.2.2.5 Conclusion

A summary analysis of findings on the planning practices of Company B is presented in Table 5.3.

**Table 5.3: Matrix analysis of findings on Company B’s planning practice**

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Low</td>
<td>The mission is not defined, and the vision is not clear, and they do not practice strategic planning instead their planning is operational</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>Sporadic environmental assessments are conducted, though they are mostly focused on the internal assessments of their capabilities and resources</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Low</td>
<td>The choice of markets to serve is fairly well defined, however, there is limited alignment of their choices with the objectives since the strategic direction is not clearly defined</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>Business plans are prepared but they are not detailed enough, they do not capture the strategic initiatives, thus there is limited guidance available to the rest of the staff and other stakeholders on initiatives being pursued or to be pursued.</td>
</tr>
</tbody>
</table>

*Source: Author*
Company B does not practice strategic planning but instead practices operational planning. The operational plans are informed by the limited environmental assessments conducted, however, there is more effort expanded to the assessment of its internal capabilities as the business model is being refined. The planning conducted is all coordinated by the MD with limited input from other internal and external stakeholders.

5.2.3 Company C

Company C is a start-up business that was formally registered as a private limited company in 2015 but has been operating for about two (2) years. It’s a food preparation business that specialises in the provision of food offerings to employees at corporate clients, as well as at public and corporate events. Its business system is primarily that of business to consumer (B2C), thus it provides its products and services directly to the consumer. The food is prepared at either their main kitchen or from pop-up food stalls that will be conveniently set-up at the premises of the respective corporate clients or public events. It currently has a staff complement of seven (7) permanent employees and casual workers are hired as and when the need arises.

The data was collected through an in-depth interview with the Managing Director (MD) and archival documents collected. The MD has over 15 years corporate management experience working for large facilities and catering businesses in South Africa, he has attended several management development programmes but does not have a higher education qualification.

5.2.3.1 Strategic direction

Though Company C articulated its vision, the mission is not clearly defined. Both the vision and mission are not documented. The vision for Company C is captured in the statement below presented by the MD;

Quote 1: ‘To become a home staple. [...] we want to become that type of food provider, who when you are relaxed at home or you think of something to eat, you will likely, order from us because of the good food, convenience and price.’

The vision captured in the statement above is not clearly aligned to the business model presented, considering that Company C also serves individuals at corporate entities and
not those at home only. It also does not specify clearly what type of food offering Company C will be offering and does not clearly specify the target market it will serve. This makes it very difficult for the wider stakeholders to have a clear understanding of Company C’s strategic direction.

The planning conducted by Company C is not formalised, thus Company C does not practice strategic planning. The planning is led by the two founding directors on their own. From the analysis, despite the fact that Company C does not practice strategic planning they however, understand the importance of it as indicated by the MD when he said;

Quote 2: ‘You can’t just decide to do something without a plan or without thinking how this is going to work, a strategy is always good, strategies are always good.’

Though the MD highlights that having a strategy is good, the mere fact that they do not practice strategic planning indicates that they potentially don’t necessarily see the value in practicing strategic planning to formulate their strategy. It was highlighted that it would be beneficial to have access to someone to assist with the strategic planning, however, this is something they cannot afford given the size of their business.

It was presented that the planning period for Company C is split into (i) long-term, being a five-year time horizon, (ii) medium-term being two years on average and (iii) short-term being one year. This finding is evidenced by the following statement highlighting the goals for the current year and the next two and half years;

Quote 3: ‘In the first year, we introduced ourselves to the market. So already we were talking about what are we doing next? Because right now we’ve seen what we need to do, and we’ve seen what type of market we are operating in. So now we’re looking at getting bigger premises in the next two and a half years.’

Despite presenting a breakdown of their planning period, covering the short-term planning to the long-term planning, Company C actually practices operational planning. There is a lot more focus and effort excreted on addressing the short-term challenges and customer demands than there is to prepare long-term plans, as highlighted in the statements below;
Quote 4: ‘There are always meetings [...] almost every other day. We plan our adverts, so they are attractive and showcase our offering [...] if you see our advertising, you always think, what’s going to happen?’

Quote 5: ‘Like we always plan ahead [...] the planning is always a quarter for us; it’s always the next four months.’

As stated in the statements above, the challenge of taking time off from the day to day business activities to focus on long-term planning is likely the main reason why Company C does not practice strategic planning. The MD from the experience he has had in the industry and having worked for larger organisations, seems to have the knowhow on what needs to be done to facilitate and practice strategic planning, thus the lack of knowledge on the practice of strategic planning cannot be the main reason for Company C not practicing strategic planning.

**Figure 5.9: Concept map of findings on Company C’s direction setting activity**

Source: Author

The strategic direction is not clearly defined, and this is also evidenced by the fact that the strategy is not clear, and they do not practice strategic planning. Company C
practices operational planning as their plans are mostly for a period of two years or less, despite having initially prepared projections of up to 5 years. The focus on survival and not devoting sufficient effort to their longer-term goals and vision is likely the reason why they are not practicing strategic planning.

5.2.3.2 Strategic assessment

Company C does not conduct set periodic strategic assessments, however, assessments are conducted sporadically to gain insight on what’s happening in the market it operates in.

A strategic assessment was conducted to identify the current location and market that Company C primarily serves and operates in. This assertion is evidenced by the following statement;

Quote 6: ‘We looked at where we can establish our business and where we can grow. We actually drove around, looked at places, and then we saw there was a gap where we are now located, because this area is one of those places that’s coming up [...] but the thing is, there’s a high crime rate and businesses don’t really like to come out here.’

The assessment done to identify the location that Company C operates from, is strategic as it provides insight on their source for potential growth. The focus of Company C’s on-going assessments is primarily on what their competitors are doing, so they can ensure their offerings are different. In this regard, the following was said;

Quote 7: ‘So, you look at what’s happening, and you always make it better [...] it’s always good to have like your background in Food and Beverage Management [...] doing your costings and your whole analytics when it comes to what’s selling, what’s not selling’

As indicated in the statement above, to gain insight on their operations whilst also enabling comparisons of their offerings to those from their competitors, assessments are also conducted on their sales and costings. The statement below further compliments this assertion;
Quote 8: ‘So, we have a system that we’re using, and we do all our sales there. So, it shows us over a period of time: this month, how many sales we did, what we sold more of.’

The focus and capability to enable this type of internal assessment ensures that Company C has a good understanding of its profit margins as well as products that are doing well and those that are not performing well.

A visual map on the activity of strategic assessment by Company C is provided in Figure 5.10.

**Figure 5.10:** Concept map of findings on Company C’s assessment activity

![Concept map of findings on Company C’s assessment activity](image)

*Source: Author*

Though environmental assessments are conducted they are mostly focussed on understanding their internal capabilities and general industry offerings. With moderate effort excreted on understanding competitor activity and regulatory requirements the assessments are not comprehensive enough. The main challenge with getting a good grasp of the regulatory requirements that impact Company C, is due to the wider scope of requirements they have to deal with, as a result of their business model which
requires them to set-up pop-up food stalls at various sites/locations were their targeted customers will be.

5.2.3.3 Strategic choice

Company C has made a strategic choice on the location it will operate from, as well as its business model and operating model. The statement below indicates Company C’s business model;

Quote 9: ‘It’s for us to provide good food, but the thing is, we need to provide it at a very low cost [...] to have somewhere where the ordinary person doesn’t have to pay a lot of money to get good food’

The statement above shows the desire of Company C to offer good food at an affordable price to its targeted customers and this is aligned to the vision articulated by the MD. To compliment the business model, the main elements of the operating model are briefly highlighted in the statement below;

Quote 10: ‘That’s why we like doing these pop-ups, where we actually come out and then we go into companies and where you meet the ordinary persons that are working there, so they get to experience what I would say your corporate executives usually experience [...] we also serve at corporate events.’

Having operated from the location they identified and having gained some further market insight as to what their customers want, Company C’s approach to growth is captured in the statement below;

Quote 11: ‘It’s been a year, so we’ve come in, we’ve seen what the market wants, and we have our strategies, which is to target mainly corporate offices [...] and your office parks.’

Though Company C does not practice strategic planning, they have made strategic choices on the location from where they will operate from, as well as the business model and operating model. A lot of their other choices such as refining and making changes to their menu offering, that they do as part of their day to day operations are not strategic. What would be strategic in this regard, is making a specific choice or choices as to which types of food offerings they will offer as a business in the long-term.
**Figure 5.11**: Concept map of findings on Company C’s choice activity

Source: Author

The choice of markets to serve and product offerings are well defined, thus this presents a position where there is alignment between the offering and objectives, however, the objectives are short-term focused.

### 5.2.3.4 Strategic implementation

Company C does not have a formal strategic plan, however, the activities and initiatives to achieve its goals and objectives are documented on various platforms such as notebooks, diaries and electronic computer journals. The following was said in this regard;

> Quote 12: ‘It’s there, it’s in the books, it’s in the computer; it’s something that’s bred up and it’s something that we speak and verbalise between the two of us. [...] I definitely believe in writing things down. I have to write it down, so that’s something that we do.’

Though Company C has a plan for achieving its goals and vision that are written down somewhere, this is only shared between the two founding directors and not with the rest of the staff members. Engagements are held with the rest of the staff, but they are mostly focused on daily and quarterly plans, mostly related to key events that will be taking place in the short-term and daily orders.
Even though the MD indicated that having a strategy is important, it appears from their planning practices, specifically related to Company C not capturing their plans in one comprehensive document, that having a strategic plan is not seen as being that important. The following was indicated should be the focus of an SME:

Quote 13: ‘As an SME, what’s important is to build relationships, it is to have a focussed flow of operations, and your vision is to be clear within the people that you have.’

For the statement captured above to have merit, having a strategic plan would be beneficial as there would be a document that captures the key strategic initiatives being pursued by Company C.

The first year of operations for Company C was focused on establishing the business and acquiring the equipment required to provide their services to the targeted market and this position is supported by the statement below;

Quote 14: ‘With this first year, we purchased a lot of equipment and all that stuff, so it’s not an issue. So, when we get these big events, we’re able to produce our food offerings by ourselves. And we’re able to roll out a lot of different offerings because we have the equipment.’

Some of the key challenges highlighted, that inhibit them from implementing their strategy was the lack of support and the onerous requirements from development agencies to raise the required capital. This finding is evidenced by the following statement;

Quote 15: ‘There are so many things that they want, that as a start-up you don’t have. People talking about capital, people talking about your risks, what do you have, show me your bank statements etc.’

To address some of the challenges highlighted in the statement above, it was indicated that having a strategic plan would be helpful when engaging with SME development funders as this is one of the documents they requested, however, it was due to the lack of time and resources to prepare such documentation that they didn’t have it.

It was highlighted that having partnerships is not so necessary except when it relates to raising capital to invest in the business. This is because Company C believes it has a
well-defined business model and a market to serve, thus what it requires to grow is capital and not necessarily partnerships to deliver the service.

A summary of the findings is also shown visually in the concept map in Figure 5.12;

**Figure 5.12:** Concept map of findings on Company C’s implementation activity

With no strategic plan prepared as indicated in Figure 5.12, primarily as a result of not practicing strategic planning, there is no comprehensive guide available to stakeholders to inform them of the strategic initiatives being pursued. This is further evidenced by the limited staff training and awareness. Partnership and alliances are not viewed as being important, except as it relates to raising capital.

**5.2.3.5 Conclusion**

A summary analysis of findings on the planning practices of Company C is presented in Table 5.4.
Table 5.4: Matrix analysis of findings on Company C’s planning practice

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Moderate</td>
<td>The mission and vision are not clearly defined. They do not practice formal strategic planning, instead their planning is mostly operational</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>Environmental assessments are conducted; however, they are not always comprehensive</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The choice of market to serve is fairly well defined and they have made the strategic choices on how to enter the market as well as the business model and operating model</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>There are no strategic plans prepared, however, the activities or initiatives to achieve their vision and objectives are document somewhat</td>
</tr>
</tbody>
</table>

**Source**: Author

Company C does some form of planning but does not practice strategic planning. The planning Company C does is mostly operational planning rather than strategic planning. Though they do have a view of where they would want to be in three to five years’ time, this is not captured into a strategic plan document. The planning is informed from environmental assessments conducted, however, the assessments are not formalised to ensure that a comprehensive insight is gained about their business environment.
5.2.4 Conclusion

With the exception of Company A that does practice strategic planning, the planning practices of the other very small enterprises is not formalised, however, it is informed by sporadic environmental assessments conducted. Though the planning time horizon for Company C was presented as being spilt into three planning horizons, (i) long-term being about five years, (ii) medium-term being about two and half years and (iii) short-term being up to a year, both Companies B and C actually practice operational planning instead of strategic planning, this is primarily due to their focus on the short-term instead of the longer-term. With the exception of Company A that has the internal resource to facilitate the practice of strategic planning, Companies B and C lack the strategic management knowledge and skills to facilitate the practice of strategic planning on their own.

This section has provided the conclusion on the findings from very small enterprises, the next section will set out the findings from small enterprises.

5.3 Small Enterprises

This section details the findings from the within-case analysis of small enterprises namely Companies D, E and F.

5.3.1 Company D
Company D is a formally registered private limited food preparation business that started operations in 2011 and specialises in the production of food platters for the corporate sector in South Africa. Its business system is that of business to business (B2B), meaning that it provides its products and services to other businesses. The business has a total staff complement of around thirty-five (35) permanent staff members.

The data was collected through in-depth interviews with the two founding directors, one of the directors has a focus on sales (Sales Director), whilst the other director has a focus on the production side (Production Director) of the business. Both directors worked at the same company which was also in the food and beverages industry, before
establishing Company D. They both don’t have any post-secondary school qualifications and have not attended any notable executive management training.

5.3.1.1 Strategic direction

The strategic direction of Company D is not clearly defined as there is no mission and vision clearly defined nor written. Whilst one of the directors clearly indicated that they don’t have the mission and vision defined or written, through listening to the story of their business journey since inception, one can see the type of business they are in and what they are aiming to achieve. The following was said that highlights the position on not having a clear vision;

Quote 1: ‘Because at the moment, we are like a food company basically that hasn’t really got a good direction in where we want to be.’

Despite the lack of a well-defined mission and vision statement the owner/managers of Company D believe having a strategy is important. This is somewhat surprising considering that they do not exert any effort to try practice strategic planning to formulate their strategy. This assertion on strategy is evidenced by the statement below;

Quote 2: ‘We’re dealing with so much food and we’re feeding roughly between 1000 to 1500 a day. If you don’t have a strategy or a means to plan for that, you will find yourself letting people down the whole time.’

Despite acknowledging the importance of having a strategy, there is a level of scepticism in getting an outsider to assist with strategic planning, as the belief is that they won’t know the business well enough. The following was said in emphasis of the scepticism by one of the owner/managers;

Quote 3: ‘A stranger. I’m a bit negative with that because people don’t know our business. They might be able to sell us a good strategy but if you don’t know the core of our business, of how it’s run or whatever, it’s very difficult. Because anybody like that is just talking on statistics and they don’t know how our business runs. It’s difficult for somebody who’s just studied in a book sort of thing to come and give us advice on how to do it.’

The scepticism highlighted in the statement above also evidences the reason why they have not sort external help with their strategic planning despite them not having the
requisite strategic management knowledge and skills to practice strategic planning. The two owner/managers of Company D meet annually in January to plan for the year.

Quote 4: ‘The annual meeting is when we open. Then we come up with a plan. First day, when we open and the guys will be cleaning [...] we’ll sit down and we’ll start planning.’

Though they meet annually to plan, the process of planning is very short-term and largely not formalised, thus they mostly focus on operational planning. To highlight the lack of formality in their planning process the following was said:

Quote 5: ‘I think we both never work on putting anything down, which could be something wrong that we’re currently doing. All we do is we discuss something, and we’ll implement it. We know how to take this business to another level, what we need to do. It’s somewhere in our minds. We both share the same sentiment. I don’t know. I think that would be one of the things that maybe we should start implementing.’

It is the view of both owner/managers interviewed that having a strategic planning framework would be helpful to enable them to practise formal strategic planning, the following was said in support of this finding:

Quote 6: ‘It definitely would help, having somebody maybe give us some strategy framework but I personally think that we can do it on our own [...] We learnt everything ourselves and, with opportunities and other things that have come through, it’s taught us to develop and try to strategise on our own.’

There is a belief that taking time off to plan is important, however the managers believe they are not devoting as much time to planning as they ideally should. Their view on taking time off to plan for the future is highlighted in the following statement:

Quote 7: ‘If we give responsibility to our staff and we are not as hands-on, then we’ve got time to do those key things or key aspects of the business, to help the business. Because having time to plan, you’re actually helping the whole business. We’re basically in that phase. We really want to get into that.’

The statement above shows that the owner/managers of Company D do have the desire to plan for their future, however, they are not devoting any significant effort towards strategic planning.
The concept map in Figure 5.13, shows that the strategic direction for Company D is not well defined. Though it’s indicated that having a strategy is important they do not practice strategic planning and their planning is actually operational, as evidenced by the planning period of a year or less. The lack of a clear strategic direction is due to Company D not practising strategic planning and lack of strategic management knowledge by the owner/managers. This then means there is some scepticism around the benefits of having a well-defined strategy given that no significant effort is channelled towards strategic planning.

5.3.1.2 Strategic assessment

Company D conducts periodic assessments of its business environment; however, the process is not formalised and well structured, thus not strategic due to its short-term focus. The Sales Director and the Sales Representatives conduct most of the external assessments including competitor activity. The insight gathered is shared with the Production Director who then internally re-aligns the production process to meet the requirements of their customers. However, given the fact that the menu or product
offerings rarely change during the course of the year, this insight largely informs or benefits Company D as far as it can influence the production process of products already on their menu.

The following was said with regards to assessments of competitor activity to ensure that Company D is well positioned in differentiating its product offering;

Quote 8: ‘We do research as to what other competitors have and at the same time, we will try to do something different from anybody that is doing it.’

Assessments of their internal environment are also conducted to understand the current status and requirements for the future. Having done an internal assessment of their production processes, the following was said as evidence of the need to have equipment to assist in mechanising the grilling process instead of relying solely on their staff;

Quote 9: ‘We understand that there is human error [...] we’ve got staff that do the grilling [...] It’s easy to burn one or two products because of destructions. It’s a lot. We looked for a machine that could help us with the grilling, to ensure that our products remain the same. We believe that the grilling machine will also help us increase our sales, because now, automatically, we are not going to be late with taking out the products [...] and that will also help the driver to arrive at the client on time.’

The insight they are getting from their internal assessment to inform the initiative of purchasing a griller as indicated in the statements captured above is strategic, as it will have a longer-term impact on their business as far as increasing production capacity and ensuring consistency of their product outputs. If Company D practised strategic planning, thus following a more comprehensive structured approach to their assessments, more insight on the overall business could be gained to inform strategic opportunities available and initiatives they could pursue to grow their business.
Figure 5.14: Concept map of findings on Company D’s assessment activity

Source: Author

Though the assessments are not formalised, there is a fairly good understanding of their environment as indicated by the high understanding of their internal capabilities, industry offerings and competitor activity. With such understanding of their environment, this could have been helpful in defining their strategy if they practiced strategic planning, thus enabling Company D to have a longer-term planning horizon.

5.3.1.3 Strategic choice

Company D’s focus area is on serving the corporate sector and they will rarely take on work from individuals. This position on their choice of markets to serve is highlighted in the statement below;

Quote 10: ‘We’re mainly focused on corporates. We do have individuals that place orders with us, but we don’t really push that.’

The choice of markets to serve is very strategic as it allows the owner/managers of Company D and their stakeholders to know what they will do and not do, as well as give guidance as to the type of customers they will pursue or serve.
Following assessments that are conducted regularly throughout the year, the owner/managers meet every year around April for a production meeting at which they decide on the menu for the year as well as associated product pricing. The commercial positioning of the proposed or identified products and services is the largest influence or consideration when determining which products or services Company D will offer. The following statement supports this assertion;

Quote 11: ‘That’s done annually because, like I said, we do a menu every year. We relook the menu, like some of the products that we know aren’t doing so well. Then we will eliminate that product.’

Though the actions taken to review the menu annually are seen as being strategic, the activity is actually an operational planning activity given the planning time cycle of a year in which the reviews are done.

The Production Director stated that they had made some strategic choices, specifically as it relates to identifying investments they would make towards improving the infrastructure at the site they operate from, however, due to limited access to funding they would have to stagger the improvements. In light of the limited capital available to Company D, they have to prioritise what they will invest in first and the statement below supports this finding.

Quote 12: ‘This year we wrote that we want to do the carport. We want to do the paving. We want to do the bakery. We want to fix the HACCP area. We’ve done 75% of that, I would say. And we’ve still got the others, but at least we know that they’ll be first priority next year to do.’

The statement above indicates that Company D does engage in some strategic planning activities, however, they are not formal enough to provide a longer-term view of their strategic initiatives as well as position their achievements against a longer-term perspective. Company D engages in some of the strategic planning activities without clearly understanding that they are engaging in some form of strategic planning.
The summary of findings visually presented through the concept map in Figure 5.15 shows that the markets to serve and service offerings are well defined. Though the strategic direction is not clearly defined, there appears to be alignment between the offerings and short-term objectives. This alignment is due to the short-term focus that Company D has, however, a conclusion cannot be drawn on the alignment of the offerings to the long-term goals, since the long-term goals or strategic direction is not well defined.

5.3.1.4 Strategic implementation

The owner/managers of Company D assert that they are very hands-on and thus they do not spend as much time as they would like, to plan for their future.

There is no strategic plan document prepared that can be shared with stakeholders to give them a view of the initiatives Company D is or will be working on to achieve its mission and vision. This position is evidenced by the statement below;

Quote 13: ‘I think the biggest challenge we have is to know how to plan, to draw up a plan. We don’t know how to do that. As much as we’ve got an entrepreneurial background, to know how to run the business, the planning part... I think we’re not the best at that. That’s my opinion.’
As indicated in the statement above there is a desire to have a strategic plan, however, the owner/managers lack the know how to produce one, thus creating visibility on their strategic initiatives and enable stakeholders to have ability to assess performance towards achievement or implementation of the identified initiatives.

The products menu is currently one of the key documents that Company D uses to provide direction, as it relates to the products and services Company D provides. In this regard, the menu acts as the key guide in maintaining the products standards as well as pricing. The following was said on how the staff are informed and provided guidance to deliver new products introduced on the menu;

Quote 14: ‘Obviously when we change the platters [...] I will go in with the staff. Make the stuff with them. Show them what it’s supposed to look like. And check on them. Make sure that’s what it’s supposed to look like [...]. There are tasters made as well so that we know that the food actually tastes brilliant.’

Even though Company D does not practice strategic planning and does not prepare a strategic plan, there are strategic initiatives that they identify and pursue. The lack of appreciation of the benefits of practicing strategic planning to formulate their strategy and prepare a strategic plan that captures the chosen initiatives, is probably the main reason the necessary effort to practice strategic planning is not being made by Company D. The following statement highlights this scepticism;

Quote 15: ‘If you know what you’re doing, then you tend not to put anything down.’

Company D has not received any support from SME development agencies since inception, however, they are now sourcing funding from their bankers to fund the purchase of certain assets they require as they grow. The funding support they get is primarily asset backed financing that is secured against the assets they will be purchasing; thus, they have not been requested by their bankers to submit business plans or a strategic plan, instead the banks want their cashflow projections which they prepare with the assistance of someone from the bank.
The planning is very operationally focused and thus there is no strategic plan. The lack of a strategic plan means there is no guide available for the wider stakeholders to have insight on what initiatives are to be pursued to achieve Company D’s vision and objectives. The failure to prepare and have strategic plans by Company D is as a result of them not practicing formal strategic planning and not having the requisite skills to facilitate strategic planning.

5.2.3.5 Conclusion

The matrix analysis in Table 5.5 provides a summary on the practice of strategic planning by Company D.
Table 5.5: Matrix analysis of findings on Company D’s planning practice

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Low</td>
<td>The mission and vision are not clearly defined. There is some scepticism shown by the owner/managers as to the benefits of practicing strategic planning.</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>The assessment is short-term focused, not formalised and not comprehensive, however, there is a fair level of understanding of their business environment</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The choice of market to serve is well defined and this is aligned to their objectives. Though they have made some strategic choices, a lot of the planning is operationally focused</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>There are no strategic plans prepared, despite them having expressed the desire to prepare plans. The planning is very operationally focused with the planning time horizon being mostly for a year or less.</td>
</tr>
</tbody>
</table>

Source: Author

Company D does not practice strategic planning but instead largely practices operational planning. This is primarily due to the short-term focus of their planning time horizon which is for a year or less. There is a general belief that having a strategy and
having the ability to practice strategic planning is indeed important, however, they still do not practice strategic planning or make any effort to seek assistance in this regard.

5.3.2 Company E

Company E is a food preparation business that operates two restaurants, one is under a franchise that started operations in 2011 and another under their own private brand that was established in 2017. Both entities are formally registered private limited companies controlled through a holding company owned by two brothers. The business systems of the two restaurants are primarily that of business to consumer (B2C), thus they provide their products and services directly to the consumers. The business employs about thirty-five (35) permanent staff members and casual workers are hired as the business hits pick times.

The in-depth interviews were held with the Managing Director (MD) and the manager who supervises operations at both restaurants. The MD has over 20 years corporate management experience and is a holder of an MBA. The manager has significant management experience, however does not have a management or business-related qualification.

5.3.2.1 Strategic direction

The strategic direction of Company E is not well defined, and is not documented, however, the strategy is largely emergent. The mission is somewhat captured by the following statement made by the MD in reference to establishing the new private brand entity;

Quote 1: ‘We wanted to remain in the food and beverages industry because we are in that’

The operations of the franchised business are largely guided by the franchisor’s operating guidelines, whereas the new private entity is dependent solely on the direction provided by the proprietors and management. The lack of clarity on the vision for the new private brand from the manager’s perspective was illustrated by the following statement;
Quote 2: ‘The new private brand entity has not managed to identify what it stands for. [...] they’ve got to know what they offer. [...] since the launch, we have kept on changing the menu. At first, we were offering Western cuisine, we then tried the African cuisine a bit, now we have gone back to Western cuisine again.’

This lack of clarity on the vision and offering at the new private entity was perceived to affect the brand image of the business negatively and this assertion is evidenced by the statement below;

Quote 3: ‘If the brand image easily shifts, customers might conceive it as confusion [...] they might not consider it as strategizing as such [...] So we are at that stage where we are trying to find our feet. What can we become? What can we really become?’

The mix of the two businesses with one being a franchise and the other a private new start-up brand they are building, brings about unique challenges and opportunities. The choice of going into a franchise was due to the fact that it was an easier way to enter the business with the added benefit of having a defined operating model and support. Whereas, with the new private brand they have to develop the vision and strategy on their own. The experience they have gained from running the franchise business helps. They can now take the respective lessons from the franchise business into consideration when developing the vision and strategy for their new private entity. The following was said in reaching the decision for Company E to venture into a franchise;

Quote 4: ‘Let’s go into a franchise, because it’s got a working model.’

The planning period for Company E is mostly for about a year. There are no regular set timeframes that the management team meets to plan for the year, but this seems to take place when the annual audit is about to be conducted and the business plans for the two businesses are being developed by the accountant.

Despite the Managing Director who has a Master of Business Administration (MBA) and the manager having strategic management knowledge, Company E does not practice strategic planning. There appears to be reliance on experience and knowledge learnt from having operated under a franchise to guide how they run the two businesses. However, this approach is not providing the necessary strategic direction as alluded to
by the manager. With regards to taking time off to plan, the following was said by the manager;

Quote 5: ‘To me it is very important. I even wish I would have time to be moving around, to understand what is happening in the market, because it’s not only us struggling [...] Everyone’s struggling, but that should not be an excuse. You’ve got to live with it and map out strategies to survive.’

On making the decision to establish their own private brand and exploring options for further expansion as a franchisor or keep it as a private brand entity into the future, the following was said;

Quote 6: ‘If we can make a little bit more money, then why not? And if there is a need, you see, then we can go and look at another strategic site somewhere. But we weren’t looking that far.’

Quote 7: ‘It was just probably a year in planning for that expansion [...] that was the longest term that we have planned’

As a result of Company E not having a clear strategic direction, the choice of expansion was not guided by a well-defined desired future state, and instead only looked at the short-term potential returns. Their choice of site, to locate their new private brand business was thus likely not informed by a comprehensive assessment. These assertions are evidenced by the immediate quoted statements above and an earlier statement captured that was made by the manager, noting that the new private brand business is still to find its identity.

Though marketing for the franchised business is largely guided by the franchisor at a national level, a significant level of planning has to be done by the franchise owner, to promote the growth of sales and patrons to the business. This is evidenced by the following statement;

Quote 8: ‘So, anything that you want to market, to increase your foot traffic is left, or dependent, on you.’

The statement captured above, is further evidence of the operational planning focus by Company E.
The planning for Company E is operational and not strategic, as their planning is mostly for a period of a year or less. The strategy is not clear for both business operations and there is no mission or vision defined. The lack of a clear strategic direction is due to Company E not practicing strategic planning and this is likely due to Company E not appreciating the benefits of devoting time and effort to practice strategic planning. Also, because one of their business ventures is a franchised operation the assumption could be that the strategy is already there from the franchisor, as they only focus on maintaining operations to a set prescribed standard.

5.3.2.2 Strategic assessment

Company E conducts periodic assessments of its business environment; however, the process seems to be formalised for the franchised business, specifically as it relates to its operating model, but this is not the case with the new private brand entity. The reason for the difference in the formality of approach to the operating model assessments is that the franchised business has a standard operating guideline checklist.
they follow, which the new private entity does not have. There are more independent broader assessments conducted for the new private brand entity than for the franchised business, especially with regards to its external environment, in an effort to establish its market positioning and offering.

There was a limited assessment done of the site and location for the new private brand entity, in this regard the following was said;

Quote 9: ‘The idea was there, but the site and location is something that is out of your control. Even if it’s difficult for you to go to the local municipality and ask them, listen, if it takes five years, do you have the various plans that tell us where shopping centres are going to be built? It’s not feasible, I think. It depends on a lot of factors. So, these things come as and when you see there is a board being placed showing there is an opening of a shopping centre. And then you will then start looking at it and saying, is it possible to expand here.’

There is a view that if more formalised strategic assessments were conducted to establish the appropriate offerings for the markets they operate in, this would be helpful for the new private entity, primarily due to the level of competition as well as the rapid and continuous changing dynamics of the market they operate-in. The following was said with regards to the importance of market research;

Quote 10: ‘Market research is critical […], we have learnt that. You need to ascertain the customer’s exact requirements to tap into that. And I think that’s lacking.’

Meetings are held regularly to get feedback and for alignment with staff, on the coming weeks or monthly activities as well as focus areas.

Quote 11: ‘We try and get some information where we can improve.’

The short-term focus of Company E’s assessments is clearly shown by the statement above that was made by the MD. Assessments on the status of their operating models looking at people, processes, technology and infrastructure are regularly carried out. People were highlighted as one of the most important elements followed by technology.

It was also highlighted that having the ability to perform market assessments is crucial to inform the formulation of strategy. Since Company E’s assessments are largely short-
term focused, the assessments are more geared to support operational planning instead of strategic planning.

**Figure 5.18:** Concept map of findings on Company E’s assessment activity

![Concept Map](image)

**Source:** Author

Though the assessments are not formalised, Company E seems to have a very good understanding of its short-term business environment as indicated by the high understanding of the profitability, internal capabilities, industry offerings and competitor activity. The need to survive in a highly competitive environment that Company E is in, is the primary reason they constantly have to be abreast of their environment.

**5.3.2.3 Strategic choice**

Company E’s choice of offerings is influenced by the short-term environmental assessments conducted on a regular basis. There is limited influence the owner/managers can exert on the strategic choices with regards to the franchised business, however, there is a lot more flexibility in influencing the strategic choices for
the new private brand entity. The following statements confirm these findings on the strategic choice to revamp their stores to have a new look;

Quote 12: ‘The competition has given us a hard time. I’m not disputing that. But when they were opening, we anticipated that. First and foremost, we said we need to revamp the store. But we need to do it anyways every five/six years. It’s one of the requirements from the franchisor, that you need to upgrade, revamp, give it a new look.’

Quote 13: ‘With the new private entity, we can determine what we want to do. So, in that way it gives us a lot more autonomy and flexibility.’

Though a lot of the choice of product offerings is determined by the franchisor for the franchised business, in certain instances the franchisee can request the franchisor to include certain products based on feedback or demand from customers. The following was said related to this finding;

Quote 14: ‘If I start getting customers that have on various occasions asked for it and I don’t have it, I can request from head office, I will say listen, it seems I have got a customer demand here for this particular thing.’

Change is not perceived negatively by the managers of Company E and the following was said in regard to the lessons they learnt from change after experiencing failure;

Quote 15: ‘Let me tell you something, even our failures have taught us something.’

Due to the lack of a clear strategic direction, Company E is facing challenges in defining the identity of their new private brand entity, this is evidenced by an earlier statement made by the manager, that they are still in the process of defining the products and services to offer at their new private brand entity as well as defining the markets to serve.

Both the MD and the manager did highlight that practicing strategic planning would be beneficial to define the strategic direction and aid the identification of strategic initiatives that Company E could pursue, thus informing the formulation and implementation of their strategy.
The visual summary of the findings on the strategic choice of Company E as presented in Figure 5.19, shows that the markets to serve and offerings are not well defined, however, this is mostly true for the new private brand entity rather than the franchised business. The lack of a well-defined strategic direction is likely the main reason there is no higher alignment between the offerings and objectives. It would be very difficult to develop an appropriate offering if the vision as well as the goals and objectives of the new venture are not defined.

5.3.2.4 Strategic implementation

The implementation of Company E’s strategy is primarily led by the MD and the manager. Company E does not practice strategic planning, thus there is no strategic plan prepared. The manager did highlight that they would welcome the idea of taking time off to plan and to have someone coming in to facilitate strategic planning for them, however, no effort has been made to explore this. This could be as a result of the possible costs involved, as the MD indicated that such services are expensive.

In response to the ever-increasing competition that Company E was facing at the franchised business, they devised a plan to ensure they survive during the challenging period, however, their plans were geared towards short-term survival and not focused on the longer-term. The following was said in this regard;
Quote 16: ‘I think the strong nature of the brand and the perseverance of us to emphasise customer service, you know, drove that quality. Maintained it. Kept us afloat. In fact, we had that response planned from the beginning of the year.’

The drive to increase sales to meet set targets to achieve the objectives of the year are primarily shared with the senior management staff, however, this is then communicated to the rest of the staff on a weekly and monthly basis as evidenced by the statement below;

Quote 17: ‘Basically, it is discussed only on the management level. Where the managers are advised [...], you’ve got a certain target that we need to achieve. And please make sure that the staff are upselling the products on those busy nights. Push the promotions that are on display. Try and upsell the most expensive items on your menu so that your gross profits are higher.’

In assessing the key elements of the operating models for the two businesses, people were highlighted as the most important element followed by technology. The following statement supports this assertion;

Quote 18: ‘Look, people will always be on top there, followed by technology. To try and recruit and keep the best people is difficult.’

It is important to train staff on product knowledge and how to drive sales. The process to increase sales is also influenced by the level of training given to the waitrons, especially related to how they engage customers and take orders. The following statements emphasise this point;

Quote 19: ‘So, I think the way that we do it is try and educate the various waitrons that have a direct interaction with the customer, to try and encourage them. You know what, don’t go for this, go for this. Because it’s a better offering. And there’s more value there. So those are the things when it comes to the training of the waitrons we try and emphasise.’

Quote 20: ‘In most cases when we engage the staff, quite extensively, you tend to see the results are better, because people know what they are supposed to do.’

The statements captured above show that the implementation activities identified and pursued by Company E are operational. This is because there are no strategic initiatives captured anywhere that one can link to the operational activities. This therefore means
there is no document that can act as a guide to the wider stakeholders to inform them of Company E’s strategic plans and assess the performance towards their achievement.

The following statement by the manager indicated that going into partnerships is indeed important and they are useful for both growth and survival.

Quote 21: ‘You see, partnerships in this type of business are good. It reduces risk as long as they are done properly.’

The manager further stated that partnerships also enable one to work with other entities in the same business, thus limiting competition and allowing each business venture operating in a specific area to flourish.

Company E highlighted that they have not received or sourced any support from any of the SME development agencies and have self-financed their businesses by themselves over the years and this includes the establishment of the new private entity.

**Figure 5.20:** Concept map of findings on Company E’s implementation activity

![Concept map of findings on Company E’s implementation activity](image)

**Source:** Author
Though resources are reallocated if plans change this is mostly short-term focused since there are no strategic initiatives identified or spelt out. Since Company E does not practice strategic planning as indicated in Figure 5.20, there is no strategic plan prepared. The planning is very operational, with a planning period of a year or less. Thus, there is no formal document available that can be used to track progress on initiatives commissioned and to bring about the necessary staff awareness on initiatives being pursued.

5.3.2.5 Conclusion

An analysis summary of Company E’s planning practices is shown in Table 5.6.
Table 5.6: Matrix analysis of findings on Company E’s planning practice

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Low</td>
<td>There is no mission and vision defined, thus there is no clear strategic direction. Their planning time horizon is for less than a year.</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>There is some short-term environmental assessment conducted, however, it is not comprehensive enough and long-term focused to provide the necessary strategic insight on their markets and competitor activity.</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>Moderate</td>
<td>Low</td>
<td>The choice of markets to serve are not well defined for the new private brand entity and there are limited choices the owner/managers can make on the franchised entity.</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>There are no strategic plans prepared, thus there is no document that captures the strategic initiatives being pursued. The planning is very operationally focused.</td>
</tr>
</tbody>
</table>

Source: Author

The senior management including the MD seldom meet regularly or at set intervals to do any long-term planning and formulate their strategy, thus their strategy is largely emergent rather than planned. From the perspectives of both the MD and the manager,
Company E does very limited planning beyond one year, because they focus mainly on the short-term goals and there is a lot more reliance on the audit guidelines as a planning tool for the franchised business. Therefore, Company E does not practice strategic planning, instead it does more of operational planning.

5.3.3 Company F

Company F is a family owned private limited company that started operating in 2014 and currently has 13 products on the market and is also planning on launching more nutritional baby food products. It is a processed foods business that produces premium nutritional products for babies and children older than six months. Company F is an SME that operates through an outsourced model for most of its value chain elements such as production, distribution, sales and merchandising. Its business system is that of business to business (B2B), thus it provides its products and services to other businesses. The total staff complement in its operation is currently about 65 employees with the bulk of the staff being production and distribution workers.

The data was collected through in-depth interviews with the Chief Executive Officer (CEO) and the Production Director. The CEO has worked for one of the largest food and beverages business entity in South Africa and was a senior manager when she left to establish Company F, she has a Bachelor’s in Business Administration degree and a Master of Science (MSc) in International Marketing, as well as certificates of attendance to various management development programmes. The Production Director is a qualified nutritionist and has significant scientific research experience.

5.3.3.1 Strategic direction

Company F does have a vision and mission defined and documented. Their vision is captured in the statement below;

Quote 1: ‘We want to be one of the leading brands in not just South Africa but in Africa, and that is the primary thing. For us, it’s being able to be accessible to children all over the continent, to give them the right nutritious offering […] And we would like to have at least 15% to 20% market share in South Africa.’
Though Company F does practice strategic planning, the planning is largely driven with input from the shareholders and senior management, with limited input from the wider stakeholder grouping. There is a five-year plan that was developed and the shareholders and senior managers meet regularly, every quarter to review and appraise other key stakeholders, such as the board and senior management on progress in achieving their vision and objectives. The statement below supports this finding;

Quote 2: ‘On a quarterly basis, the shareholders and management meet and go into the detail of here’s where we are, a review of the last quarter […], and every year, we review and we say, okay, we’ve done this, we haven’t been successful at this or, we got burnt last year with […] and then correct that.’

To improve their planning process and approach, the CEO indicated that the use of a consultant to facilitate their strategic planning would be useful as it would bring better structure to their planning process. Making use of an external consultant could bring about more formality to the planning process, since their planning process is not very formal. An external consultant would also enable Company F to have someone to present an objective perspective to their planning activities.

It was highlighted that having a strategy is important and brings about alignment among stakeholders. The following was said in this regard;

Quote 3: ‘When there is a documented strategy that is talked about and everybody knows where we’re going, it’s easy for everybody […] So, I have a very firm belief that we must have a strategy, and it mustn’t be too complicated.’

Since Company F has a strategy document and they review it regularly, the assertion made in the statement above shows that the owner/managers do indeed believe that having a strategy is important. The growth ambitions of Company F are big as compared to several other entities in the same industry. Company F’s strategy is aligned to enable their desire to grow their market share in South Africa and eventually into the rest of Africa.

A summary overview that visually presents the findings on Company F’s planning activity on strategic direction is shown in Figure 5.21;
**Company F** believes having a strategy is important and thus practices strategic planning. The strategic direction is clearly defined, and this is highlighted by the mission and vision that are well defined and clear. There is a focus on the long-term, as evidenced by the planning time horizon of 5 years. The experience that the owner/managers have gained over the years working in various large corporate entities has enabled Company F to have a focus and ability to practice strategic planning.

### 5.3.3.2 Strategic assessment

External and internal assessments are regularly conducted, however, there is a lot more focus on the internal assessments than external competitor activity assessments. Information is regularly collated from their sales and merchandising teams, as well as some of their retail partners to get an understanding of the market. The statement below is evidence of this finding;
Quote 4: ‘We work very closely with them, and also get a nice back view of the retail perspective of it all, so that we know, as a manufacturer, what the conditions on the other side are.’

Having a board of directors was highlighted as being an important source of information. This enables Company F to get an objective assessment from personnel that ordinarily they would not be able to employ on a full-time basis. The following was said with regards to having a board of directors;

Quote 5: ‘The board meets quarterly, they come through and we are able to get the sounding board that’s required [...] fortunately, we’ve got very good Non-Execs. We picked people that have been in the FMCG industry for a long time, but in different areas.’

Having access to a board made up of independent experienced personnel is very helpful in gaining access to a set of skills that would generally be expensive to hire on a full-time basis. As highlighted by the CEO, it also ensures that there is an objective voice or a sounding board to bounce of ideas and strategies, to ensure they are relevant and suitable for the business.

It was highlighted that there is no need to invest a lot in assessing what their competitors are doing because there are few players in their industry, and the industry is heavily regulated, so there is very little that can be done fast. On this assertion, with reference to the bigger players in their market the following was said;

Quote 6: ‘It’s very easy, in the sense that the baby market is very regulated, so there’s an advantage and a disadvantage, for instance, all of us cannot advertise. For them, it’s probably more of a disadvantage because they can afford to advertise but they can’t. For us, it’s a huge advantage because we can’t afford to advertise.’

Quote 7: ‘And because everything takes so long to plan and produce, you would know months in advance what’s happening. You will know who’s producing what, because you will know by the labels. It’s those things. And then, pricing, it’s very obvious, it’s on the shelf.’

As was highlighted in the comments above, Company F relies on the structure and complexity of their industry requirements to not exert much effort in competitor assessments. However, this could actually be a disadvantage in the longer-term as they
won’t know timeously how their competitors are building their internal capabilities and investing in the necessary research and development to develop new products. By the time Company F gets to know of a new product being introduced by its competitors, either through the licensing or registration process, a lot of time and investment would have gone into the process. As a result, Company F might not have time to gain the necessary strategic insight to effectively respond to their competitor activities.

On achieving their targets and assessing their profitability the following was said:

Quote 8: ‘We are very particular about the margins [...] we look at everything, from the distribution to the sales cost [...] and even our sales team are the same in that we’ve got our annual target. With our partners, we tell them our target is this much a year, meaning you have to deliver this much a month for us to pay you this commission that you want.’

Quote 9: ‘All our orders have to have a minimum order quantity, otherwise it doesn’t make sense financially [...] it’s tough, to negotiate and say, if it’s not a pack of 12, you’re not getting it, wait until you’ve run out of stock and then order 12.’

From the statements above, it shows that Company F pays special attention to its pricing to ensure they get the right margins/return. This is also aided by looking at and assessing the overall operating costs associated with their business model, especially the distribution costs.

A visual map on the activity of strategic assessment by Company F is provided in Figure 5.22;
Strategic assessments are conducted with a larger focus on understanding and developing internal capabilities. However, due to the minimal competitor activity as a result of the rigorous regulatory requirements in their business category, not much attention is devoted to monitoring competitor activity regularly. It is the owner/managers view that they will always know on time, what the competitor is up too, because of the length of time it takes to get a product onto the market. However, Company F might not have sufficient time to effectively respond, to counter their competitor’s actions, if they get to know their competitor’s activities too late.

5.3.3.3 Strategic choice

Company F made the strategic choice to outsource elements of its operating model such as production, distribution, sales and merchandising. However, as the business grows, and they amass enough capital they will invest in ownership of some of these value chain elements. With regards to outsourcing and collaborating with other small businesses, the following was said;
Quote 10: ‘Right now, we’re very lean and mean [...] So, for instance, our sales and merchandising are done by companies that are small businesses as well.’

Despite Company F outsourcing most elements of its value chain such as production, they own their recipes as opposed to using the manufacturer’s off the shelve recipes and then tweaking them for the own products. The ownership of its own recipes is another differentiating factor that plays to Company F’s advantage and this is highlighted in the comments below;

Quote 11: ‘We own our own recipes, however, most companies because they outsource, they have done it in a very different way. Most companies, for instance go to a manufacturer and say, please can you produce this for me, and then that company produces it, but they own the recipe, they own everything.’

Quote 12: ‘We own everything. The trademark, the intel, everything.’

Company F makes premium baby food products; thus, its market is well defined. In this regard, the following was said;

Quote 13: ‘Our products are always based on nutrition. What is the child’s nutritional needs and how can we then do it? So, we work backwards. Not what’s easiest to make, or what’s the cheapest to make. This is why our pricing is not cheap.’

It is their assertion that the nutritional value from their offering is their unique selling point or differentiator as they are currently the only baby food company is South Africa with this offering. The following was said in support of this finding;

Quote 14: ‘Our product is a premium product, we won’t play with price [...] It’s the nutritional element and the pureness of the product. We’re the only ones that actually offer clean label in South Africa at the moment.’

On the choice of products to make the following was said;

Quote 15: ‘We are a manufacturing company that makes pure, nutritious baby food. The concept behind it was that the market in South Africa was lacking in terms of very natural products for baby food, because most of our competitors put in fillers, starches, salt and all types of things to make it bigger.’
Quote 16: ‘We want to offer babies only the best, so our food is all natural, some of it is organic. We literally chop, peel, cook and package with no salts no sugars, no starches, no artificial colourings, no flavouring. It’s just plain food for baby.’

By positioning Company F as a nutritional premium baby food entity, Company F has differentiated itself and the activities they follow to produce their baby food products. The comments above clearly show the strategic choice they have made to always produce the best baby foods that’s all natural. They have also made the strategic choice of the markets they will serve, as they indicate that their products are premium products and thus not everyone can afford their products. To ensure they optimally reach their target market, their products are not found in every retail outlet, thus they aim to only distribute to those retail outlets within reach of the customers that can afford their products. The statement below confirms this finding;

Quote 17: ‘We know which areas to be located, so even when we do listings, we say to the guys, don’t put us somewhere […] because it’s not going to work because the pricing is not right for that market.’

The approach of producing natural baby foods and selling at a premium to ensure a return on their efforts as a business, is aligned to Company F’s objective of providing the right nutritious offering of baby foods.

**Figure 5.23**: Concept map of findings on Company F’s choice activity

Source: Author
As visually presented in Figure 5.23, the markets to serve and product offerings are well defined. As a result of Company F practicing strategic planning and having a well-defined strategic direction, the offerings are aligned to the objectives of the business.

5.3.3.4 Strategic implementation

Company F has a five-year strategic plan that they follow closely, and it is in line with their strategic view. The guidance received from their monthly and quarterly meetings, provide some of the necessary insight for implementation of their plans and this is supported by the following finding;

Quote 18: ‘We use those quarterly sessions for that, because sometimes we get so close to the detail ourselves, that when the board members look at it from a bird’s-eye view, because they’re not operational, it’s have you tried that, have you done that? Maybe let’s not do that. So, we look at our pricing, we look at the product, we look at our packaging, we look at where we can save on distribution. So, we look at everything in the markets.’

Seeing that Company F operates through an outsourced value chain model with other SMEs being their partners in delivery of their offerings, it is the view of Company F’s CEO that partnerships and alliances are very important for them. As Company F grows, their partners need to grow with them as well, in this regard the following was said;

Quote 19: ‘We grow with other small companies, and that is our operational strategy. As we get bigger, we’ll be able to afford more in-house services, but at the moment we actually still prefer working with partners.’

Company F is fully aware of the regulatory requirements for their industry and must be compliant as this is a highly regulated industry, thus all their partners must be compliant as well. The following was said as evidence of their awareness and importance of the regulatory requirements in their industry;

Quote 20: ‘Baby food manufacturing has a very strict production mandate, and there are few facilities in South Africa that can actually do baby foods.’

Training of staff that handle their products is conducted and this includes their partner’s staff members as well. This is usually done during induction and when new products are developed and launched.
Though Company F has a strategic plan and regularly conducts training for their staff and strategic partners, more could be done to bring about further alignment with the wider stakeholders, by sharing more on the initiatives captured in their strategic plan.

**Figure 5.24:** Concept map of findings on Company F’s implementation activity

The concept map in Figure 5.24 shows that Company F has a strategic plan that captures the initiatives that are being pursued to achieve its vision and objectives. There is a focus on the long-term as indicated by their five-year plan developed from their practice of strategic planning. Partnerships and alliance are important and these have been an integral aspect of their value chain and growth.

**5.3.3.5 Conclusion**

An analysis summary of Company F’s planning practices is shown in Table 5.7.
Table 5. 7: Matrix analysis of findings on Company F’s planning practice

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>High</td>
<td>The strategic direction is clear as the mission and vision are well-defined and there is a clear long-term focus.</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>Assessments are conducted, however, these are not comprehensive and are mostly short-term focused on internal capabilities. More effort could be exerted to assessing competitor activity as well.</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>High</td>
<td>The choice of products to offer and markets to serve are well-defined. This is the case for both the short-term and longer-term.</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Moderate</td>
<td>A strategic plan is prepared with a five-year view and the initiatives undertaken are guided by this plan. Visibility of the strategic plan to the wider stakeholders could be improved so they are aware of the strategic initiatives.</td>
</tr>
</tbody>
</table>

**Source:** Author

Company F does practice strategic planning, however, the assessments conducted are not comprehensive and are mostly short-term focused on internal capabilities. More effort could be exerted to assessing competitor activity as well. There is a five-year plan that was developed and this guides implementation and it is reviewed annually.
5.3.4 Conclusion

With the exception of Company F which practices strategic planning, the other small enterprises do not practice formal strategic planning, thus their planning is largely not formalised and is short-term focused. Their planning practice is in essence operational planning and not strategic planning; however, it is informed by sporadic environmental assessments conducted which are largely not comprehensive. As for Companies D and E, their strategy is emergent over time as a result of their operational activities and not planned. The main challenge faced by the small enterprises to practice strategic planning include lack of strategic planning knowledge and know-how to facilitate strategic planning.

This section has provided the conclusion on the findings from small enterprises, the next section will set out the findings from medium enterprises.

5.4 Medium Enterprises

This section details the findings from the within-case analysis of medium sized enterprises namely Companies G, H and I.

5.4.1 Company G

Company G is a holding company that owns and operates a range of food and beverages subsidiaries and operating divisions in South Africa. The scope of business operations spans across most of the five sub-sectors of the food and beverages manufacturing sector, however, its primarily a ‘food preparation’ business. Its business system is that of business to business (B2B), meaning that it provides its products and services to other businesses. It is a private limited company that was founded in 2005 and has a total staff complement of around one hundred and fifty (150) permanent staff members across the whole group.

The data was collected through in-depth interviews with the Managing Director (MD) who is one of the founding directors, the Finance Director (FD) as well as through observations and archival documents collected. The MD has over 20 years corporate
management experience, however, does not have any formal management or business-related qualifications. The Finance Director is an experienced accounting professional and has significant management experience.

5.4.1.1 Strategic direction

There is no well-defined strategic direction for Company G, this is primarily due to the lack of a clearly defined mission and vision. Both the mission and vision statements are not documented, thus there are no statements that can provide the wider stakeholders with a view of the purpose of the company and its longer-term aspirational goal(s). The following was said relating to Company G’s mission and vision;

Quote 1: ‘It’s very important to have a mission and vision [...] but from our point of view I think we’re lacking the mission statement [...] and I think most small businesses will find themselves in a similar scenario [...] the larger corporates have the resources to draw on and create the mission statements. Whereas from our point of view, we just get out there and get it done.’

Despite Company G not having a well-defined strategic direction, the company has grown over the years. This success is likely due to the entrepreneurial drive by the founding directors, however, the vision and mission are there, but they are just not defined in a formal way such that they are visible and communicated to the wider stakeholders. This position was somewhat alluded to by the MD when he said they ‘just get out there and get it done’ as well as;

Quote 2: ‘We basically use our entrepreneurial flair to grow based on what we feel the potential is.’

Though Company G does not practice formal strategic planning there is a general belief that having a strategy is indeed important. The following was said on the view of having a strategy;

Quote 3: ‘It’s very important [...] regarding maximising your ideas [...] strategy is critical to rolling out the vision [...] and that view that you have as a director of the company, to be able to say that whatever we’re rolling out will stack up from a financial point of view and the objectives.’
The statement above further confirms the position that the directors of Company G have a vision of the company but it’s just not written down or communicated widely.

The company does conduct some form of strategic planning; however, this appears to be limited to initiatives steered by the two founding directors and the process is not formalised. There is a strategic planning meeting held annually and it is facilitated through internal resources, however, the discussions do not appear to be guided by any framework to ensure that all the necessary aspects related to strategic planning are considered or covered. Even though Company G does not practice formal strategic planning there generally is some consultation with staff, as it relates to initiatives to pursue and the conduct of due diligence required to assess the identified initiatives. The following was said on consulting with staff;

Quote 4: ‘We have meetings on a weekly basis. That’s just normal management meetings. And then we have a strategy meeting once a year, where we discuss strategy going forward and we revise the strategy quarterly.’

The activities listed in the statement above highlight that there is some engagements with staff as it relates to initiatives being pursued and the associated review process, however, given the planning time horizon of about a year this is not strategic planning but instead is short-term operational planning.
Figure 5.25: Concept map of findings on Company G’s direction setting activity

Source: Author

Figure 5.25 shows that though strategic planning was highlighted as being a necessary activity to inform strategy both the mission and vision are not explicitly defined. As a result of Company G not practicing strategic planning which has a longer planning time horizon of 3 to 5 years, the planning time horizon of Company G is mostly for a year or less, thus Company G practices operational planning instead of strategic planning.

5.4.1.2 Strategic assessment

Company G has a fairly high understanding of the commercial positioning of their products and services as it relates to unit costs and profit margins. This is also extended to an understanding of their strengths and weaknesses encompassing people, processes, technology and infrastructure. Thus, a significant amount of effort and attention is devoted to the assessment of the commercial positioning of their products and services as well as the internal capabilities, this is evidenced by the statements captured below;
Quote 5: ‘Our assessment is very much productivity focussed [...] I actually get a report every week to say how did that product do theoretically and actually against what our main budget is.’

Quote 6: ‘We get feedback from customers [...] on what they think of this product. So, there’re samples of feedback that come through directly from the customers and based on that we would [...] vet that product.’

The assessments conducted by Company G are largely internally focused with very minimal extensive externally focused assessments being done. This therefore means Company G does not collate enough business environmental information to have a comprehensive view of the aspects that could impact its business, strategy formulation and thus affecting its ability to achieve its vision. Though they focus mostly on their internal assessment, related to this position they do also conduct assessments on some of their offerings and this is evidenced by the statement below related to a product offerings assessment they commissioned;

Quote 7: ‘There is a consultant we have engaged that is reviewing certain brands that we have [...] So, that exercise will give us an idea, do we continue with it, or do we actually put our effort and energy into lines that have got more traction?’

Other than a focus on assessment of industry requirements such as health and safety compliance which is a key requirement to maintain a licence to operate in the food and beverages sector, there is limited focus in assessment of industry products and competitor activity.

On informing their products development, the development chef goes to several international food conferences annually to see new trends and thus they then utilise the insight gained to inform the development of Company G’s products offerings. The following was said in this regard;

Quote 8: ‘We also send our development chef internationally to go and look at the latest trends and understand what the markets are doing. And then within certain budget constraints, understand what is the best product that we can develop and have.’

Attendance of these international food conferences is helpful in gaining insight on what competitors are likely to be introducing and identifying new trends to improve their
product processes as well. This ultimately will enable Company G to identify suitable initiatives to pursue to improve their product offering and production processes.

A visual summary of Company G findings on its practice of strategic assessments is provided in Figure 5.26;

**Figure 5.26:** Concept map of findings on Company G’s assessment activity

![Concept map of findings on Company G’s assessment activity](image)

**Source:** Author

There is a good understanding of both the internal and external environment as shown by the visual summary in Figure 5.26. Most of the business environmental assessments are initiated by senior management, though there is a desire expressed by the MD to have more staff members initiate business environmental assessments to improve the overall business operations and service offerings.
5.4.1.3 Strategic choice

The outcome of the commercial positioning of proposed or identified products and services is the largest influence or consideration when determining which products or services Company G offers, and this is evidenced in the statement below;

Quote 9: ‘It’s a product that actually combines the need of the customer with commercials […] for us a product is only sustainable if it makes financial sense and it actually fits into our unit.’

Company G’s markets to serve are well defined and this is informed by the current captive market they gained as a result of the strategic partnerships they have with their partner, who has contracted Company G to provide a wider range of food offerings for their clients.

Quote 10: ‘From the point of view of aligning yourself with the correct business partners […] between two partners or four partners or whoever you’ve aligned yourself with. In essence, gives you that opportunity to grow within the scope of what your vision is. I think aligning yourself with the correct partner is critical.’

The partnership arrangement that Company G has is very strategic, as it ensures they have a very good captive market into the future, as long as they continue to timeously meet their partners requirements and ultimately ensure that their partners customers are satisfied with the products and services provided.

There are limited options that Company G considers when it comes to the choice of markets it serves. The choice of markets has largely been influenced by opportunities that have presented themselves to the senior management of Company G in their quest for growth or new business opportunities to pursue. However, there is not much effort exerted to match or align the products and services opportunities to the objectives, since the objectives of Company G are not well defined, documented or communicated widely in advance.

The visual summary of findings on strategic choice of Company G is shown in Figure 5.27.
The choice of markets to serve are well defined, however, due to the operational focus that Company G has in its planning activities the alignment of offerings and objectives is moderate. This is due to the ease in which they are willing and able to change initiatives including product offerings, as the environmental demands change.

5.4.1.4 Strategic implementation

Company G has the challenge that there is no strategic plan prepared, thus there is no document that the wider grouping of staff members can use as a guide in their strategic implementation activities. Though there is a form of business plan it is not a formal document, that is produced as an outcome of a formal strategic planning process. The plans are usually short to medium term and are commonly for a period less than a year. These findings are evidenced by the quote below;

Quote 11: ‘We don’t have a formalised one, but we have a working document that gets discussed every week.’

The following was said on the importance of being responsive;
Quote 12: ‘Our vision is to be big enough to take on big projects, but small enough to be manoeuvrable [...] that’s been working well for us up to now [...] we don’t fill in a form to get another form to get another form, like the big corporates do. So, we get from conceptualising an idea, to implementation in a very short timeframe.’

Partnerships and alliances are viewed by the MD as a beneficial strategic lever that Company G needs, however, the FD has a contrary view with a belief that entering into partnerships could result in the loss of a competitive advantage since intellectual property (IP) could be lost or copied, and this is evidenced by the statement below;

Quote 13: ‘When it comes to partnerships [...] I think IP becomes a very grey area, you can try contract yourself to a certain extent to guard yourself, but some version of your product is likely to reach the market without you saying so [...] I think your company needs to be able to stand on its own feet, not to partner. If you have to partner up with certain people, one of the parties are lacking the ability to take it forward on their own [...] if we partner up to make ‘product A’ because of capacity, one of us is missing an opportunity [...] because surely your strategy would have been how do I push my partner out of the market.’

Though the FD has some doubts around entering into partnerships, Company G has managed to achieve the growth it has achieve thus far, largely due to the strategic partnerships they have entered into. Thus, the threat of loss of intellectual property highlighted by the FD might be a possible risk, but the risk has not materialised over the years and they seem to have managed the risk well.

The use of technology to increase productivity was highlighted as being very important in implementing its plans to achieve its goals and objectives and the following was said in this regard;

Quote 14: ‘To really break into the market, you need to use technology. You’re going to have to get to a semi-automated state, and you need an anchor customer [...] up to now our staff was our biggest point. But the problem is there is only so much they can do in an hour and you are very much [...] at their mercy.’
This finding supports the position on the reallocation of resources as plans change. As a result of having determined that it will be more effective to leverage on technology as it relates to improving their production capability or output, Company G has commenced to explore options to automate their production processes and are at various stages of introducing identified solutions.

**Figure 5.28:** Concept map of findings on Company G’s implementation activity

The visual summary of findings on Company G’s strategic implementation activities in Figure 5.28, shows that there are no strategic plans prepared and thus there is no guiding document that the wider stakeholders can use for alignment and to know the strategic intent of Company G. Though partnerships have largely enabled the growth of Company G, they are not necessarily seen as being very important by some of the managers. Company G does not practice formal strategic planning, thus they do not prepare strategic plans, which they could use as a communication tool to show other sceptical managers the benefits from existing partnerships.
6.4.1.5 Conclusion

A summary overview of Company G’s planning practices is presented in Table 5.8.

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Low</td>
<td>The strategic direction is not very visible since both the mission and vision are not documented and communicated widely. The planning is very short-term focused</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Moderate</td>
<td>There is a good understanding of the environment and they utilise external consultants if required, to assist with more comprehensive assessments, especially as it relates to their internal capabilities</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The choice of markets to serve are well defined and strategic choices are made to expand their presence in existing markets as well as entering new markets, though this could be clearer if the strategic direction was better articulated</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>Due to the short-term focus, this is very operational, there are no strategic plans prepared. Use of partnership arrangements have been useful in their growth</td>
</tr>
</tbody>
</table>

Source: Author
Company G does not practice formal strategic planning, the strategic direction is largely short-term and provided by the Managing Director. Both the mission and the vision of Company G are not defined, thus there are no statements that can be used as a reference point to communicate to all stakeholders the strategic direction of the company.

5.4.2 Company H

Company H is a family owned private limited food processing company that was established in 2002. It has a total staff complement of eighty-four (84) employees. Its primarily focused in bulk manufacturing and bulk distribution of its own processed meat products, both locally and regionally. However, to increase utilisation of its production capacity it also periodically does contract manufacturing for other processed meat brand owners. Its business system is that of business to business (B2B), thus it provides its products and services to other businesses.

The data was gathered through an in-depth interview with both the Managing Director and Chairman as well as through various archival documents collected, such as the company profile, website content and the products listing. Further insight was also gathered through an interview with one of the consultants that had previously been engaged to assist with the development of a growth strategy. The MD has significant management experience, however, does not have a management or business-related qualification. The consultant has over 20 years corporate management experience and has a strategy related qualification and Doctor of Philosophy (PhD) degree in business administration.

5.4.2.1 Strategic direction

The vision and mission of Company H is well defined, and both the vision and mission are documented. These have also been communicated to the staff and other stakeholders.

It was stated that having a strategy is important, however, the strategy is not written down. This assertion is evidenced by the statement below;

Quote 1: ‘We know what it is, but we don’t write it down.’
If indeed strategy is important and some effort has been put in developing the strategy, it would be worthwhile to have it written down so its accessible to all the stakeholders and can be used as a reference point on what Company H aims to do to achieve its vision.

Practising strategic planning is viewed as being important, however, it was highlighted that this is dependent on the prevailing production capacity level. This finding is evidenced by the following statement;

Quote 2: ‘It depends on where the business is [...]. Strategic planning is important throughout the running of the business. If you’re not at full capacity, you need to strategise to see how you can get there. And if you are at full capacity, you need to strategise on how you can increase your capacity.’

Though the Managing Director indicates that practicing strategic planning is important the statement above shows that this is not necessarily the case. The perception presented is that strategy should be formulated as and when there is an issue to be addressed or an opportunity to pursue, rather than preparing strategy as a predetermined course of action to achieve a set vision.

The normal planning period for Company H is usually for a year. Though Company H expressed the desire to practice strategic planning to plan for the long-term, the focus for now is addressing a major issue that the whole processed meats industry in South Africa is facing due to the listeriosis outbreak that hit the market in late 2017. This has significantly affected the production and distribution of processed meat products. The following statements highlights this prioritisation of short-term planning rather than longer-term planning;

Quote 3: ‘At the moment, it’s more of a monthly process. For us, it’s been an extremely difficult year. We’re in survival mode at the moment. It’s about gaining market share. Trying to get the turnover back to where it was. We have gained a lot of market share but, having said that, even though we’ve gained market share the market hasn’t really recovered yet.’

Quote 4: ‘We’re still trying to recoup losses that were suffered [...] when the listeriosis outbreak was made public. And there are opportunities there, but it’s a difficult market.’
On the importance of formal planning the following was said;

Quote 5: ‘From this interview, I am realising how much we don’t do formal planning and how important it is.’

Though consultants were previously engaged in the process of trying to formalise governance and the strategy making processes. The need to utilise consultants was due to the realisation by the Managing Director that they do not have the skills internally to practice formal strategic planning. The following was said in relation to this finding;

Quote 6: ‘I’m not a very good strategiser [...]. I don’t go about it in a formal way. If you were to ask me what my shortcomings are, it would be that I don’t physically write down a strategy every time we meet. I don’t physically write down the goals that need to be set. I might say them. I may convey the message, but I don’t do it formally.’

The comment above further highlights the fact that Company H does not practice formal strategic planning even though they have expressed a desire to do so. The process of having engaged external consultants was an initiative towards addressing the shortcomings related to formalising governance and the strategy making processes highlighted by the Managing Director, however, the consultants did not stay for the whole intended engagement period, since the Chairman questioned the benefit of using consultants against the associated costs.
Figure 5.29: Concept map of findings on Company H’s direction setting activity

Source: Author

Figure 5.29 shows that the mission and vision are defined, this is despite Company H not practicing strategic planning. The ability of Company H having its strategic direction well-articulated could be as a result of the external consultants they previously engaged to assist with the formulation of their growth strategy. The planning practice of Company H is very operational as the planning time horizon is for a year or less and the long-term strategy is not clear.

5.4.2.2 Strategic assessment

Periodic assessments are conducted by Company H to inform the development of their products and the overall state of their internal capabilities. Regular market assessments are done by the sales representatives, this is highlighted by the statement below;

Quote 7: ‘We get feedback weekly from the reps that are out there.’

Though feedback is gathered from their sales representatives, the process of gathering the market insight does not appear to be well structured, to ensure there is a comprehensive understanding of their market and competitor activity.
On their internal capabilities, staff were identified to be one of their most important internal resource and the following was said in support of this finding;

Quote 8: ‘You’re as strong as your weakest link. You could have the best raw materials. The best processes in place. The best everything. And once a staff member doesn’t follow through on what they need to do, from either a food safety perspective or a process perspective, you’ve destroyed the product.’

As highlighted in the statement quoted above, there is a significant amount of effort exerted in assessing the capabilities of their staff to ensure that Company H has the right mix of staff and that they are well motivated, to manage their operations.

Food safety assessments are crucial for this type of business and this is evidenced by the outbreak that affected most processed meats manufacturing and distribution facilities in South Africa. The following was said with regards to the importance of maintaining a safe and compliant production facility;

Quote 9: ‘We have consultants that consult for us on a monthly basis and based on that, we move with the changes. Because of food safety, there are new risks, new hazards and new issues that arise every year, so you have to remain abreast with that.’

As highlighted in the statement above, Company H does make use of consultants to conduct their assessments especially with regards to inspections and provision of guidance to be compliant with food safety regulations. A visual summary of the findings on Company H’s practice on strategic assessments is shown in Figure 5.30.
**Figure 5.30:** Concept map of findings on Company H’s assessment activity

As shown in Figure 5.30 the business environmental assessments are conducted, however, they are not comprehensive as there is a moderate understanding of competitor activity. This is primarily due to a lack of skills and knowledge to perform comprehensive strategic assessments. The process of conducting the assessments is not well coordinated internally, as these are led by different functions such as the sales representatives for the external perspective and internal operations staff for the internal perspective, with only the Managing Director having a collated overview of the information, to gain insight on the overall business environment impacting Company H.

### 5.4.2.3 Strategic choice

Following the regular market assessments conducted by the sales representatives of Company H, the information gathered informs which products will be produced for the various targeted markets. This process is supported by the statement below;
Quote 10: ‘We get feedback weekly from the reps that are out there. [...] Ultimately you want to make a product that’s going to give you the best yields and the best margins. We’re driven by the demand. So, depending on how good your product is and what the demand is for that product, that’s what drives your sales.’

Though the feedback and insight gained is good for the short-term, this will not be sufficient to provide longer-term insight to enable Company H to make strategic choices.

Given the challenges the industry has faced recently, the following was said in relation to making choices on which products to produce;

Quote 11: ‘It’s a very turbulent time for our industry. So, there’s a dilemma, for want of a better word. Does one produce cheap products for the masses? Does one maintain a high-quality standard? The food safety standard has to remain high, irrespective.’

The dilemma being faced by Company H is not unique to them given the fact that the short-term issues are not limited to Company H, but are affecting the wider industry and ultimately their competitors as well. Thus, Company H needs to make strategic choices on which markets to serve, that will position Company H best to achieve its vision.

Further to this, Company H does have a fairly good understanding of the products profitability, dependent on whether they choose to make low quality products or high-quality products. The following was said in this regard;

Quote 12: ‘The cheap products market is volume driven. And it’s limited to very few lines. It requires an infrastructure and a set up that is geared around producing volumes. So, your margins are smaller but your volumes are much greater.’

Quote 13: ‘When you start making better quality products, your pricing is much higher. So, your volumes are lower but your GPs are higher because of the value of the product.’

With this level of understanding as indicated by the two comments made above and taking into consideration both the short-term challenges and their longer-term goals, Company H needs to continuously make the best possible strategic choice on which
market or markets it will serve. At this stage, Company H seems to have the markets it wants to serve well-defined.

**Figure 5.31**: Concept map of findings on Company H’s choice activity

![Concept map of findings on Company H’s choice activity](image)

**Source**: Author

As presented in Figure 5.31, the markets to serve and product offerings are well defined. Though there is a good alignment between the offerings and objectives, this is a short-term view since Company H does not practice strategic planning. Company H has recently extended its offering to include contract manufacturing of competitor products to increase its production capacity utilisation, however, this opportunity is as a result of a short-term industry crisis.

### 5.4.2.4 Strategic implementation

Though there is no formal strategic plan written down, that can be used to inform staff and other stakeholders of Company H’s strategy, the following was said on how the strategy is rolled out to the rest of the staff;

**Quote 14**: ‘We know what it is but we don’t write it down. [...] We have a weekly sales meeting. We have weekly management meetings. We have monthly food safety meetings.’
Even though engagement sessions are held with staff to inform them about the initiatives Company H is pursuing, the frequency of the meetings and their focus on the short-term, highlights that Company H’s planning practice is that of operational planning instead of strategic planning.

To meet set targets or to fully utilise available production capacity the following was said related to having partnerships and alliances in the industry;

Quote 15: ‘Unfortunately, our industry has very few partnerships and alliance. I think we would be much stronger if we had more. My idea of partnerships and alliances is I think it’s very beneficial to the industry.’

To ensure compliance with applicable food safety regulations, staff is trained regularly, this assertion is evidenced in the statement below;

Quote 16: ‘Every time there’s a, what we call a non-conformance, if we realise that something’s wrong then we take the corrective action and we record it. And we provide training to ensure that it doesn’t happen again.’

Though automation could assist in maintaining standards to a certain degree, the Managing Director is of the view that it’s better to employ people than automate. This finding is supported by the statement below;

Quote 17: ‘Automation would help. But it’s really expensive in our business and I like giving people jobs. I like employing people.’

Related to the training of staff, the following was also said on the importance of having the right culture to support processes to produce and deliver compliant products;

Quote 18: ‘One of the most important aspects of running a business like this, is instilling the right culture. We work closely as a team. We are very focused on what we are trying to achieve. And everybody works together to ensure that the process is completed properly.’

Given that staff were highlighted as being the most important element of Company H’s operating model and the immediate challenges they are faced with, in dealing with the listeriosis outbreak, it is important to ensure that their staff are kept abreast of the prevailing regulatory requirements. In addition, the staff should be equipped to work and keep their production plants as well as processes compliant. All this is an effort to
remain sustainable and to avoid the impact of a shutdown of their plant, due to non-compliance.

It was indicated that having a strategic plan is important and would have been helpful when they were sourcing funding from their bankers, since most of the information they would require in preparing the business plan requested by their bankers would have been readily available. This finding was emphasised by the requirement from their bankers to prepare and submit a business plan in order for the bank to consider providing them with the funding they required.

The major reason for Company H not practicing strategic planning to enable them to prepare a strategic plan, was the lack of skills to facilitate the strategic planning and not having enough time to devote to strategic planning.

Figure 5.32 presents a summary of findings on Company H’s activity of strategic implementation;

**Figure 5.32:** Concept map of findings on Company H’s implementation activity

The planning practice of Company H is very operationally focussed. Company H does not practice strategic planning, thus there are no strategic plan documents prepared and
as a result there is a moderate level of awareness of the company’s plans by their staff. Partnerships and alliances are important and this could be further explained by the willingness of Company H to enter into contract manufacturing arrangements with competitor entities.

5.4.2.5 Conclusion

A summary analysis of findings on the planning practices of Company H is presented in Table 5.9.
Table 5. 9: Matrix analysis of findings on Company H’s planning practice

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Low</td>
<td>The mission and vision are well defined. However, they do not practice formal strategic planning, thus their planning is short-term focused</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>There are some environmental assessments conducted, however, they are not very comprehensive especially as it relates to gaining an understanding of the external environment</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The choice of markets to serve is well defined and there is alignment of the choices with the objectives</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>This is very operationally focused, there are no strategic plans prepared, thus there is no document that can serve as a guide to the wider stakeholders on the initiatives being pursued</td>
</tr>
</tbody>
</table>

Source: Author

Company H does not practice strategic planning, the planning time horizon is largely short-term and is usually for a period of a year or less, this then means Company H does operational planning rather than strategic planning. The position of planning on a short-term basis was recently given more priority, primarily due to the short-term challenges the industry is currently facing. Periodic assessments are done to inform the
development of their strategy; however, the process is not very formalised to ensure the assessments are comprehensive.

5.4.3 Company I

Company I is a family owned private limited food preparation business that was established in 1999. It produces a wide range of food offerings prepared from its own kitchen. It primarily produces food platters, pies, lunches and tea cakes for the corporate sector, however, it has recently introduced two other divisions that produce ready-made meals for resell through a wide network of retailers. Its business system is that of business to business (B2B), meaning that it provides its products and services to other businesses. It is a medium sized mature SME that operates in and around Johannesburg in South Africa and currently has a total staff complement of 26 permanent employees.

The data was collected through an in-depth interview with the Managing Director (MD) and the Product Development Director. The MD has a science background and has an Honours Degree in Microbiology, he has no business-related qualifications, most business management knowledge has been acquired through experience. The Product Development Director has limited large corporate experience; however, she is very strong in project management.

5.4.3.1 Strategic direction

Company I has a mission and vision defined, however, they are not widely displayed for all stakeholders to have visibility of them. The vision of Company I is;

Quote 1: ‘To have a specialist model that is specifically designed to fit the corporates catering needs.’

It was the view of Company I’s management in 1999 when it was established that most catering companies where not as reliable in meeting the requirements of corporate entities with regards to timely delivery and quality of offerings. However, this has since changed as a result of increased competition and thus Company I is broadening its service offerings which could result in the vision changing. The following was said with regards to increased competition and the change in the market;
Quote 2: ‘These days, there are a handful of them, off the top of my head I can't even remember them all. You have to be able to handle those purchase orders. Be able to handle accounts, which caterers couldn’t traditionally do.’

From the statements presented above the strategic direction of Company I was once very clear, however, due to the changing business environment, primarily as a result of increased competition the strategic direction does not appear to still be very relevant and will possibly have to be refined.

Company I does not practice strategic planning, its planning time horizon is for a year and the process is led by the Managing Director with very minimal input from other stakeholders. The following was said in support of this finding;

Quote 3: ‘We have big strategy meetings as it were, were [...] we go, right, next month we have to make sure this is done [...].’

The statement quoted above clearly shows the short-term operational focus of Company I. On the need to practice strategic planning the following was said by the Managing Director;

Quote 4: ‘I would certainly like to do more of it, and be able to implement it, but our business seems to always throw a curve ball. So, I always feel like we've either got 50% of what we wanted to do. So, my wish would be that we could actually implement all of our plans and ideas, and strategies.’

Though the desire to practice strategic planning has been expressed as evidenced by the statement above, Company I does not seem to be expanding any significant effort to practicing strategic planning and is focusing on addressing short-term challenges as and when they arise. Having the support of an external consultant to assist with the strategic planning process was highlighted as being useful, however, the challenge is that they cannot afford such services.

Quote 5: ‘We would absolutely make use of them if I thought we could afford it [...]. These guys don't come cheap [...].

A level of scepticism was also highlighted on the actual benefit that could be derived from engaging external consultants to assist their business in various areas, and the following was said in support of this finding as well;
Quote 6: ‘We have used marketing consultants before but none of them have been able to come up with any better idea than we’ve already done. I have to be honest with you, I haven’t found any better yet.’

Despite not having the ability to internally facilitate the practice of strategic planning, Company I is not prepared to get external assistance to facilitate the development of a good strategy because they cannot afford to hire such support and there is some scepticism around the benefits of using external consultants.

On alignment with the rest of the staff on Company I’s plans the following was said;

Quote 7: ‘Our planning is not as formal, so our business is very reactive, you almost don’t really know what’s going to happen in a day, because it depends on the volume of orders, or things that come up. The business, we operate Monday to Friday, that’s about as structured as we get. Then we start again, kind of thing. So, any discussions will be about what’s going to happen in the next five working days.’

The statement above further asserts the finding on the short-term operational focus of Company I’s planning practice.

It is the view of the Managing Director that having a strategy is important if it is the same as achieving the mission of the company. Despite making this assertion, the Managing Director appears to be sceptical as to the benefits of having a good strategy and what benefits they could gain from having a longer-term view as compared to focusing attention on addressing the immediate short-term challenges as and when they arise.

A visual summary of the findings on Company I’s planning activity on its strategic direction is provided in Figure 5.33;
The mission and vision of Company I are defined, however, these are not well communicated to the wider stakeholder grouping. Due to the changing business environment it is the view of the Managing Director that the vision might have to be refined. As a result of Company I not practicing strategic planning, the strategy is not clear and their planning practice is operational given that their planning time horizon is for one year or less.

5.4.3.2 Strategic assessment

Company I conducts assessments on its environment, however, they are not strategic as their focus is on the short-term. Competitor assessments are performed annually but not regularly throughout the year as they believe not much changes during the year. The following was said in support of this finding:

Quote 8: ‘We do look around every year, because we normally reassess our platters. If a particular platter’s not selling well, we change it. Also, just to mix things up.’
Whilst competitor assessments are not done regularly throughout the year, the following questions are addressed when assessing Company I’s operations to ensure they remain competitive;

Quote 9: ‘We reassess all of our operations looking at, what do we keep and don’t keep, what do we change, what don’t we change? Is there something that people keep asking for that we don’t do?’

The following was said with regards to competitor assessments in the space Company I operates in;

Quote 10: ‘We’ve actually found it’s impossible, especially with the platters. […] a lot more people have come into our market, whereas, we were the only specialist platters delivery company in 1999. Also, with the business slowing down, a lot of the big catering companies have now entered into our market. Whereas traditionally, they would not do anything like that.’

A lot of effort is not exerted in assessing their competitor activity also because Company I believe they are a market leader. The following was said in this regard;

Quote 11: ‘How do we look at the competitors? They tend to look at us. You’ll see when we move, they move. We don’t really refer to them, except to just check that our pricing isn’t crazy, so we will check on pricing and see what our competitors are pricing. But then often, we look at it and go, this is not sustainable, they’re going to go out of business. Then generally they do.’

Quote 12: ‘There’s a company […], that seems to have moved into our territory quite heavily. They’re also the first other company to suddenly start offering free delivery, one day notice, all the kind of things that made us slightly unique. This year they’ve actually styled their website and their pricing the same as us. So, we don’t know who’s following who, but they seem to be finding a foothold in our space.’

The focus on internal assessment to improve their operating model capabilities is the approach that Company I has chosen to counter the potential threat from competitors, without necessarily gathering insight on the specific competitor activity, as they have indicated they don’t devote much time and effort in assessing their competitors.
A visual summary of the findings on Company I’s planning activity on its strategic assessment is provided in Figure 5.34.

**Figure 5.34:** Concept map of findings on Company I’s assessment activity

Though environmental assessments are conducted, competitor activity understanding is low as this is not an area they focus on when conducting their assessments. Company I has a view that it is the market leader and thus it focusses on developing its internal capabilities, as a result, it mostly focuses on looking at its industry offerings and profitability.

### 6.4.3.3 Strategic choice

Company I made the strategic choice to primarily serve the corporate sector in and around Johannesburg, however, from time to time they do get private clients but these are usually associated with the corporate clients they already serve.
Due to the increased competition in their current market they are now expanding their service offerings. This has been enabled because of the excess capacity they have in their kitchen, thus enabling them to produce other food products for resell through various retail outlets. With regards to the new food product offerings, the following was said in this regard:

Quote 13: ‘So, where we’re looking at growing is actually in new lines, in new products. So, we’ve got quite a few.’

The choice to broaden their service offerings, by utilising the already existing excess production capacity is strategic. Company I effectively does not have to make any further investment in their business to make the new product lines they are proposing to introduce. The product lines being introduced are complementary and enable Company I to utilise existing excess production capacity. This finding is evidenced by the following statement;

Quote 14: ‘It’s absolutely complementing. It’s using capacity that we already have, and it fits in very, very nicely. It’s almost for nothing because of the way the production of our current offering works, it starts very early in the morning, but by about 12 o’clock, everything’s done. Then I’ve got this whole production capacity from 12 o’clock until the end of the day that I can use. Our vehicles are sitting at that time. So, we’re just using all the space and the capacity that we have. I had to buy very little equipment to do the shift.’

Instead of having a large marketing team to drive sales, Company I chose to make use of technology and this is highlighted in the statements below;

Quote 15: ‘What we do is we have a very good, strong website that we try and keep as functional as possible. Someone can go on it and they get everything they need. They can see our products, they can see what it actually looks like, not just an ad campaign scene. They can see the price, units, our delivery areas, fees if there are any, everything is there.’

Quote 16: ‘In our limited telemarketing, we just try and direct people to our website. We don’t try and sell them anything. We just ask if we can send them our menu and a link to our website.’

The focus on leveraging technology to drive and facilitate sales is also somewhat strategic for Company I. This is because it will enable Company I to remain lean,
meaning they won’t have to hire a high number of personnel to do their sales and marketing and thus this will likely increase their profitability.

An overview that presents the findings on Company I’s planning activity on its strategic choice visually, is provided in Figure 5.35.

**Figure 5.35:** Concept map of findings on Company I’s choice activity

Source: Author

The markets to serve and product offerings are well defined. Company I has also chosen to broaden its offerings to enable it to utilise existing excess production capacity and as a result this brings about the alignment of the offerings and objectives. The excess capacity and opportunity to broaden its offerings was identified following its continuous internal capabilities assessments.

### 5.4.3.4 Strategic implementation

Company I does not have a strategic plan document since it does not practice strategic planning. As a result of their past successes, there is a lot of reliance on their existing operating model which they have been developing and perfecting over the years. The confidence they have in their operating model was underlined by the following statement;
Quote 17: ‘We make everything ourselves, we can control the quality […]. we rarely miss a beat […]. It takes three things to go wrong before we have a problem that you would notice, as the client.’

Despite the increased competition that Company I is facing, no effort is being exerted to practicing strategic planning. The following statement also further confirms the finding on the confidence Company I has on their existing operating model and positive feedback they currently receive with regards to their offerings;

Quote 18: ‘I have to be quite honest, our feedback is usually very positive. Everyone’s got a taste and a style, so if we don't suit their taste or style, they’re not going to use us again because that’s not what they prefer, and that’s absolutely fine. With food, you cannot satisfy everyone’s taste, otherwise every restaurant would be the same.’

Interestingly, Company I pays attention to all aspects of its operating model equally, as they believe all elements be they people, processes, technology and infrastructure have to be fully functional to meet their objectives. The following was said in support of this finding;

Quote 19: ‘Nothing can take a backseat. To do what we do, our admin has to be on top of it. Nothing we do is complicated, but it’s a lot of very simple steps. But you miss any one of them, you’re in a lot of trouble. Because you’ve got to go from an email, ending up at a platter delivered to the building somewhere in Johannesburg in a one-hour window.’

Whenever new products are developed the kitchen staff are trained on producing the new products and the rest of the staff are also informed of the new products as well.

It was highlighted that having partnerships and alliances is an important strategic move. However, this is so only when the requirement meets the needs of both parties or all partners involved. Having recently gone into partnerships in the development and distribution of the new product lines, the following was said;

Quote 20: ‘We have developed a range for one of our partners in retail […] They had a requirement, we developed something for them, offered it to them, they said yes, and we now stock all their stores. We are doing something similar with the ready meals.’
The partnership arrangements that Company I is entering, are proving to be fruitful and are geared to better position Company I, by broadening its service offerings. Company I does not have a strategic plan that captures all the initiatives it is pursuing to further improve its operating model and the efforts they are exerting in expanding their service offering. The findings on Company I’s planning activity on its strategic implementation are visually presented in Figure 5.36.

**Figure 5.36**: Concept map of findings on Company I’s implementation activity

Company I does not prepare any strategic plans, this is largely due to Company I not practising strategic planning and as a result, staff are not always aware of the company’s plans. Partnerships and alliances are seen as an important enabler since it’s through these arrangements and relationships that Company I has been able to expand its offerings, thus enabling it to utilise available excess production capacity.
5.4.3.5 Conclusion

An overview of the findings on the practice of strategic planning by Company I is presented in Table 5.10.

The analysis shows that Company I does not practice strategic planning. Instead Company I practices more of operational planning as its planning time horizon is for a year or less. Since it does not practice strategic planning there is no strategic plan document prepared to provide guidance on initiatives being pursued or that will be pursued to meet its objectives and vision.
Table 5.10: Matrix analysis of findings on Company I’s planning practice

<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Low</td>
<td>The strategic direction is clear since the mission and vision are defined, however, this is not well communicated to all stakeholders and the vision might have to be refined due to changes in the environment</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>Low</td>
<td>Low</td>
<td>Assessments of competitor activity are not done regularly and comprehensively, as Company I see itself as a market leader in its market space</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The markets to serve are well defined and a strategic choice has been made to broaden the service offerings, thus enabling Company I to utilise existing excess production capacity</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>Moderate</td>
<td>Low</td>
<td>Though there is no strategic plan, the operating model seems to be a key element of Company I, that’s enabling it to achieve its objectives and vision. However, in the long-term this can be replicated by their competitors</td>
</tr>
</tbody>
</table>

Source: Author
The next section will set out the conclusion on the practice of strategic planning by medium enterprises.

5.4.4 Conclusion

None of the medium enterprise case studies practiced strategic planning. The planning conducted by the medium enterprises is mostly operational given that their planning time horizons are for a year or less. The planning conducted annually is mostly led by the owner/managers, however, their planning process has minimal input from other stakeholders. There are minimal strategic assessments conducted and those assessments conducted are not comprehensive and well-structured to provide sufficient strategic insight.

This section has provided the conclusion on the findings from medium enterprises, the next chapter will provide the ‘cross-case’ analysis findings from the ‘within-case’ analysis studies presented in this chapter.
CHAPTER SIX – CROSS-CASE ANALYSIS

6.1 Introduction

The case analysis of each of the nine case studies is presented individually in chapter six, this chapter presents the ‘cross-case’ analysis findings which synthesise the findings from the ‘within-case’ analysis. The cross-case analysis sets out identified differences and commonalities across the within-case analysis and across the SME development stages. The findings are presented based on the theoretical strategic planning framework that covers, (i) the strategic direction, (ii) strategic assessment, (iii) strategic choice and, (iv) strategic implementation.

6.1.1 Case studies and interview participant profiles

The type of business operations conducted by the SMEs whose managers were interviewed is either ‘food preparation’ or ‘processed foods’. Three of the case study SMEs are classified as ‘processed foods’ entities, whereas the rest of the SME case study’s (six entities) business operations are that of ‘food preparation’.

Eight out of the sixteen interview participants (50%) from the nine case studies had higher level educational qualifications, with five of these eight participants (63%) having business management related qualifications at postgraduate level. Table 6.1 provides an overview of the participants that took part in the in-depth interviews.

The SME case studies are categorised into three development stages namely ‘very small enterprises’, ‘small enterprises’ and ‘medium enterprises’ (see Table 2.3).
Table 6.1: Case study and interview participant profiles

<table>
<thead>
<tr>
<th>Size of business</th>
<th>Company Code</th>
<th>Business Operations</th>
<th>Total Staff Complement</th>
<th>Interviewee Positions</th>
<th>Interviewee Profile / Background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Small</td>
<td>A</td>
<td>Processed Foods</td>
<td>6</td>
<td>Owner / Managing Director</td>
<td>Has over 20 years corporate management experience. He is a holder of an Master of Buisness Administration (MBA), Diploma in Strategic Management and an MPhil in Labour Relations</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Food Preparation</td>
<td>6</td>
<td>Owner / Managing Director</td>
<td>Start the business after gaining a little bit of experience for about two years at one of the big banks in South Africa. She has a Bachelors in Business Administration</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Consultant / Mentor</td>
<td>Has over 20 years corporate management experience and has an MBA</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Food Preparation</td>
<td>7</td>
<td>Owner / Managing Director</td>
<td>He has over 15 years corporate management experience and working for a large Facilities and Catering Business in South Africa. He has attended several management development programmes</td>
</tr>
<tr>
<td>Small</td>
<td>D</td>
<td>Food Preparation</td>
<td>35</td>
<td>Sales Director Production Director</td>
<td>Both directors worked at the same company before establishing Company D. They both don’t have any post secondary school qualifications or executive management training qualifications</td>
</tr>
<tr>
<td></td>
<td>E</td>
<td>Food Preparation</td>
<td>35</td>
<td>Owner / Managing Director Operations Manager</td>
<td>Has over 20 years corporate management experience. He is a holder of an MBA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>He has significant management experience, however does not have a management or business related qualification.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>Processed Foods</td>
<td>65</td>
<td>Chief Executive Officer (CEO) Director</td>
<td>Has worked for one of the largest food and beverages entity in South Africa and was a senior manager when she left to establish Company F. She has a Bachelor’s in Business Administration degree and an MSc in International Marketing as well as certificates of attendance of various management development programmes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Has limited large corporate experience however, she is a qualified nutritionist and has significant scientific research experience</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>G</td>
<td>Food Preparation</td>
<td>150</td>
<td>Co-Founder / Managing Director Finance Director</td>
<td>Has over 20 years corporate management experience, however, does not have any formal management or business related qualifications</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>He is an experienced accounting professional and has significant management experience.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>H</td>
<td>Processed Foods</td>
<td>84</td>
<td>Owner / Managing Director Consultant</td>
<td>He has significant management experience, however does not have a management or business related qualification.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Has over 20 years corporate management experience and has a Strategy related qualification and PhD</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I</td>
<td>Food Preparation</td>
<td>26</td>
<td>Owner / Managing Director Director Product Development</td>
<td>Has a science background and has an Honours Degree in Microbiology. He has no business related qualification, most knowledge has been acquired through experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Has limited large corporate experience, however, she is very strong in project management</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Author
6.2 Overview of findings

This section provides an overview of the findings from the SME development stages presented in chapter six. The overview of the findings presents findings from the very small enterprises, the small enterprises and, medium enterprises.

(i) Very Small Enterprises: With the exception of Company A that did practice strategic planning, the planning for the other very small enterprises was not formalised, however, it was informed by sporadic environmental assessments conducted. Companies B and C actually practiced operational planning instead of strategic planning.

(ii) Small Enterprises: With the exception of Company F, which practiced strategic planning, the other small enterprises did not practice formal strategic planning; thus, their planning was largely not formalised and was short-term focused. Their planning practice was in essence operational and not strategic.

(iii) Medium Enterprises: None of the medium enterprise case studies practiced strategic planning. The planning conducted by medium enterprises was mostly operational given that their planning time horizons were for a year or less.

Table 6.2 shows the planning time horizon focus by the research case studies. This is followed by a narrative that explains what can be interpreted from Table 6.2 on the planning time horizon focus by the SME case studies.
Table 6.2: Summary of planning time horizon focus by the research case studies

<table>
<thead>
<tr>
<th>Development Stage</th>
<th>Very Small Enterprises</th>
<th>Small Enterprises</th>
<th>Medium Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>Data Source</td>
<td>Table 6.2</td>
<td>Table 6.3</td>
<td>Table 6.4</td>
</tr>
<tr>
<td>Focus of Planning Activities</td>
<td>S-T Focus</td>
<td>L-T Focus</td>
<td>S-T Focus</td>
</tr>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
</tr>
</tbody>
</table>

Business System:
- **B2C** - Business to Consumer, is a process for selling products directly to consumers
- **B2B** - Business to Business, is a process for selling products to other businesses

Planning Activity Note:
1. **S-T Focus** – Short term focus with a planning time horizon of one year or less
2. **L-T Focus** – Long term focus with a planning time horizon of two and half years to five years

Source: Author
The narrative that summarily presents the interpreted findings/observations from Table 6.2 is set out below;

(i) There is a high short-term focus in the planning activities of most of the SMEs, thus their planning practice is actually operational planning and not strategic planning. This is evidenced by six SMEs (67%) out of the nine, having a high short-term focus across all the planning activities.

(ii) All SMEs showed that they had a high short-term focus on their strategic direction planning activity.

(iii) Only two entities (Companies A and F) (22%) indicated that they exerted significant effort in setting their strategic direction, this is shown by a high long-term focus on their strategic direction planning activity. Only one (Company C) had a moderate level long-term focus, with six entities showing a low long-term focus.

(iv) Seven of the SMEs (78%) had a high short-term focus on their strategic assessment activity. Two entities (Companies A and G) (22%) had a moderate long-term focus. However, none of the SMEs had a high long-term focus on their strategic assessment planning activity.

(v) Eight of the SMEs (89%) showed a high short-term focus on their strategic choice activity, whereas, six of the entities showed a moderate level long-term focus, with two entities (Companies B and E) showing a low-level long-term focus and only one entity (Company F) on their strategic choice activity.

(vi) Eight of the SMEs (89%) had a high short-term focus on their strategic implementation activity, while seven clearly showed a low-level long-term focus. The low long-term focus on strategic implementation is evidenced by the non-preparation of strategic plans by seven of the SMEs.

(vii) There were three SMEs (Companies B, C and E) (33%) that have a ‘business to consumer’ (B2C) business system, the rest have a ‘business to business’ (B2B) business system. All the three B2C SMEs have a short-term planning focus. The only two SMEs that practice strategic planning (Companies A and F) have a B2B business system.
6.3 Cross-case analysis findings

The cross-case findings use the theoretical strategic planning framework structure that covers; strategic direction, strategic assessment, strategic choice and, strategic implementation.

6.3.1 Strategic direction

The mission and vision are not clearly defined for majority of the case study SMEs. All case study SMEs with the exception of Companies A and F do not practice formal strategic planning, instead their planning is mostly operational planning. Table 6.3 presents the strategic direction overview on the planning time horizon focus of the case study SMEs as either being short-term or long-term.

Table 6.3: Direction setting time horizon focus by the research case studies

<table>
<thead>
<tr>
<th>Development Stage</th>
<th>Very Small Enterprises</th>
<th>Small Enterprises</th>
<th>Medium Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>Data Source</td>
<td>Table 6.2</td>
<td>Table 6.3</td>
<td>Table 6.4</td>
</tr>
<tr>
<td>Focus of Planning Activities</td>
<td>S-T Focus</td>
<td>L-T Focus</td>
<td>S-T Focus</td>
</tr>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Business System:  
- **B2C** - Business to Consumer;  
- **B2B** - Business to Business

Planning Activity:  
1. **S-T Focus** – Short term focus with a planning time horizon of one year or less  
2. **L-T Focus** – Long term focus with a planning time horizon of two and half years to five years

Source: Author

As shown in Table 6.3 all the SMEs had a high short-term focus on their strategic direction planning activity. Only two entities, Companies A and F, indicated that they exerted significant effort in setting their strategic direction, this is shown by a high long-term focus on their strategic direction planning activity. Companies A and F have this long-term focus because the directors have the requisite strategic management
knowledge and experience to facilitate strategic planning and they appreciate the benefits that strategic planning bring to their respective organisations.

It is argued that having a strategy informed by a vision is important, thus going through a process of strategic planning to formulate strategy is valuable, however, most of the research case studies do not practice strategic planning. The reason why most of the SME case studies do not practice strategic planning is due to them not having an appreciation of the benefits of practising strategic planning. This finding is supported by statements captured in chapter six from Company G (Quote 1, p.153) and Company H (Quote 2, p.164) which are medium enterprises that do not practice strategic planning despite highlighting its importance.

Though some of the SMEs had well defined vision and mission statements, most were not clear and there was no clear understanding of the difference between a vision and a mission. The vision was largely presented or defined better than the mission. Despite most of the SME owner/managers having some understanding of a vision, a lot equated it to goals and objectives. Also, they seemed to lack the appreciation of the longer-term view or aspiration a vision should project.

Strategy as a concept does not appear to be well understood by all the stakeholders, as they presented it as either short-term objectives/goals and/or long-term goals, with budgeting and control of operating costs being emphasised as a priority in meeting their objectives/goals. Most of the SME owner/managers seem confused about the difference between strategy and planning, this was evidenced by some of the responses given when responding to strategy related questions versus those on the planning process.

Related to the previous finding, there is also a lack of understanding of strategic management elements such as, distinguishing between strategic planning versus operational planning, and strategic assessments. This position is due to the lack of sound strategic management knowledge by the SME owner/managers to enable them to distinguish the mission from the vision of the organisation, as well as strategic planning from operational planning. The supporting statements to this finding are captured in chapter six from the participants from Company D (Quote 13, p.125) and Company H (Quote 6, p.165).

Most of the case study SMEs practice operational planning instead of strategic planning with the exception of Company A and Company F, and this was because Company A and F have the internal personnel with the requisite strategic management knowledge as
well as experience to facilitate the strategic planning process. Though Company E’s Managing Director has a Master’s in Business Administration (MBA), Company E does not practice strategic planning despite having an internal resource that could facilitate the strategic planning process, this is different with Company A’s position whose Managing Director has an MBA but does practice strategic planning.

It was highlighted that since Company A does have a person internally with the skills to facilitate the practice of strategic planning, they do not make use of external consultants. Most of the case study SMEs do not make use of external consultants, however, some of the case study SMEs such as Company G and H do make use of consultants for other business-related support, but not for strategic planning. The Managing Directors of Company A (Quote 3, p.89) and Company I (Quote 5, p.176) stated that though it would be beneficial for SMEs to make use of external consultants, their services are expensive and SMEs cannot afford them.

Although planning is somewhat valued and somewhat practiced to a limited extent, the drive to respond to opportunities quickly was cited as one of the reasons for not taking time out to practice strategic planning, thus the focus on operational planning.

There was a significantly high level of scepticism shown by some of the research participants with regards to the benefits that could be derived from the use of external consultants in assisting their organisations develop their strategies, this was premised on the basis that no external persons could know their business better than themselves. The finding was expressly shown by the statement captured from one of the participants from Company D (Quote 3, p.119) doubting the benefit that could be derived from someone who is not an employee and possibly not understanding how Company D operates.

The planning activities/concepts from the within-case concept maps that influences or determines the theoretical strategic planning step on (A) direction of the SMEs are illustrated in Figure 6.1;
The analysis of the influence of the planning activities/concepts shown in Figure 6.1 on the direction of the SMEs shows that the mission and vision for majority of the SMEs has an influence on the direction of the SMEs. Thus, given that all case study SMEs with the exception of Companies A and F, did not have well-defined strategic directions since they did not practice strategic planning, instead their planning was mostly operational.

There are no differences that can be highlighted as being a distinguishing factor across the three SME development stages as to how they set their strategic direction. The two companies that practiced strategic planning are in two different SME development stages, Company A is classified as a Very Small Enterprise, whilst, Company F is a ‘Small Enterprise’. None of the case study SMEs in the Medium Enterprises category practiced strategic planning, despite the longer tenure they have been in business (more than 9 years). This is due to the owner/managers not having the requisite strategic management knowhow to facilitate strategic planning and probably lacking the appreciation of the benefits of practicing strategic planning as well.
6.3.2 Strategic assessment

Assessments of the internal and external environments of the SME case studies were being conducted, however, they were not always well structured to provide comprehensive insight on the case study SME’s business environment. There generally was a high short-term focus on their assessment activities such that they were not strategic, since most of the insight gained was not geared towards enabling the formulation of good strategies. Table 6.4 presents an overview on the planning time horizon of the SMEs as either being short-term or long-term for their strategic assessments.

Table 6.4: Assessment time horizon focus by the research case studies

<table>
<thead>
<tr>
<th>Development Stage</th>
<th>Very Small Enterprises</th>
<th>Small Enterprises</th>
<th>Medium Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>Data Source</td>
<td>Table 6.2</td>
<td>Table 6.3</td>
<td>Table 6.4</td>
</tr>
<tr>
<td>Forms of Planning Activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S-T Focus</td>
<td>L-T Focus</td>
<td>S-T Focus</td>
<td>L-T Focus</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Middle</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>


Planning Activity: 1. **S-T Focus** – Short term focus with a planning time horizon of one year or less

2. **L-T Focus** – Long term focus with a planning time horizon of two and half years to five years

Source: Author

From Table 6.4 it is evident that only two entities namely Companies A and G, had a moderate long-term focus on their assessments. However, none of the case study SMEs had a high long-term focus on their strategic assessment planning activity. Seven of the SME case studies had a high short-term focus on their strategic assessment activity.

There are no specific functions tasked with the responsibility of conducting environmental assessments, however, the SME owner/managers are the ones that conduct or initiate most of the assessments. The exception was Companies F and
Company H which largely relied on their sales representatives to conduct market assessments. This is due to the SMEs not having defined functions or teams that have the specific responsibility of coordinating the assessments to gain insight to formulate good strategies. Unlike larger organisations that have the resources to have dedicated teams that gather insight on both internal and external environments to inform the formulation of strategy, the case study SMEs indicated that they do not have the resources to fully dedicate to this activity. Most of the SMEs showed that a significant amount of assessments were conducted at the early stages of the formation of their business ventures, primarily to determine the location of where to operate from, as well as design the appropriate business and operating models. This was evidenced by the Managing Director of Company C’s statement captured in Quote 6, p.111 in the within-case analysis.

Generally, there is a good understanding of competitor activity. However, the assessments are not usually very comprehensive and the predominant reason presented for this approach was that there are minimal changes in product offerings during the course of the year. This finding is supported by statements captured from the participants from Company I (Quote 8, p.178) which is a medium sized enterprise and Company F (Quote 7, p.144) a small enterprise;

Collecting and embracing customer feedback is important in determining product quality and demand. Customer feedback was established as one of the primary activities all the SMEs use to gain insight on customer preferences and thus inform the development of new products and continuous improvement of existing products. This finding is supported by the statement captured from Company G in Quote 6, p.156 of the within-case analysis.

Innovation of products and respective production processes is enabled through limited insight gained from the assessments initiated by the owner/managers except for Companies A, F and G which gain wider insight from knowledge sharing with industry stakeholders and participation in industry related conferences. Due to the limited resources available to dedicate to the activity of conducting assessments, most of the SME owner/managers indicated that they conduct or drive the process of assessments by themselves with limited input and/or support from other stakeholders.

Insight on internal capabilities was highlighted as being very important, to ensure that SMEs have the necessary capabilities and resources to produce their products and
services, to grow their market share and meet the regulatory health and safety requirements necessary for them to maintain a licence to operate. This internal capability assessment is evidenced by the statement captured from Company I’s Managing Director in quote 9, p.179 of the within-case analysis.

Related to this, there is a lot of effort exerted to understanding the profit margins of their offerings, thus informing the pricing and profitability of their products and service offerings. Despite the focus on understanding their internal capabilities, their efforts are short-term focused, thus the insight gained is not geared to enabling strategic planning but operational planning. This is due to the focus on survival and the planning time horizon of one year of less by most of the case study SMEs.

The planning activities/concepts from the within-case concept maps that influences or determines the theoretical strategic planning step on (B) assessments conducted by the SMEs are illustrated in Figure 6.2;

**Figure 6.2: Cross-case analysis assessment casual map**

![Cross-case analysis assessment casual map](source)

**Source:** Author

Having assessed the influence of the planning activities/concepts shown in Figure 6.2, it can be summarily interpreted that assessments of their environments are comprehensively conducted if all the activities are considered and assessed. However,
this was not always the case since most of the assessments were not well structured to provide comprehensive insight on the SMEs environments. Consultations with the wider stakeholder groupings are limited or moderate, except for Company G which somewhat regularly consults its wider stakeholder grouping. In order to gain insight on both the internal and external environments, there is a need to consult with the wider stakeholder grouping. However, none of the case study SMEs seem to prioritise this activity, thus showing that they possibly don’t believe they will gain much benefit from the information they will gather from conducting a comprehensive assessment of their environments. This position also further supports the finding that there is a level of scepticism by most of the SME owner/managers on the benefits of practicing strategic planning to formulate their strategies despite highlighting that having a strategy is important.

6.3.3 Strategic choice

The analysis shows that there is a mixed position of short-term focused operational choices and long-term strategic choices by the SMEs. The choice of markets to serve which are mostly strategic, are well defined and this is the case with the product offerings as well. In limited instances, such as with Company B and E which are still in the processes of defining their preferred offerings these choices have not been finalised. Table 6.5 presents an overview of the focus on strategic choice by the case study SMEs as either being short-term or long-term.
Table 6.5: Choice time horizon focus by the research case studies

<table>
<thead>
<tr>
<th>Development Stage</th>
<th>Very Small Enterprises</th>
<th>Small Enterprises</th>
<th>Medium Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>A</td>
<td>B</td>
<td>C</td>
</tr>
<tr>
<td>Data Source</td>
<td>Table 6.2</td>
<td>Table 6.3</td>
<td>Table 6.4</td>
</tr>
<tr>
<td>Focus of Planning Activities</td>
<td>S-T Focus</td>
<td>L-T Focus</td>
<td>S-T Focus</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Modern</td>
<td>High</td>
</tr>
</tbody>
</table>

Business System:  
- **B2C** - Business to Consumer;  
- **B2B** - Business to Business

Planning Activity:  
1. **S-T Focus** – Short term focus with a planning time horizon of one year or less  
2. **L-T Focus** – Long term focus with a planning time horizon of two and half years to five years

Source: Author

The table 6.5 shows that eight of the SMEs had a high short-term focus on their choices, whereas, six of the entities showed a moderate level long-term focus, with two of the entities (B and E) showing a low-level long-term focus, and only Company F had a long-term focus on their strategic choice activity.

The markets to serve and service offerings are generally well defined for the SMEs that have been operating for five years and above, with the exception of Company E which operates a mature franchised business and a start-up brand entity that is still to define its service offerings and positioning. This is a good strategic position to be in for the SMEs, as it affirms the business the SMEs want to be in. This makes it easier to define a vision that is aligned to the mission of the organisation. It was generally highlighted that the positioning of the company in terms of the markets to serve or operate in, is important as this also serves as a guide as to what to do and not do.

Related to the challenges Company E is facing in defining its products and service offerings for its start-up entity, this is the case with the other start-up case study SME such as Company B. Finding the right product offering mix is important, as it will bring about alignment between the capabilities required to make the products and the efforts exerted to attracting targeted customers. It was highlighted by one of the research participants from Company E (Quote 3, p.130) that if the products and services to offer
are not well defined and are constantly changing this can easily be interpreted by the customers as confusion.

The choice of partners to go into partnerships with is very important, as their performance or delivery of services will have a direct impact on the performance of the SME. Company F chose to partner with other SMEs as they believe there will be alignment and that they want to grow with other businesses at the same level, as they believe they will likely get the necessary level of attention from other SMEs than working with well-established big businesses. Statements captured from the participants from Company F (Quote 19, p.149) and Company G (Quote 10, p.158) support this finding.

Related to the choice of partners, Company A (Quotes 6 and 7, p.92) and Company F (Quote 10, p.147) made the strategic choice to outsource some of their value chain activities, such as manufacturing, distribution, sales and merchandising. This was premised on the need to conserve capital, though both businesses are at different stages of development. Company A is a start-up categorised as a ‘Very Small Enterprise’ and Company F is a slightly more mature business categorised as a ‘Small Enterprise’. They both saw the need to outsource these value chain elements to achieve faster growth.

Alignment of the products and service offerings to the objectives of the SMEs is very important, as this ensures resources are channelled to produce products that will enable the SMEs to meet their objectives, whether it be profitability and/or sustainability, however, Company B is still to achieve this alignment.

Flexibility of decision-making on choices and having non-hierarchical management structures are important to be able to explore and quickly capitalise on available opportunities. This appears to be the case due to the high-level involvement of the SME owner/managers in the decision-making process, as indicated by a participant from Company G (see Quote 12, p.160).

Related to the finding on choice of products and services to offer, the participant from Company H (Quote 11, p.169) said there is a constant dilemma faced by SME owner/managers in deciding on which products and services to produce when considering either to make cheap products for the mass market or higher quality products for a niche market.
The process of making the choice to resolve the dilemma highlighted in the statement above is strategic, as the choice will have an impact on the positioning of the SMEs internal capabilities and targeted customers. The planning activities/concepts from the within-case concept maps that influences or determines the theoretical strategic planning step on (C) choices made by the SMEs are illustrated in Figure 6.3;

**Figure 6.3: Cross-case analysis choice casual map**

![Cross-case analysis choice casual map](source)

**Source:** Author

Following the analysis of the case studies, it can be concluded that the choice of markets to serve are mostly well defined by most of the SMEs and this is the case with the product offerings as well, except in limited instances such as with Company B and Company E which are still in the processes of defining their preferred offerings.

### 6.3.4 Strategic implementation

As a result of most of the SMEs not practicing strategic planning, there are no strategic plans prepared by majority of the SMEs, with the exception of Companies A and F which practiced strategic planning. Even though most of the SMEs do not practice formal strategic planning, the limited planning activities conducted are seldom documented, thus there are limited formal plans available to give direction to the wider
stakeholders on initiatives being pursued and progress made towards their achievement. This finding is evidenced by the statements captured from Company D (Quote 5, p.120) and Company H (Quote 14, p.170).

Despite not practicing strategic planning the need to have plans was highlighted as being important, this finding is supported by the statement captured from the participant from Company C (Quote 2, p.109). Table 6.6 presents an overview of the focus on strategic implementation by the case study SMEs as either being short-term or long-term.

Table 6.6: Implementation time horizon focus by the research case studies

<table>
<thead>
<tr>
<th>Development Stage</th>
<th>Very Small Enterprises</th>
<th>Small Enterprises</th>
<th>Medium Enterprises</th>
</tr>
</thead>
<tbody>
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<td>C</td>
</tr>
<tr>
<td>Focus of Planning Activities</td>
<td>S-T Focus</td>
<td>L-T Focus</td>
<td>S-T Focus</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
</tr>
</tbody>
</table>

Business System:   

**B2C** - Business to Consumer;   

**B2B** - Business to Business

Planning Activity:

1. **S-T Focus** – Short term focus with a planning time horizon of one year or less
2. **L-T Focus** – Long term focus with a planning time horizon of two and half years to five years

Source: Author

Table 6.6 shows that eight of the SMEs had a high short-term focus on the strategic implementation activity, while seven of the SMEs clearly showed a low-level long-term focus. The low long-term focus on strategic implementation is evidenced by the none preparation of strategic plans by seven of the case study entities, which reside in all the three development stages.

Having a formal business plan and/or a strategic plan is valuable, this is so there is a document that can be used as a basis to track the organisations performance. However, only Companies A and F had strategic plans, since they are the only entities that practiced strategic planning to a significantly level enough for its impact or presence to
be recognised. The statements captured from the participant from Company A in quote 11 and quote 12, p.94 supports this finding.

It was highlighted that resources are reallocated effectively and efficiently when plans change, though the plans are mostly short-term for all the SMEs, with companies A and F being the exceptions. On the sharing of available plans with staff, the participant from Company B (Quote 12, p.98) stated that this is not done with all staff members but only key personnel.

Having the right staff that is well motivated is important, however, with the drive to consistently improve productivity there is a view that there is a limit to what staff can deliver versus a move towards automation of production processes, this was specifically highlighted by Company G (Quote 14, p.160). However, Company H (Quote 17, p.171) highlighted that they would trade off the benefit of automation to keeping staff in the interest of ensuring people are employed. Company E (Quote 18, p.137) also emphasised that staff were their most critical resource followed by technology.

Alignment with staff on various initiatives being pursued by the SMEs is sporadically done and this was the case across all the SMEs, though some did it much better. However, given the agenda and content of most of the staff engagements, there seems to be more operational alignment meetings rather than strategic alignment meetings. This finding is evidenced by the statement captured in quote 13, p.105 from the participant from Company B.

Companies A and F which operate with an outsourced manufacturing and distribution model, view partnerships and alliances as important. It was alluded that the growth they have achieved has been enabled through strategic partnerships with other entities in their value chains. However, this perspective is not shared by all the research participants who were interviewed for this research study. This could be as a result of seeing the value of partnerships at the different levels of the industry value chain differently. The participant from Company G (Quote 13, p.160) showed a level of scepticism regarding the benefits that can be derived from partnerships and thus had an opposing view to that presented by other case study participants.

Some of the study participants viewed partnerships as being strategic and a key enabler to their growth. This finding is evidenced by the statements from participants from Company A (Quote 14, p.94) and E (Quote 21, p.138).
Compliance with regulations is important, especially with regards to applicable health and safety regulations. All the SMEs seem to have a fair understanding of their regulatory requirements and have adopted processes to ensure they are compliant. However, the levels of compliance across the SMEs differ as some business operations have higher levels of regulatory requirements. The need to have the necessary documentation by SMEs was emphasised by the Managing Director of Company B (Quote 15, p.105).

In the development of their businesses over the years, none of the SMEs utilised the services of any business incubators except Company B. Despite the availability of a number of SME development agencies in South Africa none of the SMEs have sourced funding from them. Companies A and C indicated that the application processes take too long and their requirements are usually too onerous, such that by the time the agencies get back to them, the SMEs funding requirements would have evolved. Thus, they opt to self-finance, which then affects and/or delays their growth prospects.

The planning activities/concepts from the within-case concept maps that influences or determines the theoretical strategic planning step on (D) implementation by the SMEs are illustrated in Figure 6.4;

Figure 6. 4: Cross-case analysis implementation casual map

![Figure 6.4: Cross-case analysis implementation casual map](image)

Source: Author
With the exception of Companies A and F which practiced strategic planning and are in different development stages, there is no material difference amongst the rest of the SMEs in their non-practice of strategic planning. No strategic plans are prepared by majority of the SMEs except Company A and F that do have strategic plans. The activities or initiatives to achieve their vision and objectives in some instances are somewhat documented, however, the lack of strategic management knowledge and the non-practice of strategic planning was a contributing factor to most of the SMEs not preparing strategic plans.

6.4 Conclusion

The ‘cross-case’ analysis findings have provided a synthesised understanding of how the SMEs practice strategic planning following the main empirical study conducted.

The matrix analysis that summarises the ‘cross-case’ analysis findings on SMEs planning practices is presented in Table 6.7.
<table>
<thead>
<tr>
<th>Planning Activity</th>
<th>Short-Term Focus (Less than 1 year)</th>
<th>Long-Term Focus (2.5 to 5 years)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Direction</td>
<td>High</td>
<td>Moderate</td>
<td>The mission and vision are not clearly defined for majority of the SMEs. All case study SMEs with the exception of Companies A and F, do not practice formal strategic planning, instead their planning is mostly operational</td>
</tr>
<tr>
<td>Strategic Assessment</td>
<td>High</td>
<td>Low</td>
<td>Assessments of the environments of the SMEs are conducted, however, they are not always well structure to provide comprehensive insight on the SMEs environments.</td>
</tr>
<tr>
<td>Strategic Choice</td>
<td>High</td>
<td>Moderate</td>
<td>The choice of markets to serve are mostly well defined and this is the case with the product offerings as well, except in limited instances such as with Companies B and E which are still in the processes of defining their preferred offerings</td>
</tr>
<tr>
<td>Strategic Implementation</td>
<td>High</td>
<td>Low</td>
<td>No strategic plans are prepared by majority of the case study SMEs except Companies A and F that do. The activities or initiatives to achieve their vision and objectives are somewhat documented</td>
</tr>
</tbody>
</table>

Source: Author
All the SMEs with the exception of Companies A and F do not practice strategic planning. Thus, any planning efforts exerted actually result in operational planning rather than strategic planning. The planning practiced is mostly short-term focused, with a planning time horizon of one year or less. Companies A and F do practice strategic planning primarily due to the fact that some of their senior managers within their entities have the strategic management knowledge, skills and experience. Thus, they act as the key internal resources in managing and facilitating their practice of strategic planning.

The mission and vision statements are not clearly defined for majority of the SMEs, with the exception of Companies A and F. There are no differences that can be highlighted as being a distinguishing factor across the three SME development stages as to how they set their strategic direction. The two companies that practice strategic planning reside in two different SME development stages, Company A is classified as a ‘Very Small Enterprise’, whilst, Company F is a ‘Small Enterprise’.

Although, there is a significant emphasis on the need for growth by most of the SMEs, the achievement of the growth seems to arise as a result of their day to day efforts that are not necessarily anchored on a well-defined vision. Despite the financial and other entrepreneurship support available to SMEs in South Africa, from both private and public entities, SMEs find the process to gain access to the resources too onerous and that it usually takes long to get responses, thus ultimately affecting their growth prospects.

There is a level of scepticism as to the benefits of practicing strategic planning by most of the SMEs that do not practice strategic planning, thus there is no appreciation of the benefits of practicing strategic planning. Those SMEs that do not practice strategic planning seem to be more focused on defining their business models and survival.

Assessments are normally sporadically conducted; however, these are mostly not comprehensive enough and well-structured to provide the necessary strategic insight to gain sound knowledge of their business environments to inform the formulation of good planned strategies. Most assessments conducted are short-term focused and are geared towards supporting operational planning rather than strategic planning.

As a result of most of the SMEs not practicing strategic planning, there are no strategic plans prepared, that capture the strategic initiatives being pursued and provide an
overview on the progress in achieving their set goals and visions to their wider stakeholders.

A cross-case analysis planning process causal map that visually shows the overall influence of the various planning activities/concepts from the four theoretical strategic planning steps on (A) direction, (B) assessment, (C) choice and (D) implementation is provided in Figure 6.5.

The overall causal map was developed after collating the planning activities/concepts from casual maps on direction (Figure 6.1), assessment (Figure 6.2), choice (Figure 6.3) and implementation (Figure 6.4) presented in earlier sections of this cross-case analysis. These individual causal maps were developed taking into consideration the planning activities/concepts from the concept maps presented in the within-case analysis of the nine SME case studies presented in chapter six.

There are four planning activities/concepts that influence more than one strategic planning process step and these are:

(i) Strategic management knowledge, has an influence on (A) direction, (B) assessment and indirectly on (D) implementation through the strategic plans concept,

(ii) Regulatory requirements understanding, has a direct influence on (B) assessment, (C) choice and (D) implementation,

(iii) Planning period, has a direct influence on (A) direction and (B) assessment, and

(iv) Management, has a direct influence on (A) direction and indirectly on (D) implementation through staff awareness of plans

The influence of each of the activities/concepts on each other and the four theoretical strategic planning steps varies for each of the SME case studies, however, these activities/concepts dependent on the influence on each other and on the four theoretical strategic planning steps as illustrated in Figure 6.5 determine the overall outcome of the planning process as either being strategic or operational.

The goal of the proposed strategic planning framework detailed in section 6.4.1 is to enable the SME owner/managers to have capabilities to control, understand and appreciate the activities/concepts listed in Figure 6.5 so they have an influence on the four theoretical strategic planning steps, such that the outcome of the planning process is strategic and not operational.
**Figure 6.5:** Cross-case analysis planning process casual map

**Source:** Author
The next section of this conclusion presents the proposed strategic planning framework developed as an outcome of the findings from this cross-case analysis chapter. The proposed strategic planning framework is aimed at enabling SME owner/managers to improve their practice of strategic planning.

6.4.1 Proposed strategic planning framework

The proposed strategic planning framework was developed based on knowledge and insight gained from the literature review and the empirical study, building on from the theoretical strategic planning framework for SMEs presented in chapter three (Figure 2.9) as illustrated in the figure below.

**Figure 2.9**: Theoretical framework for SMEs to practice strategic planning

Source: Adapted from Mazzarol (2005) and Arasa and K'Obonyo (2012)
The proposed strategic planning framework presented in Figure 6.6 is based on the insight gained from the empirical study analysis. The proposed strategic planning framework follows the four sections on (A) strategic direction, (B) strategic assessment, (C) strategic choice and (D) strategic implementation as presented in section 6.3. It provides a synthesised approach to enable SME owner/managers to address the key elements (as presented in Figure 6.5) to formulate their strategies and develop a strategic plan. Prior to the main empirical study, the theoretical framework that formed the foundational planning approach/structure was based on activities as presented by Mazzarol (2005) and Arasa and K'Obonyo (2012), the framework follows three stages on, (i) strategic direction, (ii) strategic assessment and choice, and (iii) strategic implementation.

Strategy under section 2.2.1 (on what is strategy?) of the literature review, was defined as how an organisation moves from its current position to a desired future position within the confines of its mission, vision, capabilities and environment (Skrt and Antonic, 2004; Phillips, 2011, Box, 2011). The proposed strategic planning framework is geared towards enabling SME owner/managers define their organisation’s strategy and improve their practice of strategic planning.

The proposed strategic planning framework as presented in Figure 6.6 can be used on its own, with the aid of the respective guiding questions and note only, which guide the SME owner/managers to (i) define their future state, (ii) create an understanding of their current position, (iii) identify suitable options to pursue and select the best possible options and then finally (iv) prepare a strategic plan. Alternately, for SME owner/managers that want to gain a more in-depth understanding of the framework, they can follow the more detailed accompanying guideline presented in section 6.4.2.

The guidelines are meant to enable the SME owner/managers to conduct or facilitate the strategic planning process by themselves. The framework and guidelines were developed taking into consideration the findings from the literature review and the empirical study.
**Figure 6.6: Proposed strategic planning framework**

**A** Strategic Direction

1. Mission & Vision
2. Long-Term Goals

**B** Strategic Assessment

3. Internal & External Environmental Assessments

**C** Strategic Choice

4. Strategic Initiatives
5. Choice

**D** Strategic Implementation

6. Strategic Plan

**Guiding questions and note**

- **Looking at a time horizon of 3 to 5 years into the future, what does the desired future state look like?**

- **What is the current business environment considering the strengths, weaknesses, opportunities and threats?**

- **What options are available to get to the desired future state and select the best options?**

- **Based on the selected options, develop a roadmap of initiatives to get to the desired future state.**

*Source: Author with adaptation from Arasa and K’Obonyo (2012)*
6.4.2 Strategic planning guideline

It is recommended that the strategic planning framework presented in Figure 6.6 is followed every two to three years. A detailed guide on what needs to be covered on each of the listed activities to aid the practice of strategic planning by the SME owner/managers is presented in the sub-sections below;

6.4.2.1 Strategic direction (A)

The strategic direction provides an explanation of why the organisation exists and an aspirational perspective of its desired future state. These are presented in more detail through the mission and vision statements, as well as its long-term goals and objectives. This activity should aim to address the elements listed in Figure 6.1 that influence the direction of the SME.

(i) Mission and Vision

The mission statement sets out what an organisation does in terms of its purpose and focus areas, with the vision statement providing the aspirational long-term goal of what the organisation aims to become and do in the future (Skrt and Antonic, 2004; Cady et al., 2011). Thus, the mission and vision set the overall strategic direction of the SME by defining the reason or purpose through its mission of why the organisation exists and setting the long-term aspirational goal(s) through its vision.

a) For the mission, please prepare a statement that defines why the organisation exists. It should provide insight into:

   (a) high level category of products and services the organisation offers

   (b) location or geographic area where the organisation will serve or operate

   (c) targeted market area or grouping

b) The vision being a statement providing the aspirational long-term goal(s) of what the organisation aims to become and do in the future (Skrt and Antonic, 2004; Cady et al., 2011), should state;
(a) the desired strategic goal(s) in the form of an aspirational summary statement describing the organisation having achieved its goals in three to five years

(ii) Long-term goals

The goals are the desired end states to be achieved by the organisation to achieve its vision. Thus, they should always be aligned to the achievement of the mission and vision of the SME. The goals are long-term, usually with a time horizon of three to five years, whereas the objectives will have a time horizon of one to three years.

a) The goal(s) should be clear and aspirational; thus, they should meet the basic characteristics of being SMART (specific, measurable, achievable, realistic and timebound). Shahin and Mahbod (2007) define the characteristics of goals being SMART as follows; (i) Specific means that the goals should not be vague, instead they should be detailed enough such that they are clear and there can be accountability for their achievement, (ii) Measurable is the ability for the goals to be quantifiable or qualitatively assessed to be able to gauge progress, (iii) Attainable means that though the goals should be aspirational they should be set in the context that they are practical, given the circumstances, and are not out of reach, (iv) being realistic means the goals should have alignment to the purpose of the organisation as well as available resources, (v) being timebound means that goals should have a targeted completion date, which then can also be used to monitor and measure progress towards achievement of the goals.

b) The long-term goals should be broken down into short-term objectives. The objectives should have a time horizon of one to three years, setting out the short to medium targets for the SME, thus enabling the goals to be presented in applicable short-term targets. The objectives should also meet the characteristics of being specific, measurable, achievable, realistic and timebound (SMART). To ensure there is proper accountability in the delivery of the objective(s), someone in the SME should be assigned to track and provide feedback on the delivery of the objective(s).

6.4.2.2 Strategic assessment (B)

Strategic assessments are an analysis of the internal and external business environment of the organisation to gain insight on elements such as strengths, weaknesses,
opportunities and threats (Bell and Rochford, 2016), that will have an impact on the organisation’s ability to achieve its desired future state. Assessments of the SME environment will be comprehensively conducted if all the elements in Figure 6.2 are considered and assessed. The outcome of an environmental analysis should enable the SME owner/managers to have an overall organisational situation awareness (Vargo and Seville, 2011).

(iii) Internal and External Environmental Assessments

The environmental assessment is an activity that should be comprehensively conducted every time the strategic planning process is conducted in the proposed two to three-year cycle.

a) It is recommended to follow the PESTEL (political, economic, social, technological, environmental and legal) analysis (Bell and Rochford, 2016). The PESTEL analysis is most suitable for the external environmental analysis. However, input will also be provided from the short-term planning activities based on the model by Mazzarol (2005) that should be conducted iteratively on an annual basis.

b) Premised on the empirical study finding that most of the SMEs practiced operational planning instead of strategic planning, it is recommended that whilst they are practicing operational planning they at least have a framework that guides their short-term planning in a structured way. The findings/outcomes can then be an input into the longer-term planning process of strategic planning. Enabling the entrepreneurial drive of the SMEs by giving them a framework that they will use, whose outcome can then be an input into the longer-term planning process will be useful. This is because most SMEs practice their operational/entrepreneurial activities without a framework to support their planning.

c) The short-term planning activities are ideally suited to be an input to the internal and external environmental assessment activity of the long-term generic strategic planning process. The short-term planning activities are as presented in Figure 6.7, it is an extract from Figure 2.9 (the theoretical framework for SMEs to practice strategic planning) presented in section 2.6.2 of the literature review synthesis.
Figure 6. 7: The short-term assessment activities

Iterative process of the environmental assessment to be conducted by the SME managers on a regular basis

(a) Activity A on opportunity recognition as presented in Figure 6.7 is geared towards improvement by enabling innovation through fostering new ideas around (i) new products, (ii) new processes and (iii) identification of optimisation opportunities for example minor changes to existing products and processes.

(b) Activity B on resource accumulation entails looking at strategic networks to enable the achievement of the chosen innovative ideas, either through partnerships or alliances.

(c) Activity C on growth and expansion is to enable the SMEs to explore options to expand their market share or markets they serve through (i) taking existing products into new markets, (ii) developing new products for existing, and/or (iii) diversification by developing new products for new markets.

Source: Author with adaptation from Mazzarol (2005)
6.4.2.3 Strategic choice (C)

Strategic initiatives and choice, is an activity that enables the organisation to list possible initiatives that would have been identified following the strategic assessment and then choosing those that stand the best chance of enabling the organisation to achieve its vision. Based on the empirical study, SME owner/managers will make the most appropriate strategic choices when the elements listed in Figure 6.3 are considered in their decision-making process.

(iv) Strategic Initiatives

The strategic initiatives are the identified possible initiatives/activities the SME could pursue to achieve its long-term goal(s).

a) Prepare an exhaustive list of all the initiatives or activities available to the organisation to follow or pursue to achieve its goals and objectives.

b) The initiatives/activities are informed by the environmental assessments that would have been conducted as defined in activity three (see section 6.4.2.2).

(v) Choice

The activity of making the strategic choice involves;

a) Identifying the best option or combination of options from the set of strategic initiatives listed under activity four, that are expected to produce the best possible result for the SME achieving its goals and objectives.

b) The initiatives/activities chosen should be those that result in the SME realising the most benefit from the combined set of activities or initiatives.

Taking into consideration the fit of the combination of activities or initiatives to be pursued by an organisation, it is important to avoid the various activities or initiatives that could affect each other negatively, to the detriment of achieving the desired competitive advantage (Porter, 1996). The requirement to have fit or better integration of the activities or initiatives taking into consideration the available resources or capabilities, brings about the need for organisations to make choices as to which activities or initiatives to pursue (Jarzabkowski and Balogun, 2009).
6.4.2.4 Strategic implementation (D)

Strategic implementation is an activity that lists the chosen strategic initiatives as well as spell out the associated elements such as the proposed completion timelines, resourcing required and performance measurements. Addressing all the elements listed in Figure 6.4 on implementation activities will enable the SMEs to develop plans that are geared to enable the effective implementation of the chosen strategic initiatives.

(vi) Strategic plan

A strategic plan document that captures the outcomes of the strategic planning process steps/activities should be developed. Strategy being one of the main outcomes of the strategic planning process comprising of the overall strategic direction and strategic decisions, is usually captured in a document known as a strategic plan (Wolf and Floyd, 2017). The strategic plan document should capture the following detail as a minimum:

(a) Mission

(b) Vision

(c) Strategic goal(s)

(d) Objectives

(e) Initiatives or activities chosen

(f) Key performance indicators (KPI’s) – these are performance indicators that will inform the SME owner/managers of their progress towards achievement or completion of the chosen initiatives or activities (Nastasiea and Mironeasa, 2019).

Other complementary elements that should be captured with the strategic plan or as subsections are:

(g) Targeted completion dates

(h) Resources required to develop and/or implement the initiative (e.g. financial budget)

A sample template of the strategic plan document in as presented in Table 6.8.
Table 6.8: Sample strategic plan document template

<table>
<thead>
<tr>
<th>1. Mission</th>
<th>A statement that defines why the organisation exists</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Vision</td>
<td>An aspirational summary statement describing the organisation having achieved its goals in three to five years</td>
</tr>
<tr>
<td>3. Strategic Goal(s)</td>
<td>4. Objectives</td>
</tr>
<tr>
<td>Goal 1</td>
<td>Objective 1</td>
</tr>
<tr>
<td></td>
<td>(ii) There can be more than one initiative/activity per objective</td>
</tr>
<tr>
<td></td>
<td>Objective 2</td>
</tr>
<tr>
<td>Goal 2</td>
<td>Objective 1</td>
</tr>
<tr>
<td></td>
<td>Objective 2</td>
</tr>
<tr>
<td></td>
<td>Objective 3</td>
</tr>
</tbody>
</table>

Source: Author
The proposed strategic planning framework for SMEs and the guide to help the SME owner/managers use the framework was presented in this section. The next chapter presents the validation exercise that was conducted to test the outcome of this research study with some of the research participants and industry experts.
CHAPTER SEVEN – VALIDATION EXERCISE

7.1 Introduction

The validation exercise was conducted with three of the research case study participants namely Company B, Company D and Company I, these were a representation of all SME development stages. For the purpose of triangulation, the research outcomes were also shared with five industry experts that work with SMEs. The industry experts interviewed included an SME business incubator, SME banker, two strategy professionals and a representative from the food and beverages manufacturing sector industry body. Appendix E presents an overview of the validation exercise participants and the interview guideline on how the interviews were conducted is presented in Appendix F.

The validation was conducted in two phases. The first phase involved in-depth interviews with three of the case studies to present the findings from their respective within-case analysis so as to confirm if what was captured is a true and fair reflection of what was stated during the interviews as well as share the overall cross-case analysis findings. The second phase of the validation involved sharing the proposed strategic planning framework and guideline with three of the SMEs that did not practice strategic planning and five industry experts that work with SMEs.

7.2 Main empirical study findings (Phase One)

All the case study participants confirmed that the findings presented to them were a true and fair representation of what was captured during the in-depth interviews or presented as part of the archival documents collected. In this regard, the participant from Company B stated that;

Company B: ‘Yes, this is what we discussed.’

Similarly, the participant from Company I commented that;
Company I: ‘This is exactly what I said, it’s just surprising seeing the responses. It’s like a mirror showing your reflection back at you.’

They all, however, were somewhat surprised that their planning practices were viewed as being operational, as they had the view that they were being strategic at times. In this regard, the researcher did explain the criteria used in classifying their planning practices as being operational planning instead of being strategic planning. The main criteria was the planning time horizon of the case study SMEs being mostly for one year or less, instead of them looking at a three to five year horizon that is associated with strategic planning.

The validation case study participants were, however, surprised to find out that there were two SMEs (namely Companies A and F) that participated in the research study that practiced strategic planning, as compared to the other SMEs that practiced operational planning. A question was raised by the participant from Company D as to what was the difference that enabled Companies A and F to practice strategic planning. The question below presented by Company D supports this finding;

Company D: ‘What would you say was the main reason the two companies you mentioned were outliers, practiced strategic planning?’

The researcher did explain that the main reason for this was likely due to the level of strategic management knowledge the two entities had access to internally, since both entities had personnel that had significant strategic management knowledge. All the validation study participants highlighted that they would like to see the final research thesis/outcome as they indicated the process of having participated in the research study was very insightful, taking into consideration the questions that they were being asked and how the process highlighted things they were potentially not doing or could be doing better. For example, the participant from Company I stated that;

Company I: ‘There is a lot that we can learn and use from what you have presented. Sometimes you think what you are doing is strategic, whereas its actually not.’

Related to the comment above, the participant from Company B stated;

Company B: ‘So, will we be able to see the final thesis with all the recommendations?’
Having presented the empirical findings from the main empirical study of this research to the industry experts, they did not seem very surprised that most of the SMEs did not practice strategic planning. It was their view that most SMEs focus on survival and thus have a very short-term planning time horizon. This finding is supported by the statement below captured from Industry Expert 1:

Industry Expert 1: ‘I am not surprised that most of your case study participants don’t practice formal strategic planning [...] a lot of SMEs have a very short planning time horizon [...] their vision is not cast far enough into the future and they are not clearly defined’

The next section presents findings following the interviews with five industry experts and three participants from SMEs that did not practice strategic planning.

7.2.1 Proposed strategic planning framework findings (Phase Two)

The validation findings in this section on the proposed strategic planning framework and guideline focused on gathering feedback from the participants on (i) their view of the proposed strategic planning framework, (ii) if the accompanying guideline is simple enough for SME owner/managers to understand and follow, and (iii) provide any suggestions on how the framework and guideline could be improved.

7.2.1.1 Findings

Most of the participants indicated that the proposed strategic planning framework is very helpful in giving structure to the planning process and it is generally easy to follow. The following was stated in support of the first part of this finding;

Company D: ‘This will definitely help us. We struggle to formalise our meetings and engagements on our future plans, but I see ourselves following more of the short-term planning activities here in this framework.’

The aspect on focusing on the short-term planning activities (Figure 6.7) captured in the statement above from Company D is further supported by what Industry Expert 1 stated that’s captured below;
Industry Expert 1: ‘Most SMEs are very short-term focused they don’t take a multi-year view [...] they don’t appreciate the value of strategic planning.’

Related to the finding that the framework is generally easy to follow, Industry Expert 4 stated that the guiding questions are good and very simple. This finding was also corroborated by the participants from Company D as well as Industry Expert 1. In this regard, the following was said;

Company D: ‘The guiding questions are good for example it clarifies what is meant to be covered under strategic direction.’

Industry Expert 4: ‘the guiding questions are very good and simple to follow.’

Though Industry Expert 2 concurred that the framework would be very useful for SMEs, it was proposed that perhaps the framework instead of commencing with determining the strategic direction, should start with the strategic assessment and then followed by determining the strategic direction. This is evidenced by the statement below from Industry Expert 2;

‘Intuitively, it feels like you should start with the strategic assessment first and then determine the strategic direction based on what you would have found out on the ground. Why not do the scanning first and then decide what to do and what not to do.’

The statement above from Industry Expert 2 was also corroborated by Industry Expert 4. It is also similar to the generic strategic planning process presented in Figure 2.4 (p.25) of the literature review, which was part of the theoretical foundation of the proposed strategic planning framework (Figure 6.6).

It was indicated by the participants from Company D who did not practice strategic planning based on the main empirical study findings, that they were in the process of defining and writing down their mission and vision, but they were struggling with the process, however, the explanation provided in the guideline of what a mission and vision are, is very helpful. They also indicated that the guideline was indeed helpful, but it was observed that they were struggling to clearly follow the strategic plan template provided, specifically as it relates to distinguishing between the goals and objectives, but this could have been as a result of both participants not having spent sufficient time reading the guideline in detail prior to the interview. To substantiate this point the participant from Company D commented;
‘This morning we were actually in the process of defining our mission and vision but it was a bit difficult. We didn’t eventually finish but we defiantly need to do it.’

These findings resonate with feedback gathered from Company B as well, as it also did not practice strategic planning and did not have their mission and vision well defined nor written down. Industry Expert 4 made a recommendation to provide an explanation with examples to assist the SME owner/managers better distinguish goals from objectives. The following was said by Industry Expert 4 in this regard;

‘Even me sometimes I struggle to tell the difference between goals and objectives, perhaps you could include examples of what a goal is and what an objective is, to make it easier for the SMEs to know the difference.’

With regards to the strategic plan template presented in Table 6.8 Industry Expert 4 stated that intuitively those who are familiar with strategy will be able to follow that there is a sequence to the elements e.g. goals defined first, then objectives, followed by the initiatives/activities and lastly the key performance indicators, but this is likely not going to be the case with all SME owner/managers. In this regard, the following was said;

Industry Expert 4: ‘With the strategic plan, I would assume there is a sequence to the elements [...] to you and me we would intuitively know that, but it would be good to have the sequence clearly spelt out’

Following this recommendation, the numbering sequence of the six elements (1. Mission, 2. Vision, 3. Strategic Goal(s), 4. Objectives, 5. Initiatives/Activities and 6. KPIs) in the strategic plan template presented in Table 6.8 was added, as the six elements were previously not sequentially numbered prior to the validation interviews being conducted. The following was further stated by Industry Expert 4 related to the strategic plan template;

Industry Expert 4: ‘Having an implementation guide like the strategic plan is very good, having everything on one or two pages only [...] it makes it look simple, it helps unclutter the fuzziness that people including SMEs have of strategy’

Industry Expert 3 who is a banker with a financial institution that funds SMEs, said that if SMEs could prepare strategic plans as illustrated in the template presented in Table
6.8, it would be helpful for the SMEs in articulating and substantiating their case for the funding they require. The following was said by Industry Expert 3;

**Industry Expert 3:** ‘If all SMEs that approach us for funding could produce a strategic plan like this, it would be good [...] we can use this to support the use of the funds they want [...] unfortunately they don’t. They need to be educated on these formalities but I guess that’s what your research is about.’

This statement was also collaborated by the other Industry Experts as far as enabling SMEs to have their implementation plans documented. Industry Expert 3 further stated that SMEs should have an in-depth understanding of their business plans, even if prepared by someone else, this is evidenced by the statement below;

**Industry Expert 3:** ‘What’s disappointing sometimes is you see promising proposals but when the SMEs come for interviews [...] you can see that some SMEs did not prepare their own business plans [...] this is so obvious because the way they talk of the plans sometimes differs to what is presented on their plans [...] they need to have ownership of their plans.’

It was suggested by Industry Expert 2 that it would probably be good to have someone explain the framework and clarify any areas that are not clear at least once and then let the SME owner/managers facilitate the process on their own thereafter. The participant stated that;

**Industry Expert 2:** ‘I like the framework, I think it will be very useful for SMEs [...] I really like the short-term planning part of the framework.’

As articulated in the statement above, Industry Expert 1 and Industry Expert 5 also believe that providing a framework to guide SMEs in their short-term planning is equally helpful as this process is believed to foster and build the culture of taking time off to plan in a structured way, rather than waiting for the annual or by-annual process associated with the strategic planning process.

As it relates to having someone take the SME owner/managers through the framework at least once for familiarisation of the key terms as stated by Industry Expert 2, Industry Expert 1 had a slightly different view, as he believes the framework is simple enough for most SME owner/managers to follow. He, however, stated that the challenge with SMEs is that even if you go through the thinking, planning and they prepare the strategic plans, they will likely not follow them in their implementation activities. The
two reasons presented for the SMEs not following through with the agreed plans was (i) organisational inertia and (ii) SME owner utility value. Organisational inertia was described by Industry Expert 1 as doing nothing aligned to what would have been agreed and captured in the strategic plan, and SME owner utility value was described as the prioritisation of the SME owner’s needs over the requirements of the strategic initiatives that will enable the SME to achieve its long-term goals and vision. In this regard, the following was said by Industry Expert 1;

‘The framework is simple […] it’s not complex, but there could be other things linked or around the framework that could affect its implementation […] there is real scepticism amongst SMEs as they don’t see the link of the ‘value of the planning process’ and their bank account.’

The perspective presented by Industry Expert 1 in the statement above, also shows a level of scepticism from a practitioner’s point of view, as to how effective the proposed strategic planning framework and guideline would be in facilitating the practice of strategic planning by the SME owner/managers. This is if the SMEs themselves are not self-motivated or encouraged to take timeout of their day to day schedules to do the thinking and planning associated with strategic planning and drive the respective implementation activities. As a recommendation, Industry Expert 1 said perhaps a study to look at how SME owner/managers could improve on the implementation of their plans that are aligned to their vision, would be good.

7.3 Conclusion

The validation exercise enabled the researcher to present and test the research outcomes with three of the research study participants and five industry experts, thus giving them an opportunity to review the findings by the researcher. The validation exercise confirmed that the empirical study findings from the identified three case studies were a true and fair representation of what was captured by the researcher on the three case studies. All the participants in the validation exercise did confirm that the proposed strategic planning framework (Figure 6.6) and the accompanying guideline would be very helpful in enabling SMEs to improve their practice of strategic planning.
Some of the recommendations made to improve the proposed strategic planning framework and guideline include; (i) commencing with the strategic assessment first and then followed by determining the strategic direction, (ii) numbering the sequence of the elements in the strategic plan template (Table 6.8), (iii) providing an explanation with examples to distinguish between a long-term goal and an objective, and (iv) exploring options or perform a study to look at how SMEs can improve on the implementation of their plans.

The next chapter will present the discussion and conclusions of this research study.
CHAPTER EIGHT – DISCUSSION AND CONCLUSIONS

8.1 Introduction

This chapter presents the answers to the research questions, reconciles the research outcomes with existing literature and spells out the contribution to knowledge and practice.

8.2 Answers to the research questions

The answers to the research questions following the empirical study are provided after each of the respective research questions below;

(1) how do the case study SMEs view strategy?

While strategy is believed to be an important component of business success, because it will enable the achievement of the entity’s vision and objectives, it emerged that only Companies A and F practiced strategic planning, thus had strategies with a long-term perspective. There was a level of scepticism shown by some of the case study entities that did not practice strategic planning, as it relates to the benefits of having a strategy. Though most of the SMEs who participated in the study believe that having a strategy is indeed important, some of them (specifically Companies B, D and H) seem not to have a clear understanding of what strategy is. Given this finding, there was no one applicable definition of strategy from the perspective of the SMEs who participated in this research study. Strategy appears to be equated to a short-term plan rather than a long-term plan, since most of the planning time horizons are for a year or less, with the exception of two companies (Companies A and F) that had a three and a five-year plan respectively. From observations and interactions with the interview participants, strategy is also viewed as a secretive initiative or exercise, thus those case studies such as Companies A and F that did have a strategic plan document, they were not comfortable providing a copy of it but did show the researcher evidence of its existence.
(2) how do the case study SMEs plan for their future?

The empirical study has shown that most of the case study SMEs do not practice strategic planning which is premised on a longer planning time horizon of three to five years and that their planning is mostly operational planning with a focus of one year or less. Only companies A and F practiced strategic planning to a level that the benefits of practicing strategic planning were noticeable and evidenced by their strategic plans. There are limited consultations conducted, thus their environmental assessments are not always comprehensive enough to provide the necessary strategic insight to inform the formulation of good strategies. These findings have confirmed the assertions made from the literature review that strategic planning in SMEs is informal, unstructured and irregular.

(3) why do managers at the case study SMEs plan in the way they do?

This is mostly due to the lack of strategic management knowledge and the lack of appreciation of the benefits of practicing strategic planning, as there was some scepticism shown by some of the case study SME participants as to the benefits of having a strategy. The two companies (Companies A and F) that practiced strategic planning did so because they had the internal resources to facilitate the practice of strategic planning. As for the companies that did not practice strategic planning, the reason given for not sourcing the requisite skills and assistance from external parties was mostly the lack of financial resources to pay for such services/support and scepticism with regards to how an external party or facilitator can assist with formulation of strategy, if they don’t know their businesses as well as the SME owner/managers do.

(4) how can the case study SMEs improve their practice of strategic planning?

The SMEs that participated in this research study could improve their practice of strategic planning by (i) having access to a strategic planning framework to give them a structure to follow when practicing strategic planning, (ii) upskilling the SME owner/managers with strategic management knowledge so they have an appreciation of the respective terms applicable to strategy and strategic planning, (iii) appointment of advisory boards so they can access a wider network of resources to gain knowledge and
skills that ordinarily would be expensive to hire on a more permanent basis as fulltime employees, (iv) engagement of external consultants or facilitators to assist with the process of strategic planning and (v) defining clear three to five year visions for their organisations, to have a future state that will serve as an anchor destination to work towards.

The next section will set out the findings reconciling the research outcomes with the theoretical outcomes from the literature.

8.3 Positioning the research outcomes with the literature

The literature showed that a majority of SMEs do not practice strategic planning, despite the positive relationship shown between strategic planning and the success of SMEs (Stonehouse and Pemberton, 2002; Skrt and Antonic, 2004; Wang et al., 2007; O'Regan and Ghobadian, 2007; Thompson et al., 2012; Sandada et al., 2014). Most SMEs follow an emergent short-term approach in developing their strategies, rather than following a formal process with a long-term perspective (Stonehouse and Pemberton, 2002; Garengo et al., 2005; Thompson et al., 2012; Sandada, 2014). These assertions from the literature also proved to be the case with SMEs in the food and beverages manufacturing sector in South Africa based on this research study.

For the purposes of this research, strategy was defined as how an organisation moves from its current position to a desired future state within the confines of its mission, vision, capabilities and environment (Skrt and Antonic, 2004; Phillips, 2011, Box, 2011). The empirical study showed that there was a level of scepticism shown by some SME owner/managers as to the benefits of having a strategy. However, strategy is a key outcome of the strategic planning process. Thus, good planned strategy is desirable to give organisations a better chance of achieving their goals and objectives. The literature review showed that there is a need for SMEs to practice strategic planning and that SMEs in the food and beverages manufacturing sector in South Africa need capabilities, to address the disparities they face within the industry, especially with regards to the income disparity against the larger organisations. This finding is supported by the empirical study finding from the two companies (Companies A and F) that practiced strategic planning, their growth was faster and their strategic directions clearer in defining what they would do and not do.
The literature review showed that there are a set of capabilities SMEs should have to initiate strategic planning and facilitate successful strategic planning workshops (see Figure 2.5). Harris and Ogbonna (2006) argue that there are factors that are required to be present to initiate successful formal planning, thus effectively enabling strategic thinking. They posit that the initiation of planning is driven by ten factors that are grouped into three categories on (i) ability to follow the planning process and using strategic tools, (ii) ability to understand the competitive landscape, and (iii) strategic thinking capability related to the identification of opportunities and threats (Harris and Ogbonna, 2006). From the empirical study, the two companies (Companies A and F) that practiced strategic planning had most of the ten factors present, thus, their ability to facilitate the practice of strategic planning.

The literature review also showed that there is a high failure rate of SMEs in South Africa, estimated to be about 60% to 70% (Cant and Wiid, 2013; Fatoki, 2014), and it was also established that the ability of SMEs to conduct business planning and prepare plans is a capability that may assist them to survive in an unstable and highly competitive business environment like South Africa (Chimucheka, 2012; Dubihlela and Sandada, 2014). This finding was also evidenced from the empirical study, given the clarity of direction and better understanding of the business environment the two SMEs (Companies A and F) that practiced strategic planning had. To enable the SMEs to grow and be sustainable, the provision of the capability for SME owner/managers to facilitate strategic planning on their own would be beneficial.

Having had an understanding as to how SMEs practice strategic planning in general following the empirical study, it was determined that it would be good for SMEs to have a framework to better enable them to practice strategic planning, and the framework is also supported by an accompanying guideline.

8.3.1 Proposed strategic planning framework

Based on the literature reviewed, two frameworks were identified as being best suited to use as the foundational input in the development of a suitable strategic planning framework for SMEs. The two frameworks are (i) the entrepreneurial focused framework for the strategic management of small firms by Mazzarol (2005) and (ii) the generic strategic planning process set out by Arasa and K'Obonyo (2012). The two
frameworks were selected on the basis they appeared simple to understand for SMEs, due to the groupings into the three respective practice areas and planning stages.

The theoretical framework (Figure 2.9) that formed the foundational planning approach/structure had three sections on (i) strategic direction, (ii) strategic assessment and choice, and (iii) strategic implementation. Whereas, the proposed strategic planning framework (Figure 6.6) follows four sections on (A) strategic direction, (B) strategic assessment, (C) strategic choice and (D) strategic implementation as presented in section 6.3 on the empirical study findings. The framework provides a synthesised approach to enable SME owner/managers to address the key elements (as presented in Figure 6.5) to formulate their strategies and develop a strategic plan. The respective sections of the proposed strategic planning framework are positioned against literature in the next sub-sections.

8.3.1.1 Strategic direction

It was discovered from the literature review (section 2.2.2.1) that, the process of strategic planning enables the setting of direction, establishment of clear priorities and communication of the meaning of strategy to the wider stakeholders (Giraudeau, 2008; Vilà and Canales, 2008; Alkhafaji and Nelson, 2013). The literature review (section 2.2.2.3, a) showed that having a strategic direction defined through the mission and vision statement is important and has a positive influence to organisational performance (Kantabutra and Avery, 2010; Desmidt et al., 2011; Sandada, 2014), however, the empirical study showed that most SMEs did not have their strategic directions formally defined. Some did have them written down and available for stakeholders to see, but most of the case study SMEs did not have them written down. Their direction was largely shown through practice, in the form of the initiatives chosen and/or being implemented, but this was largely short-term focused and thus not strategic.

The proposed framework provides a guiding question for SME owner/managers in setting their strategic direction. The guiding question asks SME owner/managers to look at a time horizon of 3 to 5 years into the future and describe how they would want to see their organisations. This process then enables the SMEs to set their mission and vision statements and spell out the long-term goals they need to achieve to meet their mission and vision. The mission and vision set the overall strategic direction of the SME by
defining the reason or purpose through its mission of why the organisation exists and setting the long-term aspirational goal(s) through its vision.

8.3.1.2 Strategic assessment

From the literature review (section 2.2.2.3, b) conducting strategic assessments is an important activity as this enables organisations to gain the necessary business insight on their internal and external business environment, as far as their strengths, weaknesses, opportunities to pursue and threats to be addressed or avoided (Jorosi, 2008; Sandada, 2014; Du Toit, 2016). Though this activity is important for the business insight, from the empirical study, most SMEs did not practice this effectively or comprehensively enough to ensure they gain as much knowledge and insight about their business environment. Most of the assessments were short-term focused and were conducted or led by a few individuals and the focus areas of the assessments were not broad enough to collate as much information as is required to inform strategic decisions.

The proposed framework provides a guiding question that the SMEs can pause to all their key stakeholders, which is ‘what is the SMEs current business environment considering the strengths, weakness, opportunities and threats?’. By pausing this question with their key stakeholders and not a limited few individuals, the SMEs stand a better chance of collating as much feedback on the state of their organisations and the overall environment they operate in. This then enables them to identify suitable opportunities and threats as well as the strengths to leverage, and weakness to address. The accompanying guideline to the framework also presents an overview of the PESTEL framework which is an alternative or can be used in conjunction with the SWOT analysis (Bell and Rochford, 2016) to gain a much more comprehensive strategic assessment of their environment.

8.3.1.3 Strategic choice

Following the business environment assessment, the activity of strategic choice (section 2.2.2.3, c and d) involves the generation, evaluation and selection of the most
appropriate strategic initiatives for the organisation to pursue to achieve its goals and objectives (Nutt, 2002; Arasa and K’Obonyo, 2012). The chosen strategic ideas or initiatives are ideally those that will give the organisation the best chance to achieve the set goals and objectives (Nutt, 2002). Even though the SMEs were not necessarily getting all the necessary business insight that they possibly could gain from the assessments that they were conducting, their strategic choices were largely informed by (i) their strategic and/or short-term direction, (ii) need for growth, (iii) revenue generation potential and (iv) the requirement to optimise the limited funds available to them. Due to the high need for sustainability, a lot of the choices though short-term focused, they ultimately had an impact in the long-term achievement of their goals and objectives thus making them somewhat strategic from a sustainability perspective.

To better assist the SMEs identify and select the most suitable strategic initiatives to pursue, the framework proposes a guiding question on ‘what options are available to get to the desired future state and select the best options?’. Identifying the best option or combination of options from the set of strategic initiatives identified involves selecting the combination of initiatives that is expected to produce the best possible result for the SME achieving its goals and objectives. This proposed selection process aligns with the finding from the literature which states that, taking into consideration the fit of the combination of activities or initiatives to be pursued by an organisation is important, thus avoid selecting activities or initiatives that could affect each other negatively, to the detriment of achieving the desired competitive advantage (Porter, 1996).

### 8.3.1.4 Strategic implementation

Strategy implementation, evaluation and control (section 2.2.2.3, e) involves putting in place the relevant policies that will enable the translation of chosen strategies into actionable plans as well as provision of guidance with regards to resource allocation aligned to the chosen strategies (Aaltonen and Ikävalko, 2002; Okumus, 2003). Having a strategic plan to inform strategic implementation activities is important (section 2.2.2.1), as this will act as a guide on resources required and timelines to implement and achieve set goals and objectives (Giraudeau, 2008; Spee and Jarzabkowski, 2011; Wolf and Floyd, 2017). Most of the SME case studies did not practice strategic planning, thus
did not have strategic plans that they could use as a basis to inform strategy implementation and also provide a tracking mechanism to assess progress in achieving their goals and objectives. The two SMEs (Companies A and F) that had strategic plans, found it easier to direct or redirect resources, engage their strategic partners on progress and identify any necessary support required. This then enabled those with strategic plans to have a good view of their status in achievement of their longer-term goals and objectives.

To better enable the SMEs to prepare strategic plans a template (Table 6.8) was provided as part of the accompanying guideline to the proposed framework. The guiding note from the framework proposes that the SMEs develop a roadmap of selected initiatives to get to the desired future state. In this regard, the strategic plan should capture the (i) mission, (ii) vision, (iii) strategic goal(s), (iv) objectives, (v) initiatives or activities chosen, (vi) key performance indicators (Nastasiea and Mironnea, 2019) that will inform the SME owner/managers of their progress towards achievement or completion of the chosen initiatives or activities. Other complementary elements that should be captured with the strategic plan or as sub-sections are (vii) targeted completion dates, (viii) resources required to develop and/or implement the initiative (e.g. financial budget).

8.4 Conclusions

This conclusions section presents a reflection on the contribution to management theory and practice from this research study as well as present the limitations experienced. Related areas of interest for further research are also presented.

8.4.1 General observations

The research established that majority of the SMEs (i) lack an appreciation of the benefits of practicing strategic planning and having a strategy, (ii) they also do not have the strategic management knowledge and skills to facilitate the practice of strategic planning on their own. The study further established (iii) why SMEs do not practice strategic planning and focus more on operational planning to achieve their short-term
goals and objectives, and (iv) highlighted challenges SMEs face in accessing support available in South Africa. These findings are further elaborated below;

(i) lack an appreciation of the benefits of practicing strategic planning and having a strategy;

The empirical study showed that there was a level of scepticism as to the benefits of practicing strategic planning by most of the SMEs that do not practice strategic planning, thus there is no appreciation of the benefits of having a strategy. Though the literature review showed that SMEs largely do not practice strategic planning, this was however not clearly spelt out as being directly related to scepticism on the benefits of having a strategy.

The literature review also highlighted that the practice of strategic planning is dependent on the motivation of the SME owner/manager of establishing the business. SMEs that are established with a motivation for profit or growth maximisation are more likely to practice strategic planning, than those that were established with a motivation for personal fulfilment/lifestyle sustenance (Wang et al. (2007). All the empirical case studies did highlight that they had a profit or growth maximisation objective, however, only two of the case studies practiced strategic planning out of the nine case studies. This is somewhat contrary to the literature review finding that the SME owner/managers motive of profit or growth maximisation will likely influence the SMEs practicing strategic planning.

Related to this finding on the lack of appreciation of the benefits of having a strategy, is organisational inertia, which was defined as not doing anything agreed upon after having agreed on a process to follow. It would be good to enable SMEs to appreciate the benefits of having a strategy, such that any effort exerted in the strategic planning process is not wasted by having the outcome not being followed or referred to after the planning process.
(ii) do not have the strategic management knowledge and skills to facilitate the practice of strategic planning on their own;

Following the literature review and empirical study, to empower the SME owner/managers with the relevant knowledge and skills to facilitate strategic planning, a proposed strategic planning framework was developed and an accompanying guideline was prepared to aid the SME owner/managers on how to use the proposed strategic planning framework on their own, without the need for assistance from an external consultant or any other third party.

The proposed strategic planning framework is set out in detail in chapter seven and was presented to the participants who took part in the validation exercise. The proposed strategic planning framework enables the SMEs to (i) set their strategic direction, (ii) conduct comprehensive strategic assessments of their business environments, (iii) equip the SME owners to identify a set of strategic initiatives they could pursue and choose the most suitable initiatives for the SMEs to pursue in order to meet their goals and objectives, and lastly (iv) it provides a template to enable the SMEs to develop their strategic plans, thus providing a plan for stakeholders to follow and track progress with the strategic implementation activities.

(iii) why SMEs do not practice strategic planning and focus more on operational planning to achieve their short-term goals and objectives;

This empirical study finding collaborates what was discovered from the literature reviewed, that most SMEs do not practice formal strategic planning. The empirical study showed that most of the SME owner/managers were focused on survival, thus attention was being devoted to setting and achieving their short-term goals and objectives. This was evident by (i) the lack of clearly defined strategic directions by majority of the SME case studies, since their mission and visions were not well defined and did not project a long-term view, (ii) there were limited business environmental assessments conducted to inform the development of strategies and chosen initiatives, and (iii) no strategic plans were prepared to capture the long-term goals and initiatives being pursued or to be pursued. The focus on survival and short-term planning was also shown through confirmation by the empirical study participants that they do not have time to set aside from their day to day
schedules to focus on long-term planning and that they would rather focus on achieving their short-term targets, thus enabling them to have sufficient funds to meet their immediate demands.

(iv) challenges SMEs face in accessing support available in South Africa;

Despite the financial and other entrepreneurship support available to SMEs in South Africa from both private and public entities as presented in section 2.4.1 of the literature review, SMEs find the process to gain access to the resources too cumbersome and that it usually takes long to get responses.

The SME case studies that have tried to source funding and support from banks, business incubators and/or venture capital entities, have found the process to be too onerous, as they are usually requested for too much documentation or requirements and in certain instances to provide collateral which they do not have. It was also stated that in some instances even when you are able to meet the requirements, it still takes long for the institutions to comeback with a response as to whether they have been successful or not with their applications/requests, such that the SMEs funding requirements would have evolved, thus they opt to self-finance, which then affects and/or delays their growth prospects. Self-financing is not always the preferred option for most of the SMEs, as it takes time to fund the chosen or planned initiatives, to achieve their goals and objectives.

The practice of strategic planning could assist SMEs to have the necessary information readily available to provide the content required to support their applications for support to the various entities that provide support to SMEs and could also assist SMEs in presenting more coherent plans, as to what they want to achieve as well as supporting strategic plans.

8.4.2 Contributions to knowledge

The research contributes to knowledge on the practice of strategic planning by SMEs in South Africa. This is achieved through (i) the provision of a proposed strategic planning framework that SMEs can use to improve their practice of strategic planning (ii)
The contributions are further elaborated below;

(i) Proposed strategic planning framework that SMEs can use to improve their practice of strategic planning

The proposed strategic planning framework (Figure 6.6) has four stages on (1) setting the strategic direction, (2) conducting an environmental assessment, (3) setting out the options on strategic initiatives to pursue and choosing the most appropriate initiatives and lastly (4) strategic implementation that involves setting out the strategic plan (as set out in Table 6.8).

The proposed framework is geared towards enabling the SMEs to have a long-term planning framework and also provide a framework they can use in their short-term planning activities, such that the outcomes from the short-term planning can be well structured and will serve as an input into the longer-term planning process. The framework will provide structure and guidance on the activities to follow when practicing strategic planning.

To make it easier for SME owner/managers to understand some of the required outputs from each activity, there are guiding questions next to each activity. These guiding questions can be paused by the SME owner/managers to a wider grouping of people involved in the strategic planning process to ponder and provide feedback, thus enabling them to have wider input in formulating their strategies. This will ultimately address the observation on the SMEs ability to facilitate strategic planning on their own.

The last activity in the strategic planning framework is the development of a strategic plan as a roadmap to achieving the chosen initiatives. The ability of the SMEs developing strategic plans will aid in addressing the observation on the challenges SMEs face in accessing support available in South Africa, as it will enable them to have a plan that they can use to present and justify the need for any support required.
(ii) Guideline that SMEs can use to better understand how to use the framework

The accompanying guideline for the strategic planning framework is meant to assist SME owner/managers especially those with limited strategic management knowledge, to work through the framework easier by themselves without having to seek assistance from external parties.

Various applicable strategic management terms and concepts are provided and explained to some detail. This provides the SME owner/managers with content that can appraise them of key concepts related to strategic management that possibly they would not be familiar with.

A short-term planning framework (see Figure 6.7) is also included as part of the guideline, to provide the SME owner/managers with a framework to follow and formalise their operational planning process. The outcome of the operational planning can be used as input into the long-term planning process enabled by the proposed strategic planning framework.

A proposed strategic plan template is also presented in Table 6.8 and it supports the position presented by Thompson et al. (2012) that strategic planning is made up of two elements, namely (i) the strategic direction, evident in terms of the vision and mission of the SME, and (ii) a strategic plan, shown in the form of long-term goals and objectives. The proposed strategic plan template (Table 6.8) will further assist SMEs address the challenge that Thompson et al. (2012) presented, stating that only one of these two elements (being the strategic direction or a strategic plan) is usually present or prepared by SMEs. The fact that only one of the two elements are usually present in SMEs, is the reason why it would be necessary for SMEs to practice formal strategic planning, since the process is more structured and will act as a guiding framework for the SME owner/managers to follow all the prescribed activities in the formulation of strategy, to realise the full benefits from strategic planning.

(iii) Theoretical definition of strategy to standardise the view of strategy by SMEs utilising the proposed strategic planning framework

The literature showed that there are multiple definitions of strategy (see section 2.2.1 and Table 2.1). There was no one applicable definition of strategy from the
perspective of the SMEs who participated in this research study. To provide a standardised view of what strategy is for the SME owner/managers, since strategy is one of the key outcomes of the strategy-making process, a theoretical definition of strategy was developed. Strategy was defined as, how an organisation moves from its current position to a desired future position within the confines of its mission, vision, capabilities and environment (Skrt and Antonic, 2004; Phillips, 2011, Box, 2011). This view of strategy is suitable for SMEs since it is simple to understand and will enable SMEs to consider their desired future taking into consideration key aspects of their businesses such as their mission, vision, capabilities and environment. The ‘how’ in essence cannot be determined if the desired future state has not been set, the future state also needs to be set within the confines of the mission, which states the purpose of why the organisation exists. The environment has to be taken into consideration in determining both the desired future state and the ‘how’, as it can influence the achievement of both factors. A strategy model to summarise the development of this definition is presented in Figure 2.2.

**8.4.3 Implications for management practice**

The literature review showed that the ability of SMEs to conduct business planning and prepare plans is a capability that may assist them to survive in an unstable and highly competitive business environment like South Africa (Chimucheka, 2012; Dubihlela and Sandada, 2014). The practice of strategic planning would bring structure to the planning processes of SMEs, thus enabling them to better understand their environments both internal and external, and facilitate the development of good strategies to achieve their goals and objectives. There are a number of studies that have cited strategic planning or the ability to plan as a capability that could assist SMEs survive (Gomera et al., 2018; Bushe, 2019).

Related to the literature review findings stated above, there are four general observations that were established from the empirical study and these have been detailed under section 8.4.1. The general observations explain why SMEs in the research focus area do not practice strategic planning. In this regard, the proposed strategic planning framework presented in chapter seven, which was presented to some
of the research participants as well as industry experts to test its suitability for use by SMEs, is a tool that is available for SMEs to use to aid their practice of strategic planning. A guideline to better enable the SME owner/managers to use the strategic planning framework on their own without the assistance of an external third party was also provided.

The framework and guideline are geared towards enabling SME owner/managers to practice strategic planning. Thus, whereas this research study established that most of the case study SMEs actually practiced operational planning instead of strategic planning, the planning tools being availed following this research study (being the proposed strategic planning framework and guideline) are meant to help the SME owner/managers shift from operational planning which is short-term focused, to a longer-term focus which is enabled through strategic planning. A definition of strategy to standardise the view of strategy by SMEs utilising the proposed strategic planning framework is also provided to make it easier for SMEs to understand the outcome of practising strategic planning.

8.4.4 Limitations of the research

The limitations encountered were both practical and methodological. The main limitations which had both a practical and methodological limitation were the sample size and geographical limitation of the sample. The sample size was small as compared to the total number of SMEs in the research focus area. However, the case studies identified were representative of the various SME development stages on (i) Very Small Enterprises, (ii) Small Enterprises and, (iii) Medium Enterprises, but excluded the survivalist and micro-enterprises which are largely informal as defined in Table 2.3 (which lists definitions of SMMEs).

From a practicality perspective, given that the research study was a qualitative study, the small sample size enabled the researcher to gather sufficient data from each of the case studies on how they practice strategic planning. To gain this level of in-depth knowledge on the case studies would have been difficult to achieve if the sample size was bigger and wider given the timeframe expected to complete this research study.
Working with a small sample pauses the challenge of achievement of empirical generalisation, which is associated with using findings from case studies to generalise the findings to the wider population from which the case studies were drawn or across populations, however, this research study was geared towards achieving theoretical generalisation (indicativeness) which is associated with theory building or revising existing theory (Tsang, 2014).

8.4.5 Areas for further research

There is an opportunity to use the same exploratory methodology applied in this research study to conduct further research on the practice of strategic planning by SMEs in other sectors in South Africa and/or SMEs in other African countries.

With two out of the nine SME case studies in this research study having practiced strategic planning as a result of having access to internal resources that could facilitate the practice, it would be interesting to conduct further research with a wider sample or research in other focus areas in other African countries or emerging countries, to find out if similar findings would be established.

A research study with a bigger and wider sample size could be conducted that is based on a quantitative methodology, to achieve empirical generalisation on how SMEs in the research focus area practice strategic planning and how their practice of strategic planning can be improved.

Furthermore, a study could be conducted to establish the wider application of the proposed strategic planning framework beyond the research focus area of this research study.

8.4.6 Conclusion

Having conducted and concluded this research study, it is the conclusion of the researcher that the aim of this research study of theory elaboration was achieved, by establishing how SMEs in the food and beverages manufacturing sector in South Africa
can be better enabled to practice strategic planning. The research study also achieved its goal of theoretical generalisation (indicativeness) of the findings, thus contributing to the understanding of existing theory on how SMEs practice strategic planning in South Africa. These conclusions are based on (i) the cross-case analysis findings presented in chapter seven, (ii) the validation exercise findings set out in chapter eight and, (iii) the discussion and conclusions set out in this chapter.
References and bibliography


Appendixes

Appendix A: Interview guide

Interview Guide:

Research topic: The role of strategic planning in small to medium enterprises (SMEs):
A case study of SMEs in the food and beverages manufacturing sector in South Africa

The research questions are:

(1) how do SMEs view strategy?

(2) how do SMEs in the food and beverages manufacturing sector plan for their future?

(3) why do SME managers in the food and beverages manufacturing sector plan in the way they do? and

(4) how can SMEs in the food and beverages manufacturing sector improve their practice of strategic planning?

Research ethics and confidentiality: No company or personal details will be disclosed in the thesis and all identifying data or information collected will be kept confidential.

There are about 20 open-ended questions in this interview, thus, assuming each question takes approximately 2 minutes to answer, each interview should last for about 1 hour.

Recording Permission: I would like to ask for your permission to record this interview, so I can have an accurate record of the interview that I can use later when I am transcribing the interview?

Permission Granted: Yes / No (tick applicable answer)

| Date: | Organisation Code Name: | Interviewee Position: |
Section 1: Structured questions about the organisation;

a) Code name for the organisation:

b) Year the organisation was established:

c) Number of years in business:

d) Current number of employees:

e) Food and beverages manufacturing sub-sector:

f) Classification as either small or medium enterprise based on the definitions of SMMEs from the National Small Business Act (South Africa)

Section 2: Open-ended questions grouped into planning categories;

1. Strategic direction

   a. What’s your company’s mission and vision?

      i. What inspired that mission and vision?

   b. How do you plan for the future and set your goals or objectives?

      i. do you practice any strategic planning?

      ii. do you facilitate it through internal resources or use of consultants?

   c. What’s the usual timeframe you plan for, into the future? And why? (1 year, 2 years, 3 years or 5 years for example)

   d. Do you think having a strategy is important for your business? And why?

   e. Do the rest of the staff know the strategy?

      i. If so, How?

      ii. If not, Why?
2. Strategic assessment

a. How do you decide which products or services to offer?

b. How do you know what your competitors are doing to improve the sales of their products or services?
   i. Why do you do it like that?

c. How do you conduct assessments to find out which products or services sell the most and/or make you the most profit?
   i. How do you do that?
   ii. Why do you do it like that?

d. What capabilities are important in your business? (elements such as - people, processes, technology, infrastructure) and
   i. How do you assess the status of these capabilities?

e. Are there any regulatory requirements that you have to comply with, to run your business? and
   i. do they change regularly?
   ii. how do you keep up to date with any regulation changes?

3. Strategic choice

a. How do you choose which products or services to make or offer?

b. Are the products or services you are currently offering aligned to your objectives?

c. Are there products or services you would want to stop offering? If there are, why?

d. Give me an example of a time you pulled out of something. Why did it happen?

e. If the business has expended – Why did you expand into those area(s)?
4. Strategic implementation
   
a. How do you coordinate the implementation of your strategy?
      
i. Do you have a strategic plan or a business plan?
      
ii. Could I have a copy of the strategic plan or business plan?
   
b. Do you have any partnerships or alliances to enable production or improve sales?
      
i. Are the partnerships or alliances working?
      
ii. What’s your view on entering into partnerships or alliances?
   
5. What do you think I should have asked you about strategy and planning that I haven’t asked? (Bryman and Bell, 2015, p.490)

6. If you were advising the company on strategy and planning, what are the main changes or improvements that you would recommend? (Bryman and Bell, 2015, p.491)

Section 3: Observation request and secondary data to be collected if available; (important to note all information collected will be anonymous)

   a. Could you invite me to seat-in as an observer in one of your strategic planning sessions or meetings?

   b. Do you have a strategic plan or business plan that you have used for engagements with staff or other stakeholders?
      
i. Could I have a copy?
Appendix B: Initial empirical study coding list

<table>
<thead>
<tr>
<th>Strategic Direction</th>
<th>Code Description</th>
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</thead>
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<td>2</td>
<td>There is a vision</td>
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<tr>
<td>3</td>
<td>No formal mission defined</td>
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<tr>
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<td>Mission is not clear</td>
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<tr>
<td>5</td>
<td>Vision is not clear</td>
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<tr>
<td>6</td>
<td>There is consultation with staff and other stakeholders</td>
</tr>
<tr>
<td>7</td>
<td>The mission and vision is communicated to staff and other stakeholders</td>
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<tr>
<td>8</td>
<td>Having a strategy is important</td>
</tr>
<tr>
<td>9</td>
<td>Having a strategy is not important</td>
</tr>
<tr>
<td>10</td>
<td>There is scepticism on the benefits of strategy</td>
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<tr>
<td>11</td>
<td>Strategic planning is formal</td>
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<tr>
<td>12</td>
<td>Strategic planning is not formal</td>
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<td>13</td>
<td>Strategic planning is important</td>
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<tr>
<td>14</td>
<td>Does not practice strategic planning</td>
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<tr>
<td>15</td>
<td>Not a good strategist</td>
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<tr>
<td>16</td>
<td>Has access to the strategic planning knowledge and skills</td>
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<tr>
<td>17</td>
<td>Does not have the strategic planning knowledge and skills</td>
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<tr>
<td>18</td>
<td>Practices operational planning (Planning period less than one year)</td>
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<td>Strategy consultants too expensive</td>
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<tr>
<td>20</td>
<td>Assessment of industry products and services</td>
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<td>21</td>
<td>Assessment of competitor activity</td>
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<tr>
<td>22</td>
<td>Assessment to understand profitable products or services</td>
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<td>23</td>
<td>Awareness of internal capabilities (Strengths and Weaknesses)</td>
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<td>24</td>
<td>Industry regulatory compliance</td>
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<td>Assessment initiated by management</td>
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<tr>
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<td>Assessments are not comprehensive</td>
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<td>There is a short-term focus</td>
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<td>28</td>
<td>Choice of products and services to offer</td>
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<td>30</td>
<td>Alignment of chosen products and services to objectives</td>
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<td>Choice of markets to serve</td>
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<td>There is a strategic plan and/or business plan</td>
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<tr>
<td>34</td>
<td>Staff are aware of the strategic plan and/or business plan</td>
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<td>35</td>
<td>Trained and motivated staff</td>
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<td>36</td>
<td>Resources are realigned/reallocated when plans change</td>
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<tr>
<td>37</td>
<td>Makes use of or values partnerships and alliances</td>
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<td>Sees no value in partnerships and alliances</td>
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## Appendix C: Final empirical study coding list

### CATEGORY: Strategic Direction

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### CATEGORY: Strategic Implementation

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Appendix D: Case study interviews schedule

- All the engagements for the main case study interviews were face to face (in person), at the case study’s business premises

<table>
<thead>
<tr>
<th>Size of business</th>
<th>Company Code</th>
<th>Type of Business</th>
<th>Development Stage</th>
<th>Total Staff Complement</th>
<th>Interviewee Positions</th>
<th>Date</th>
<th>Total number of words transcribed per case study</th>
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<td>A</td>
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<td>Owner / Managing Director</td>
<td>25-Feb-2019</td>
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<tr>
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<td>Owner / Managing Director</td>
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<td>Co-Founder / Sales Director, Production Director</td>
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<td></td>
<td>E</td>
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**Source:** Author
### Appendix E: Validation exercise participants

#### Case Study Participants

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<tr>
<th>Size of business</th>
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<th>Type of Business Operations</th>
<th>Size of business</th>
<th>Total Staff Complement</th>
<th>Interviewee Positions</th>
<th>Date</th>
<th>Duration in minutes</th>
<th>Type of Engagement</th>
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<tr>
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<td>Very Small</td>
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<td>Sales Director</td>
<td>11-Feb-2020</td>
<td>65</td>
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<td>Food Preparation</td>
<td>Medium</td>
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#### Industry Experts (for triangulation)

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<th>Duration in minutes</th>
<th>Type of Engagement</th>
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<td>Business Rescue Consulting Firm</td>
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<td>16-Feb-2020</td>
<td>35</td>
<td>Zoom Meeting</td>
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<tr>
<td>Industry Sector</td>
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<td>Industry Expert - 5</td>
<td>Food &amp; Beverages Industry Body</td>
<td>Industry Sector Representative</td>
<td>19-Feb-2020</td>
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<td>Expert - 5</td>
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<td>Senior Manager: Skills Planning and Learning Programmes</td>
<td>16-Feb-2020</td>
<td>35</td>
<td>Zoom Meeting</td>
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**Source:** Author
Appendix F: Validation exercise interview guideline

Phase One:

1. The three case study participants from Company B, D and I were shown;
   a. Extracts of their within-case analysis, so they could confirm the findings and analysis by the researcher was a true and fair reflection of what was captured by the researcher during the interviews
   b. The overall cross-case analysis findings so they could also have an appreciation of the overall analysis findings from the empirical study

Phase two:

1. The proposed strategic planning model and guideline was shared with the validation exercise participants at least one day before the scheduled date of the in-depth interview
2. Participants were asked to give their opinion/feedback on the proposed strategic planning framework and guideline as follows;
   a. What’s your view of the proposed strategic planning framework? Does it make sense?
   b. Is it something that you think you could use to facilitate strategic planning on your own?
   c. If not, why do you think you would struggle to use the framework?
   d. Is the accompanying guideline, on how to use the framework helpful? If not, why?
      i. Was it easy to understand the terms under each activities A, B, C and D?
      ii. What was difficult to understand or follow?
   e. How could you improve the framework and/or guideline?
   f. Do you think the strategic plan template is helpful? Could you make use of it?
Appendix G: Excerpt of a main empirical study interview transcript
2019.03.19_09.54_01_AJ

Speaker Key:

JD  Interviewer (Researcher)
AJ  Interviewee
JD  When did you start the entity?
AJ  DE was formed in 1999. We did do catering under another name, which is our family name, from 92. That was quite informal, very small, and then when we decided to actually go big into catering, that’s when we started DE, and looked at a whole different model of what…
JD  Your staff complement?
AJ  At the moment it’s 25. Sorry, 26.
JD  This is your production guys, your cooks?
AJ  That’s kitchen, drivers, office, maintenance.
JD  So [unclear] from growth-wise?
AJ  We grew every year, probably about a good 15%, 20%, sometimes more, until 2014.
00:01:10
JD  Are you planning to grow beyond that?
AJ  We’ve actually found it’s impossible, especially with the platters. What we’ve also found is a lot more people have come into our market, whereas, we were the only specialist platters delivery company in 1999. Also, with the business slowing down, a lot of the big catering companies have had to look for work elsewhere. Whereas traditionally, they would not do anything like that. They have now entered into our market, and the market hasn’t grown, so that’s a problem.
So, where we’re looking at growing is actually in new lines, in new products. So, we’ve got quite a few, if you want me to go into those.
Appendix H: Excerpt of validation interview transcript
2020.02.19_16.53_01_TS (Industry Expert 4)

Speaker Key:    JD  Researcher   TS  Interviewee

TS    Yes. Okay. So, one of the things, when I was looking at it was, I personally, I don’t think it’s everyone’s challenge.

00:21:32    But I sometimes struggle to define objectives and differentiate between objectives and goals. It makes sense in my head, but when it comes to the actual practicality of it in terms of... The way you explain it is exactly how I understand it. But now when I have to come and actually put a goal, and then put the objectives, I get a little bit confused.

00:22:02    I don’t know, and I’m not undermining SME owners in any way. I think they’re very clever people. But I think a short definition of what that objective is, even an example, would make it easier for them to actually understand.

00:22:37    And it makes it easier because these definitions sometimes end up being too academic for people.

TS    Yes, the figure 7.1. So, the framework. I suppose... I’m looking at 7.1 and I’m looking at the strategic direction.

00:27:02    So, this is, I assume, a different framework that was proposed. Although intuitively it felt like you should start with the strategic assessment and then determine the direction. But then again, I understand. So, you’ve got a vision where you want to go. And then you work out the gaps and you assess your strengths and your weaknesses in terms of getting there.

00:27:30    But I’m also thinking, when I looked at that intuitively the first thing I wanted to do was say, why not do the scanning first and then after that make a strategic direction based on what you have on the ground and what you can do, what’s available.
Appendix I: Excerpts of coded interview transcripts

CH: Um, so from a staff development point of view, that's been our big drive over the last 12 months. Has been to, to get; uh, staff developed to a level that; um, uh, it's an accredited level where they're able to see growth for themselves. So from putting the right staff in the right positions and allowing them to grow is always the challenge that we have as a business.

Is, because many times, you know, in an interview it all sounds good. But when, when you're on the coalface it's very different.

CH: So, so there is those, um, checks and balances that we do over, over a period of time. Um, that's the biggest challenge is to put the right people in the right positions.

CH: And we have a lot of those in our organisation. And in certain cases we've still got work to do.

00:26:29

CH: Ja, the, the... There is challenges always in processes. And the biggest aspect, I think, from a frustration point of view, is actually getting stuff implemented, and getting it done.

CH: And I think that is, um, probably, uh, the biggest, uh, pressure that we feel in that process, is the fact that, that things don't happen as quickly as what we would like them to happen.

00:22:43

CH: Otherwise we wouldn't... We wouldn't be manufacturing those products. Whether they be under license or one of our own

CH: Ja.

CH: We, we have systems in place which, um, uh, for example on procurement there's a, a procurement arm that, that does all our procurement for us. And they, they do... They've got a system called Flipper which actually takes our product that we want and has a look at all the different suppliers that can supply that product. And what the system does, it keeps on updating continuously.

So it flips between all the suppliers, and actually finds which is the cheapest supplier for that exact product. And based on Crosse & Blackwell mayonnaise for example, whoever is the cheapest supplier, that's where the order would be placed. So the system is, um, uh, an advanced procurement system because that is where the biggest costs are. If you're able to contain those costs regarding the procurement side it can give you a bit more flexibility.

00:24:01

CH: I think, I think the biggest aspect is to put the right people in the right position, and to allow for growth to come. For individuals to be able to grow. And I think that, uh, that's... When you say part of our strategy, the last few years, has been to take, uh, from guys that are cleaners, and find a path for them to be able to grow and become; uh, uh, a lot more trained in different aspects of the business.

So what we've done is we've had, uh, a company that does training and is accredited, that has come in, and we have sent; uh, a part of our staff complement to go through this; this accreditation and understanding how to be computer literate. And how to allow them to grow within the division that they're in, and move to the next step.
enables us to buy more. The bigger the volumes, the more efficient our buying can be.

CH You know, we... We basically use our entrepreneurial flair to... to grow based on what we feel the potential is. But we do have the structures in place which is a more flat structure rather than a hierarchy of, of people and, um, and, um, the reporting structures. Um...

CH We do.

CH We do. We do. And we’ve had, uh, a strategy planning with our, our division down the bottom here, the Eat Right division... where in essence we are converting that facility completely into a bakery facility, whereas now it’s been doing meals and bakery. So strategically, um, initially we did a whole load of different types of stuff to create consistency from a financial point of view. So we took on whatever we needed to take on to make it happen financially.

But effectively, uh, strategically going forward we have... We’re in the process now of taking all the food preparation stuff into this facility, and the, the facility that’s there will be strictly baking.

AU Well, it starts in the, in uh, in pod form first. So, I would know, let’s say the Lounge is just coming on-board, we will make sure that everybody from a finance and uh, commercial point of view know exactly what’s going on. Janine will do exactly the same from a product point of view, and then she will come and sit with me. We will form our strategy that we think how to best implement our part of the business, and then me and Janine will then sit with Chris and Simeon, and we’ll form our company’s strategy on how to implement and how to...

But I think we actually do it the other way around. I think normally uh, it’s almost the shareholders that says listen, this is our new customer, this is our strategy, this..., and then they filter down the plan. Our company works from the bottom up. So we know what’s going on, or, because like I said to you earlier, Chris’s whole thing is an opportunity, Aubre go and investigate, Janine go and investigate. So, we form our internal strategy first, and then we sit with Chris and them, and then they add their entrepreneurial side to it, which, which we don’t have.

AU We... we don’t have a formalised one, but we have a working document that gets discussed every week.

AU No look, I... I think the major thing, if you [pauses]... if obviously you want to sit Chris in an office to do five hours’ worth of strategic planning, you’ll lose him after 20 minutes. Because like I said, they’re entrepreneurial guys, so their focus is on making small steps every single day. I want to put a smile on my customers today, I want to get feedback that our product is working today.