

**The use of consultants versus independent strategy formation for small
and medium enterprises in Gauteng**

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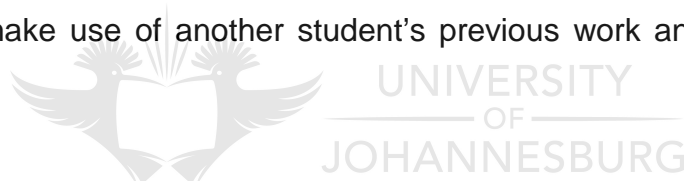
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ABSTRACT

Small and medium enterprises are recognised as key drivers of the South African economy. Up to 90 percent of formal businesses in South Africa are classified as small and medium sized enterprises. Therefore, the success of these enterprises is of significance to the South African economy.

The formation of strategy is mostly associated with large corporate enterprises, which have the required resources in respect of finance, time and skills, to expend in forming and implementing strategies that are aimed at long term success. These resources are typically not easily accessible to small and medium enterprises, whose focus is mostly on the day to day operation (or even survival) of the enterprise.

This qualitative study explores the views, experiences, knowledge and perceptions of 12 small and medium enterprise research participants in respect of important aspects relating to strategy. These aspects include the role-players in strategy formation, forecasting and planning practices, the type of competitive intelligence gathered, the use of consultants and the link between strategy and the performance of small and medium enterprises. These aspects are all considered, in order to obtain an understanding of the main theme of the study, which focuses on determining the extent to which small and medium enterprise use consultants for the formation of strategy. Consultants are viewed in both a positive and negative light by small and medium enterprises, yet somehow are never considered for the purpose of strategy formation.

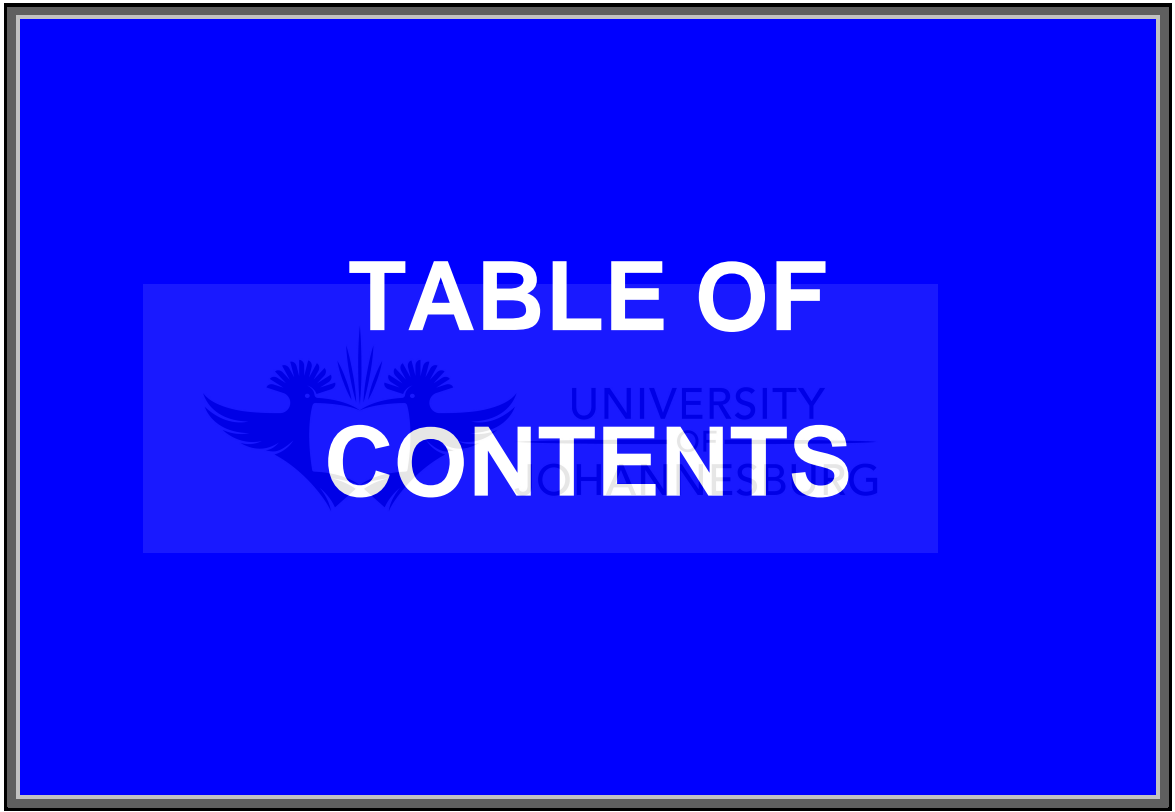


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CHAPTER 1



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INTRODUCTION TO THE STUDY

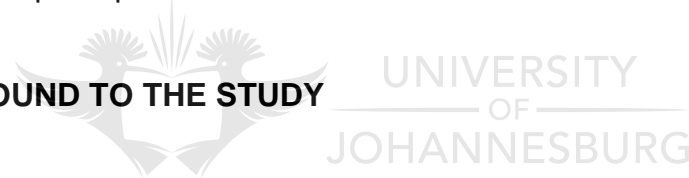
CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

This chapter provides an introduction and brief overview of the study. It will commence with the background to the key themes of the study namely: the significance of strategy to small and medium enterprises; their strategy formation practices; the use of consultants for the formation of strategies. This background will be used to form the basis of the research problem, the research question and the research objectives. An overview of the literature review will be discussed and an outline of the research design and methodology will then be provided. The chapter will consider the benefits and importance of the study, without which there would be no reason to do the study. The limitations of the study will be considered and a brief outline of all the chapters provided.

1.2 BACKGROUND TO THE STUDY



Small and medium enterprises are the conveyors of entrepreneurship. O'Regan and Ghobadian, 2004b:78 depict small and medium enterprises as the “bloodline of modern complex economies”. In order to preserve the small and medium enterprises' competitive position, they are challenged to boost the resources allocated to innovation (Bennett & Robson, 2003:797). This results in enterprises calling for increased specialist knowledge which results in the improved need for external advice.

Mughan, Lloyd-Reason and Zimmerman (2004:424) state that there is insufficient research in respect of the significance of strategic planning for small and medium enterprises. Rapid economic and technological changes in the global marketplace are resulting in management development needs for small and medium enterprises evolving into areas that were traditionally reserved for large enterprises. O'Regan and Ghobadian (2004a:292) is of the opinion that the importance of a strategy is not limited to large enterprises: small and medium enterprises are confronted with the

same challenges faced by large enterprises. Meers and Robertson (2007:302) similarly affirm that firms of all sizes are constantly challenged due to a multitude of factors, such as globalisation, technology, emerging new markets and deregulation. According to Meers and Robertson (2007:302) there is currently no evidence pointing toward a more effective method for small and medium enterprises when engaging in the process of formulating strategy, which is also referred to as strategic planning. The development of strategy is no longer considered optional; it is now considered mandatory.

There are two strategic planning views identified by Dibrell, Down and Bull (2007:22), i.e.: the 'deliberate' view, according to which the strategy was planned and achieved; and the 'emergent' view, whereby the strategy was realised but was never intended. Bennett and Robson (2003:797) advise that strategy is commonly referred to in the context of large organisations. With smaller budgets to work with, small and medium enterprises are further challenged to undertake the formation of their strategy independently, without the (often costly) assistance of third party consultants. Empirical assessments corroborate that the size of an enterprise is the most important determinant of the use of external advice. After size, the age of the enterprise and the sector in which it operates are the next most significant factors.

In findings from research done by Bennett and Robson (2003:798), it is stated that the main source of external advice for small and medium enterprises is the private sector. The most common sources of external advice are accountants, followed by lawyers, banks and lastly consultants. Sources from the public sector, such as local and central government, are mostly secondary sources of information for small and medium enterprises and only account for eight percent of sources used for advice. This is not only the case in small and medium enterprises, but also in larger enterprises, of which less than ten percent turn to the public sector for advice (Bennett & Robson, 2003:798). Oosthuizen (2005:76) considered the sources of advice for small and medium enterprises operating in an emerging economy. Developing countries are capable of gathering knowledge from advanced economies through sources such as large multinational enterprises, international consulting firms, the use of foreign consultants and interaction with high profile strategic

management consultants. This research will focus on advice provided by consultants in the private sector.

Stonehouse and Pemberton (2002:853) suggest that the maturity of an academic discipline is typically determined by the frequency at which its techniques and practices are employed in the mainstream. With reference to strategic management, such theory is still not refined as evidenced by the “inconsistent and conflicting viewpoints”. Kraus, Harms and Schwarz (2006:335) undertook a literature review that revealed that in the last 25 years there have only been 24 empirical studies covering strategic planning in medium enterprises. Kraus *et al* (2006:335) conclude, therefore, that research in respect of strategic planning within small and medium enterprises is still in its infancy. Similarly, Griggs (2002:25) conveys concern regarding the depth of previous research related to small and medium enterprises and strategy formation. Griggs (2002:25) argues that such research used one-dimensional measures, which are not in line with the multi-dimensional nature of planning systems, as evidenced in other strategic planning literature. The failure of previous research is attributed to a lack of distinguishing between the characteristics of planning processes.

This research intends to gain a greater understanding of strategy formation practices within the framework of small and medium enterprises. Specifically, the research intends to establish if the expertise of consultants is employed for the purpose of strategy formation by small and medium enterprises.

1.3 PROBLEM STATEMENT

Strategic planning has been linked to performance in small and medium enterprises in several dimensions (Meers & Robertson, 2007:302). Unlike larger enterprises, where the performance of the enterprise may depend on a group of experts or skilled managers, small and medium enterprise performance is frequently dependent on the skills of the owner (Dyer & Ross, 2008:133). Many of these small and medium enterprise owners do not have the requisite knowledge or management skills, however, which often leads to failure of the enterprise.

Mughan *et al* (2004:424) refer to the main reasons for the failure of small and medium enterprises as being: management incompetence, lack of planning and the inability to secure financial resources. The lack of planning is linked to the lack of proper strategy formation. The problem statement of this research is:

Small and medium enterprises do not have a proven approach to strategy formation, with no distinction being made between the outcomes in respect of employing external consultants and developing a strategy independently and internally within the organisation.

1.4 RESEARCH QUESTION

The research question is created from the research problem. The research problem puts into question the superiority of outcomes between the use of external consultants versus self-development of strategy for a small and medium enterprise. Therefore, the research problem can be converted into the following research question:



Would small and medium enterprises derive greater benefit in the strategy formation process by appointing third party consultants or by self-development internally?

1.5 OBJECTIVES OF THE STUDY

The development of a value adding business strategy is not a simple task. Large, well established organisations are known to face challenges in the formation of their strategy. Small and medium enterprises are not well-known for forming detailed, complex and sustainable business strategies. This is because their greatest focus is on completing the operational tasks needed to keep the business running. The value of having a proper business strategy for small and medium enterprises is not fully known.

The primary objective of this research will be to:

- *Examine the trends in strategy formation for small and medium enterprises.*

In support of the primary objective, the secondary objectives will be to:

- *Identify the significance of strategy to the small and medium enterprise.*
- *Determine if and how small and medium enterprises form their strategies.*
- *Examine to what extent external consultants are engaged by small and medium enterprises.*
- *Determine if there is a link between strategy formation and the performance of the small and medium enterprise.*

1.6 INTRODUCTION TO THE LITERATURE

In Chapter Two a review of literature will be provided. The main themes that will be addressed in the literature review will be: strategy, the formation of strategy, small and medium enterprises and consultants. The key research themes will be expanded into more detail to ensure a better understanding of each research theme. The research themes will not be considered in isolation, as, in many cases, they are interwoven. The research themes will each be expanded as follows:

- **Strategy:** in the literature review, a definition of strategy and a review of strategy in the South African context will be covered. It will also include the significance of strategy to the small and medium enterprise. Then strategic planning for small and medium enterprises will be contemplated, which will include the sophistication of small and medium enterprise planning, their forecasting practices and competitive intelligence gathered by small and medium enterprises.
- **Formation of strategy:** this element of the research will include: a consideration of the linkages between strategy and performance of the enterprise; performance of the enterprise in relation to its size; and the role players in strategy formation.

- Small and medium enterprises: a detailed definition of small and medium enterprises in South Africa including and estimate of their numbers, will be provided. Small and medium enterprises will also be compared to corporates in respect of strategic planning practices.
- Consultants: the consultant and client relationship will be considered, before a more detailed look into consulting to small and medium enterprises can be deliberated. The first more general consideration of the consultant and client relationship will include: the role of the consultant; the value of consultants; and the client-consultant interaction.

1.7 RESEARCH DESIGN AND METHODOLOGY OF THE STUDY

As this research is descriptive, a greater need exists to focus on the understanding of the research, as opposed to having broad representativeness (mostly associated with quantitative research). Therefore non-probability sampling will be used. Non-probability sampling typically requires the researcher to rely on personal judgement or could be as a result of convenience (Zikmund, 2002:380). A previous professional relationship has existed between the researcher and the research participants. Therefore personal judgement will be used to ensure that the final research sample will adopt the correct approach toward the research, be truthful in their responses and have an adequate knowledge of the subject matter.

Formulating strategy is a widespread practice undertaken by all sectors. This research will focus on small and medium enterprises and will be restricted to small and medium South African enterprises in Gauteng. Semi-structured interviews will be conducted with the business owners or senior executives within the small and medium enterprise research sample. One of the principal reasons for selecting interviews, rather than self-completed questionnaires, is the ability to establish personal contact. As the potential information may be sensitive or proprietary, it will be vital to provide feedback, as well as to confirm confidentiality of information if required. As a result of descriptive research being done through semi-structured interviews, the nature of the output data will be qualitative. According to Saunders,

Lewis and Thornhill (2000:382), there is no standard approach for analysing qualitative data. Meaningful disaggregation of qualitative data will be required to aid in recognising patterns or themes, for testing the hypothesis (or the research question, as is the case of this research) as well as to draw conclusions.

1.8 BENEFITS AND IMPORTANCE OF THE STUDY

The formation of strategy is critical to the success of the organisation. If this is not done adequately, it could lead to an improper strategy being implemented, resulting in potential overall enterprise failure. Strategy by osmosis, a phrase coined by Robert (2006:27), is less preferable to strategy developed through the appointment of consultants or even strategy formulated independently. Strategy by osmosis results in the strategy being implicit and singularly in the mind of the owner of the enterprise or the chief executive. If a distinction can be made between the benefits of appointing consultants versus independent strategy formation for small and medium enterprises, enterprises can avoid pursuing the lesser beneficial option.

The significance of identifying improved strategy formation practices for small and medium enterprises is also recognised through the impact that they have on the South African economy; they contribute up to 60 percent of the gross domestic product. The findings of this research could benefit small enterprise development centres as well as management consultants who assist small and medium enterprise owners to be more effective.

1.9 LIMITATIONS OF THE STUDY

A potential limitation of the research is the likelihood, of senior executives of small and medium enterprises, revealing the detail of their strategy formation practices - particularly if these are not part of a formal process. Furthermore, strategy is typically something that gives an organisation a competitive edge; if it is perceived that the research questions may compromise this competitive edge, this may reduce the willingness to participate in the research. The research will be limited to 12 research participants, all of whom have indicated their willingness to participate in the study. All the research participants will have worked with the researcher previously and

therefore it is hoped that their potential concerns (as indicated above) will be reduced or eliminated. A potential limitation exists in respect of the nature of the working experience between the researcher and the research participants: the researcher is employed as a procurement manager for a large listed enterprise, to whom the research participants are suppliers. The limitation lies in the research participants potentially not wanting to reveal information that could portray their small and medium enterprises in a negative light.

The study will be limited to small and medium enterprises operating in Gauteng. This is done in consideration of access, cost and time limitations in respect of travel. The research participants will not be selected on the basis of any financial criteria, other than the limitation pertaining to qualification as a small and medium enterprise in terms of the National Small Business Act 102 (1996). The research participants will also not be selected based on previous experience relating to strategy formation. The research is not aimed at understanding or documenting the actual strategies of small and medium enterprise research participants, nor individual definitions of strategy; rather, it will focus on how small and medium enterprise research participants form their strategies. More specifically, the role players in their strategy formation process will be considered.

1.10 OUTLINE OF THE DISSERATATION

This research will be documented in six chapters. A brief overview of each chapter is provided to denote the layout of the research.

In Chapter One a brief introduction to the research themes is provided. Other than providing the problem statement, the research question and the research objectives, this chapter includes some of the methodological approaches the researcher will employ. Lastly, the limitations and potential benefits of the research are considered.

Chapter Two will present the literature review. The pillars of the research topic, i.e. strategy, strategy formation, consulting services and small and medium enterprises, are developed in this chapter to include the themes introduced in the research objectives.

In Chapter Three the methodological framework of the research is explored. Research methodology concepts in general will be reviewed, and concepts and approaches best suited for the purpose of achieving the objectives of this research are considered.

Chapter Four will characterise the research sample and the content of the research will be discussed. The research content is classified into nine research categories, which in some cases overlaps in respect of the research objectives identified, but when combined gives insight to the answer of the research question.

In Chapter Five the research conclusions are constructed by comparing the findings of the literature review with the outcomes of the interviews held with the research participants. The intent of the research (i.e. the research question, research problem and research objectives) is revisited in relation to the research conclusions.

Finally, Chapter Six will identify the recommendations for future research opportunities, and will also identify the implications of the research. The research is concluded by evaluating the research limitations in respect of the research design, literature review and research content.

1.11 CONCLUSION

Small and medium enterprises face many challenges. More specifically, small and medium enterprises trading in South Africa have idiosyncrasies of their own. The development of a sound strategy for the small and medium enterprises could mean the difference between success and failure. Many small and medium enterprises have not considered the significance of a strategy, or, if they have, they have not had the confidence to form one independently, or have had the financial resources to appoint a consultant to assist with this important task. Hence, the reason for this research exists.

Chapter One provides the foundation of this study, including a background to the study, the development of a problem statement and research question as well as the

objectives of the study. The introduction to the literature and research methodology has been provided as important guidelines for the research outlined in Chapter Two and Chapter Three. Before the outline of each chapter was provided, the benefits and the limitations of the study were explored. Chapter Two will focus on the literature review, a summary of which was detailed in 1.6 (introduction to the literature).



CHAPTER 2

BASIC PRINCIPLES OF CONSULTANTS AND INDEPENDENT STRATEGY FOR SMALL AND MEDIUM ENTERPRISES



CHAPTER 2

BASIC PRINCIPLES OF CONSULTANTS **AND INDEPENDENT STRATEGY FOR SMALL AND MEDIUM** **ENTERPRISES**

2.1 INTRODUCTION

This chapter will commence with an overview of the key concepts of this research. These key concepts are an introduction to strategy, the formation of strategy; small and medium enterprises and consultants. This will be followed by a brief overview of the importance of strategy in small and medium enterprises including a specific overview of strategy in the South African context. A more in-depth exploration of strategy formation will include elements of performance linkages and performance in relation to organisation size. Planning for small and medium enterprises will be investigated and will include levels of sophistication, forecasting and competitive intelligence gathered. The chapter will focus on small and medium enterprises with a specific comparison of small and medium enterprises and the corporate enterprise relative to strategic planning. The chapter will review who should be the strategist, followed by an overview of the consultant, including the role, value and interaction of the consultant with the small and medium enterprise. Finally, the chapter will examine trends in consulting to small and medium enterprises.

2.2 OVERVIEW OF RESEARCH CONCEPTS

The primary research objective of this research is to examine trends in strategy formation of small and medium enterprises. Accordingly, the key themes of the research will focus on strategy formation and particularly how this is applied in small and medium enterprises. This research will also examine the use of consultants for the purpose of strategy formation for small and medium enterprises.

2.2.1 Strategy

Over three thousand years ago, one of the most fundamental and enduring books 'The art of strategy' was written by a Chinese scholar, Sun-Tzu. Sun-Tzu realised that anyone approaching a complex or challenging task would benefit from a detailed strategy – specifying what is to be achieved and how it will be achieved (Kourdi, 1999:viii). Mintzberg, Ahlstrand and Lampel (2005:23) affirm that no self-respecting enterprise should be without a strategy. When exploring the meaning of strategy, they derive at the following five definitions of strategy:

- Strategy is a plan - a purposefully intended course of action.
- Strategy is a ploy - “a specific manoeuvre intended to outwit an opponent”.
- Strategy is a pattern - “a pattern in a stream of actions”.
- Strategy is a position - being able to determine the organisation in its environment.
- Strategy is a perspective - a perspective looking within the organisation.

Corporate strategy literature lays claim to at least ten divergent schools of thought and a host of definitions that converge on varying perspectives. In many cases, strategy is even confounded with microeconomics, finance, marketing or organisational design (Frery, 2006:71). Thompson, Strickland and Gamble (2005:3) describe strategy as competitive shifts and enterprise tactics, used to achieve various objectives. These objectives include: growth of the enterprise, attracting and pleasing customers, competing effectively and day-to-day operations of the enterprise. O'Regan and Ghobadian (2004a:298) define strategy as the “articulation of the means by which an organisation endeavours to convert its intentions into organisational capability”. They further explain that these endeavours are undertaken to optimise external opportunities and to mitigate any threats.

“Strategy is not what it used to be – or what it could be”, states Montgomery (2008:54). A new epoch has come into being with strategy being seen as an analytical problem to be solved. There is a permutation of academia and strategy consultants fortified with a diversity of techniques and tools to be embraced by managers.

The definition of strategy for the purpose of this research is taken from the definition given by Thompson et al (2005:34). Strategy concerns “the actions and the approaches crafted to produce successful performance in one specific line of business”. The main focus of strategy is crafting responses to changing market circumstances and implementing actions to strengthen market position, develop competitive capabilities and build competitive advantage.

2.2.2 Formation of strategy

Strategy formation is described by Grant Jackson Corporate Finance and Strategy (n.d.) as “the process of igniting, capturing and conveying strategic ideas”. Strategy formation should give clarity to what products or services the enterprise will deliver, what market they will enter, what capabilities are required and how the resources will be allocated to do so. It is not just for larger business; small and medium enterprises can and do benefit from the process of strategy formation. “We are the blind people and strategy formation is our elephant” (Mintzberg *et al*, 1998:3). Mintzberg *et al* (1998:3) explain that the ‘entire beast’ of strategy formation has not been comprehensively explored. Some have grasped certain portions of strategy formation, yet failed to put all the parts of the elephant together. Ten schools of strategy formation are identified by Mintzberg *et al* (1998:5). These are described in Table 2.1.

Table 2.1: Ten schools of strategy formation

The design school	Strategy formation as a process of conception
The planning school	Strategy formation as a formal process
The positioning school	Strategy formation as an analytical process
The entrepreneurial school	Strategy formation as a visionary process
The cognitive school	Strategy formation as a mental process
The learning school	Strategy formation as an emergent process
The power school	Strategy formation as a process of negotiation
The cultural school	Strategy formation as a collective process
The environmental school	Strategy formation as a reactive process
The configuration school	Strategy formation as a process of transformation.

Source: Mintzberg et al (1998:5)

The ten schools identified by Mintzberg et al (1998:5) are grouped into three categories. The first three schools are described as prescriptive, as they are more focused on how strategies should be formulated. The second grouping covers the six schools that follow. These schools consider specific parts of the process of strategy formation, and are not particularly concerned with stipulating any given ideal strategic conduct. Finally, the remaining school (configuration school) attempts to integrate various components of the strategy formation process into specific phases (Mintzberg et al, 1998:6). Koch (2000:133) refers to the cultural school and explains that this school focuses on developing internal consensus and culture that can drive the development of the strategy. This would imply that strategic planning should be driven from within the organisation if it is to be aligned to the culture of the organisation. Koch (2000:81) declares his preference for a strategy that emerges from within the organisation – particularly from the lower levels. This as a result of experimentation or trial and error.

Words like plans, strategies, policies and objectives are often interchanged (Pun, 2004:904). Just as there is confusion with the terminology, there is also no universally accepted definition of strategy. Feurer and Chaharbaghi (1997:58) agree and declare that there is no single definition of strategy formation, resulting in a broad scope of theoretical frameworks being in existence. Strategy can be derived

from a multitude of techniques, including “analysis, trial and error, intuition or just luck” according to Stettinius, Wood, Doyle and Colley (2007:5).

Five separate, yet interdependent phases of strategy are described by O'Regan and Ghobadian (2004a:298). They are: establishment of organisational purpose, strategic analysis, strategy formation, strategy deployment and lastly monitoring and evaluation. The third phase of strategy formation is also referred to as the strategic planning process. Strategic plans, despite being developed with the right intent, may fail to become a 'living document', as captioned by Plant (2008:33). It is imperative that the strategy formation process captures not only the strategic vision, but that the vision is aligned to the operations of the enterprise.

2.2.3 Small and medium enterprises

Small and medium enterprises are normally defined by revenue, assets (excluding fixed property) or the number of employees. Each country has varying cut-off points and these may even vary by industry. South Africa's National Small Business Act (Act 102 of 1996) defines small enterprises as a separate and distinct business entity, and this includes cooperatives and non-governmental organisations (Rwigema & Karungu, 1999:3).

Various attempts have been made to identify the number of small and medium enterprises active in South Africa. The 'official sources' identified by Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam and Van Seventer (2002:13) are Ntisika and Stats SA. Their figures are much lower than the totals given from private research groups. The table below (Table 2.2) provides a detailed breakdown of the number of small and medium enterprises in South Africa:

Table 2.2: Different indicators for the size of the small and medium enterprise sector in South Africa

Source	Survivalist	Micro	Very Small	Small	Medium	Large	Total
Ntsika 1999	184,400	466,100	180,000	58,900	11,322	6,017	906,739
Stats SA, 2000/ Ntsika 2000	Informal: 1,138 854		330,271	94,804	54,620	12,249	1,628,797
Business Partners	2.3 million		600.000		35,000	n/a	2.9 million
Management Sciences Group Survey 1999	Micro: 960 740 'Informal': 862,580		Formal: 445,880 (of which 357,780 private)				2.3 million
Eskom Survey 1999	900 000 + 'in-home businesses'; Total 3 million if farmers are included					n/a	3 million
Global entrepreneurship Monitor, SA 2001	Between 0.73 and 1.15 million	1,709,142					Between 2.44 and 2.86 million

Source: Berry et al (2002:13)

Small and medium enterprises are expected to perform an assortment of roles ranging from employment creation, international competitiveness and even poverty alleviation (Berry et al, 2002:99). Rwigema and Karungu (1999:3) point out the significant role small and medium enterprises play in empowering previously disadvantaged individuals in South Africa. They report that approximately 90 percent of formal business in South Africa is thought to be small, medium and micro enterprises. Since the introduction of the National Small Business Act passed in 1996, South African small and medium enterprises have seen improved developments toward building and sustaining them. Small and medium enterprises are also described by Wilkinson (2007:85) as the “chief drivers of South Africa’s economic growth”. They are estimated to provide approximately 65 percent of all new employment in South Africa. Gordon (2009a:10) identifies the importance of small and medium enterprises in South Africa in relative terms to the total number of registered companies. There are 2.4 million registered companies in South Africa of which 2.2 million are small and medium enterprises (Gordon 2009a:10). Small and

medium enterprises in South Africa however have a high failure rate (Olawale & Garwe, 2010:730). Approximately 75 percent of new small and medium enterprises in South Africa do not become established enterprises.

Having a strategic approach is no longer exclusively a requisite for large enterprises. O'Regan and Ghobadian (2004a:292) explain that small and medium enterprises are increasingly confronted with the same challenges faced by large enterprises. Their environments are similarly complex and dynamic. Remarkably, they compete successfully with larger enterprises (O'Regan & Ghobadian, 2004a:295). Small and medium enterprises employ their organisational capabilities optimally to compete against their larger competitors. The most significant capabilities identified were; the ability to learn and adapt, the use of price, customer satisfaction and the use of resources and skills.

De Beer (2008:1) maintains that for the small and medium enterprise there is value in freeing up time to spend on strategic or revenue generating activities. A mere 10 percent consult a mentor in the form of professional services, 50 percent of which regard themselves as highly competitive. According to Dyer and Ross (2008:137), they make decisions about their internal operations daily for the survival and expansion of the enterprise. These decisions are typically routine and repetitive. However, more strategic decisions are more intricate, leaving the owner with more complex contingencies to identify and evaluate. The enterprise owner is then working 'on' the business as opposed to 'in' the business.

2.2.4 Consultants

A consultant, according to The Reader's Digest Great Illustrated Dictionary (1984:378) is defined as "one who gives expert or professional advice". One who consults another person or source of information. Peter Drucker described the role of the consultant as a "guide, philosopher and friend" (Taylor, 2001:18). Yet, the definition includes almost anything associated with 'advisory'.

The services offered by consultants have evolved over the past 20 years. From consultancy for accounting and work measurement, this discipline now transcends

most spheres of the enterprise (Pellegrinelli, 2002:343). Between 1965 and 1991 strategy consulting firms grew by 15 to 20 percent. The strategy consulting industry's growth slowed significantly between 1991 and 1993, but has resumed an upward trend (Koch, 2000:8). Bennett, Robson and Bratton (2001:1531) report that the scale of consulting services has grown swiftly in the past 20 to 30 years in all Western economies, not only in the number of firms, but also in the number of employees.

The increased use of consulting services is due to various factors according to Bennett and Robson (2003:797). Some of the reasons given include:

- Increased need in specialist services.
- The innovation of new business products.
- The result of vertical disintegration of larger enterprises.
- The need for expanding markets and innovation without increasing the numbers of core staff.
- A means of enhancing strategic capacity.

Uvila (2000:1671) expands on the services that consulting firms typically sell. The most widespread service offered by consultants is expertise; this may come in the form of research competence, knowledge of a given industry, functional expertise or even just access to information.

Bennett and Robson (1999:353) refer to earlier literature in summarising four significant, yet overlapping characteristics of services offered by consultants. They are:

- Intangibility – signifies that the services do not take the form of a material product. This makes them problematic to sample prior to purchase, and hard to reproduce.
- Inseparability of services – denotes that the buyers and sellers must interact to filter the process, with various stages needed before achieving the end result.
- Heterogeneity – implies that the services are not standardised. They need to be tailor made to meet the unique requirements of each enterprise. This results in the need for the enterprise to be directly involved to ensure that it results in an appropriate outcome.
- Perishability – is due to the services being destroyed during consumption and having to be repeated. The owner of the intellectual property rights, shift from the seller (the consultant) to the buyer (the enterprise). The enterprise typically reproduces these services, which makes repeat business less likely, unless it is in a significantly different form from the previous transaction.

The differentiating characteristics of the services of consultants are the high level of expertise required (high levels of education and extensive experience), group and self-regulating identity which creates an impression of quality, a background of professional ethics and lastly an emphasis on a specific field of advice (Bennett & Robson, 1999:354).

2.3 THE SIGNIFICANCE OF STRATEGY FORMATION TO THE SMALL AND MEDIUM ENTERPRISE

“You may have a grand idea for your small business, but without a coherent strategy expressed in a strategic plan, odds are you’ll fail” (Sandberg, Robinson & Pearce, 2001:12). Questions such as “If your company were shuttered, to whom would it matter and why?” and “Which of your customers would miss you the most and why?” are not only relevant to large multi-business or multi-national organisations. These

questions should be challenged by smaller, owner-led organisations too (Montgomery, 2008:57).

There is insufficient research pertaining to the significance of strategic planning for small and medium enterprises (Mughan *et al*, 2004:424). In the United Kingdom, government intervention has commenced with changes to policy leaning toward a consultancy-oriented framework. Mughan *et al* (2004:424) report that a management-consulting model is better suited to strategy than the traditional training-information model commonly used by government to provide assistance to small and medium enterprises. A business plan or short term tactics are not comparable to the proper formation of a strategy according to Sandberg *et al* (2001:14). These would not secure survival, much less enterprise success. When canvassing small and medium enterprises for reasons why they prepare a business plan, the common responses include: to establish a line of credit, to obtain a loan or to interest an investor. In most cases, they deem the strategic business plan of low value and once any of the objectives listed above are attained, the business plan is largely neglected (Sandberg *et al*, 2001:12). Many small and medium enterprises question the value of a strategic plan, falling back on the notion that entrepreneurs are pioneers of ideas and concepts. The focus of their business is the daily running of the business, not the development of intricate, time consuming strategic plans. Sandberg *et al* (2001:13) report that at least half of all small and medium enterprises have no strategy.

According to Dibrell *et al* (2007:23) small and medium enterprises are less likely to pursue formal and rigid strategic planning. This could be either due to limited resources, such as time and access to competitive intelligence, or could simply be due to the need to focus on operational contingencies. Dibrell *et al* (2007:23) caution that managers who follow a structured planning process strictly, may become disconnected from the daily operations of the enterprise - something that can be ill afforded by the small and medium enterprise.

2.3.1 Strategy in the South African context

Findings from research by Oosthuizen (2005:69) established that South African enterprises that achieved above average performance were typically the same organisations that mirrored best practices observed in global structures. Furthermore, the implementation of strategies correlated highly to above average output performance. There is a scarcity of exploration into strategic management practices in emerging economies; where such exists relative to South African strategic management practices, the research is limited to linkages to social responsibility and management styles or even just simply negotiating strategies (Oosthuizen, 2005:69). Although developing countries are conventionally faced with more tumultuous environmental conditions, they are still capable of adopting global best practice. Similarly, the consideration of an enterprise operating in an emerging rather than an advanced economy, should have no relation to its ability to follow the basic steps of adopting strategic processes (Oosthuizen, 2005:76).

According to Oosthuizen (2005:76) the vehicles for such knowledge transfer from advanced economies include, amongst others: large multinational organisations, the use of foreign consultants, the existence of international consulting firms, as well as interaction with high profile strategic management consultants such as Michael Porter or Tom Peters.

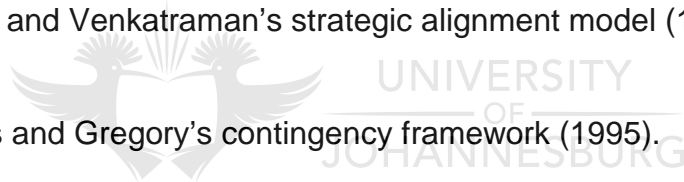
2.4 THE STRATEGY FORMATION PROCESS

The process of strategic planning is confused with strategy formation. A distinction pertaining to strategy formation made by Thompson *et al* (2005:9) is that it has a strong entrepreneurial character, as managers have to choose from multiple strategies; this implies an element of exploration and risk-taking. Pun (2004:923) advised that the strategy formation process is recognised as vigorous and is dependant on various internal factors, including employee participation, the culture of the organisation, the maturity of the business's leadership and ultimately the link between strategy formation and implementation.

Pun (2004:918) developed a conceptual synergy model for strategy formation for specific use in the manufacturing environment. The model incorporates various other previously developed models. The models used were:

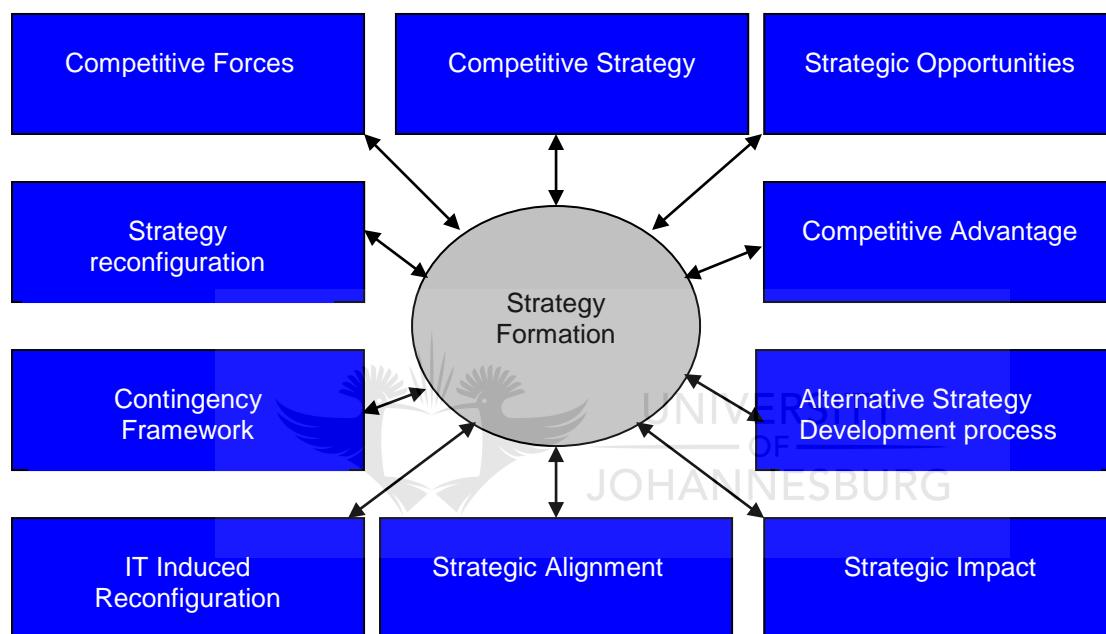
- Porter's competitive forces model (1980, 1998).
- Benjamin, Rockart, Scott-Morton and Wyman's strategic opportunities framework.
- Porter and Millar's competitive advantages framework.
- McFarlan and McKenney's strategic grid (1983).
- Earl's strategic impact model (1989).
- Henderson and Venkatraman's strategic alignment model (1992).
- Mills, Platts and Gregory's contingency framework (1995).
- Venkatraman (1991) and Burn's (1997) IT-induced reconfiguration model.
- Pun's strategy configuration process model (2000).
- Swamidass, Darlow and Baines' alternative strategy development process model (2001).

The conceptual synergy model as depicted in Diagram 2.1 created by Pun (2004:918), is an endeavour to incorporate various strategy formation models. It aims to integrate assorted frameworks and methodologies from both the organisational and operational strategies of the enterprise. Notably, Pun (2004:923) recognises that no distinct process for strategy formation can guarantee a 'sustainable competitive advantage'. This thinking is shared by Feurer and Chaharbaghi (1997:62), who claim that there is no single strategy process that will



result in the aforementioned sustainable competitive advantage. Pun (2004:920) identifies the strategy formation process as one in which an action plan is created together with the required procedures. The purpose of the plan is to enable the consistency and credibility of the strategic choices made. The procedures would facilitate introduction of the enterprise to further functional strategies, which need to be facilitated by the chief executive and other functional managers, as illustrated in Diagram 2.1.

Diagram 2.1: Conceptual synergy model



Source: Pun (2004:918)

Two schools of thought are identified by Lawson (2003:543) regarding the formation of strategy, i.e. the market-driven view and the resource-based view. The market-driven view is broadly based on the five forces model introduced by Porter. Lawson (2003:543) state that the underlying principle of this view is that both the industry and the nature of the competition are significant. The resource-based view concentrates on the individual resources of the enterprise, whereby the enterprise is seen as a collection of its resources, such being the basic elements that it controls for the purpose of organising its processes.

The success of strategy formation, according to Feurer and Chaharbaghi (1997:63), depends on it being handled as part of individual responsibility throughout the organisation and not simply as a central function. This will considerably enhance the quality of knowledge used for strategy formation and simultaneously lessen the latent conflict as well as the timeframe for strategy implementation. Research by Frese, Van Gelderen and Ombach (2000:1) examined the characteristics of small enterprises pertaining to their approach to strategy formation. Although Frese *et al* (2000:1) assert that these small enterprise owners do follow some strategy, these are not consistently "rational or explicit". Frese *et al* (2000:2) distinguish between content versus process strategy formation. Content specifies the kind of strategy to be used e.g. differentiation, low cost leader, etc. Process is the 'how' of strategy formation and implementation. The outcome of Frese *et al*'s (2000:14) research established that the process characteristics of strategies for small and medium enterprises are related to their success, as these are a direct result of the actions of the owner/manager. More significantly, those owners who concentrate on the most important or difficult component of the business, will perform better than those who do not.



Crucially, Van Gelderen, Frese and Thurik (2000:166) argue that in the case of small and medium enterprises, there is a distinct need to evaluate the individual and psychological linkages of the small and medium enterprises success to strategy formation. Van Gelderen *et al* (2000:166) claim that there is a focal influence by the founders on decision making and a high degree of influence. Ultimately, individuals have preferences for different strategies.

2.4.1 Strategy and performance linkages

Strategic planning has been directly linked to organisational performance in small enterprises (Meers and Robertson, 2007:302). Moreover, strategic planning is positively linked with improved performance across industries. Proper planning can result in improved profitability. However, before further exploring the linkages between strategy and performance, the controversy of the operational definition of 'performance' needs to be contemplated. Gibson and Cassar (2005:207) identify this as a point of confusion and dissemination of previous research. Performance,

according to Gibson and Cassar (2005:207), is an indicator of growth in employment and sales income. The meaning of performance, according to Keats and Bracker (1998:53), may have a varying set of meanings for small and medium enterprises; this subsequently implies that it would be improper to apply the definition simultaneously to small and medium enterprises and large organisations. Instead, Keats and Bracker (1998:53) envision performance measures of the small and medium enterprises to be associated with customary measures, such as sales growth, market share and profitability, as well as with overall performance indicators that include goals and objectives.

Planning and performance linkages have also been established through studies of small organisations in the early stages of the organisation (Meers & Robertson, 2007:303). The findings of French, Kelly and Harrison's (2004:774) research indicated that although there is a link between planning and performance, the link is not particularly strong. Furthermore, their research outcomes question the value of classical strategic planning for small and medium enterprises. Support of this is found in Perry's (2001:205) findings, which explain the lack of planning strength as being that formal planning is scarcely ever done by organisations with less than five employees. Perry (2001:205) proclaims that this may be due to such organisations not being required to develop a business plan to establish commercial credit or to borrow money.

According to Van Gelderen et al (2000:165), small and medium enterprise owners personalise their strategies to react to the enterprises' performance. When performing poorly, they pursue a reactive strategy, compared with high performing small and medium enterprises, whose owners start by focusing on the critical issues, followed by a more complete planning approach. Van Gelderen *et al* (2000:165) allege that the use of strategy by small and medium enterprises is reliant on the degree of environmental uncertainty.

Review of the link between planning and performance, as explored by Kraus *et al* (2006:335), reveals that despite various studies, there are many inconsistencies in the findings of previous research. Kraus *et al* (2006:335) explore possible reasons, including the differing definitions of strategic planning and that the analyses focused

on varying aspects of strategic planning. Despite the findings of their literature review, the conclusion provided in the research undertaken by Kraus *et al* (2006:341) was that a higher degree of strategy formalisation is associated with a higher degree of performance. Kraus *et al* (2006:341) advise, accordingly, that it follows that small and medium enterprises might therefore, want to plan more formally than before. Thus, a business plan should be created to identify risks and opportunities. Kraus *et al* (2006:341) also proposition an increased awareness of planning instruments for small and medium enterprises. Support of this is found in Gibson and Cassar's (2005:219) research among with over 2 900 Australian organisations. Their research established that planning is more prevalent in stronger performing small and medium enterprises. Importantly, they supplement these results with the finding that improved performance precedes planning as opposed to the traditionally held belief that improved planning paves the way for improved performance. The divergence in opinion is summarised by Gibson and Cassar (2005:212) as follows: "Understanding of the planning and performance relationship in small firms is evolving".

2.4.2 Performance in relation to organisation size

Griggs (2002:23) affirms that there is a link between the size of an organisation and the concentration of strategic planning. Smaller organisations place less emphasis on macro contingencies, such as government influence, politics and changes in technology. Even more direct factors, such as competitive and supplier trends, or customer preferences, are overlooked. Furthermore, Griggs (2002:23) associates the lack of strategic planning in smaller enterprises with the lowered emphasis of such by the chief executive and other managers in the organisation. He partially attributes this to possible lower education levels or due to certain management levels being filled by staff without management training. An added predictor, identified by Griggs (2002:23), is that potentially the smaller the geographical region of an organisation, the less likely it will be to adopt formal planning. The development of a business plan is also more likely to be undertaken by larger organisations according to Orser, Hogarth-Scott and Riding (2000:55). Through research done by Orser *et al* (2000:55), it was established that smaller enterprises that recognise the significance of growth, are more likely to support the need for a business plan. Yet,



incongruously, the majority of these smaller enterprises did not have a business plan.

A notable lack of financial expertise is associated with owners of smaller enterprises. Very few, in fact, employed persons with financial expertise. This, combined with firm size, sector and general management skills, Orser *et al* (2000:56) assert, should be conceded as unified aspects associated with medium enterprise growth. When reviewing the five fatal flaws of small enterprises, The Price Group (2007:10) reveal that a disturbing 99 percent of small and medium enterprises had no written plan to establish goals and measure performance. The financials of small and medium enterprises was produced only by 67 percent, of whom 90 percent failed to use the information produced to make the required adjustments in how they operated.

2.5 STRATEGIC PLANNING FOR SMALL AND MEDIUM ENTERPRISES

Planning in small and medium enterprises, according to Gibson and Cassar (2002:175), is mostly adaptive, short-term and focused on managing and positively exploiting scarce resources. Moreover, planning in such organisations is personalised and highly influenced by the attitude, preference, experience and even the personality of the individual in control of the organisation. Yusuf and Saffu (2005:481) advise that research of planning in larger organisations, has led to an assortment of models and formations. Typically, these organisations pursue deliberate planning as derived from prescribed policies aimed at improving organisational performance. On the opposite end of the scale, small and medium enterprises typically do planning in response to specific events in their operating environment (Yusuf & Saffu, 2005:481).

Stonehouse and Pemberton (2002:855) did research, covering the north-east region of England, to determine (amongst others) the philosophy and importance of strategic planning to smaller enterprises. In addition, the frequency of use of a mixture of tools and techniques was explored. Findings of the research indicated that a mere eight percent of the tested organisations undertook no formal planning. The research denoted that the majority of organisations in fact adopted a highly structured approach to planning. Notably, small and medium enterprises from the

service sector had more structured plans when compared to the manufacturing sector (Stonehouse & Pemberton, 2002:856). The research also indicated that for the largest part, the small and medium enterprises appear to plan strategically. This was determined by the particular detail in the vision and mission statements, as well as identified strategic targets as expressed through sales, profit, costs and other measures. Stonehouse and Pemberton (2002:857) emphasize that these could be considered business targets, as opposed to strategic targets. However, up to a quarter of the participants had specified market share targets, which are typically linked to longer term strategic planning.

2.5.1 Sophistication of small and medium enterprise planning

Studies dating back as early as 1970, started investigating the link between planning and performance as associated with the formality of the planning process (Rue & Ibrahim, 1998:25). Many weaknesses have been identified, one being the measures used to determine planning effectiveness. Financial measures were deemed objective, yet ineffective, as the effectiveness of planning should be measured according to how well the planning systems lead to the fulfilment of the objectives. Rue and Ibrahim (1998:29) maintain that the outcome of their research in identifying the relationship between planning sophistication and performance for small and medium enterprises is discernible from the results obtained from large enterprises. Their research outcomes indicate that greater planning sophistication in smaller enterprises is directly associated with sales growth. Furthermore, a link was found between the planning done in small and medium enterprises and perceived performance as related to the industry in which they operate.

According to Berman, Gordon and Sussman (1997:1), small and medium enterprises not only lack sophisticated planning, they lack almost any planning at all. Berman *et al* (1997:1) argue that entrepreneurs are classified as small and medium enterprises in the start up phase of their business and would typically only employ formal planning once they covet growth for their enterprise. The conclusion to their research indicates that performance by small and medium enterprises is substantially related to sophisticated planning only for the smallest enterprises.

Further exploration pertaining to the relationship between planning and performance in small and medium enterprises is refined by Wijewardena, Zoysa, Fonseka and Perera (2004:209) insofar as the specific sophistication levels of such planning are concerned. Their research demonstrated that higher degrees of planning and control sophistication has direct lineage to improved sales performance in small and medium enterprises. Yussuf and Saffu (2005:482) endeavour to clarify the mixed results obtained in previous research pertaining to the relationship between planning sophistication and performance. Yussuf and Saffu (2005:482) categorized planning sophistication by type (formal versus informal), scope (long term versus short term) and completeness of the plan. The outcomes of the research indicate that small and medium enterprises that plan, do not inevitably achieve increased performance, with the exception of the manufacturing sector. Furthermore, the research indicates that planning affected performance uniformly in large and small organisations. Thus, Yussuf and Saffu (2005:482) conclude that small firms can gain from planning in much the same way as large firms do.

2.5.2 Small and medium enterprise forecasting

Forecasting is the estimation of a future event, which is not within the control of the organisation, and is the basis for managerial planning (Smith, Herbig, Milewicz & Golden, 1996:35). Forecasting enables decision making for the long term future of the enterprise. Cassar and Gibson (2007:283) found that previous research illustrated that owners of smaller enterprises typically display high levels of optimism and confidence and that this influences decision making. Research undertaken by Cassar and Gibson (2007:284), however, found that forecasts by these enterprises are not methodically optimistic, although they have the tendencies of being somewhat zealous. Smith *et al* (1996:38) examined the characteristics of forecasting in smaller business in their start-up phase. The three distinct characteristics established are:

- Founders of smaller enterprises are entirely engaged in producing and selling their product.

- There is open communication between all employees.
- There is immediate reaction to market feedback by management.

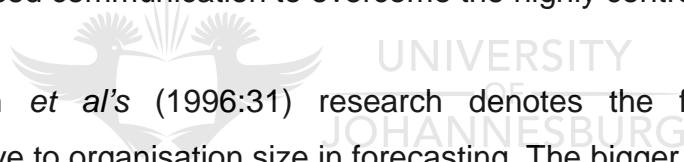
In its second stage of growth, the small and medium enterprise requires more concise management. Typically, a more formal organisational structure will evolve and communication will become more formal and impersonal when compared with the first phase (Smith *et al*, 1996:38).

Smith *et al* (1996:38) then define the characteristics of the third phase of small and medium enterprise growth as the company becoming more decentralised, with management by exception and very formal lines of communication with top management. During this phase, management may sense a loss of control, which ultimately leads to the fourth phase of highly structured and formal systems being implemented. The fifth and final phase is one of focused problem solving by diverse teams and increased communication to overcome the highly controlled environment.

Ultimately, Smith *et al*'s (1996:31) research denotes the following valuable conclusions relative to organisation size in forecasting. The bigger the organisation:

- The more people are involved in forecasting.
- The more alert it is to external influences.
- The fewer are the number of executives involved in the forecasting process.
- The more the organisation will forecast competition.
- The more complex are the techniques used for forecasting.

Comparatively, smaller enterprises use more subjective techniques and believe their techniques are easier to use. The time span between forecast and results is shorter for smaller enterprises. They also place less significance on forecasting competition



and external environment influences (Smith *et al*, 1996:31). Other research, attempts to establish the forecasting characteristics of smaller enterprises. In small and medium enterprises, forecasting impacts the commercial decisions taken by the firm.

2.5.3 Competitive intelligence gathered by small and medium enterprises

The use of competitive intelligence is well known as being useful in the strategy formation process. Regrettably, Groom and David (2001:12) declare, many organisations do not partake in a formal process of collecting, assimilating and converting competitive information into knowledge and intelligence that is useful for strategy formation. Corporates use intelligence to formulate strategies that present opportunities and threats. Groom and David (2001:13), however, question the extent to which this is engaged in by small and medium enterprises. The influence even of personalities of smaller enterprise leaders is brought into question. The attitude of the leader could be one of arrogance, which results in the perception that they know the market to such an extent that they do not need formal data.

Significantly, the most readily available source of intelligence for small and medium enterprises is their own employees: information is gathered by employees through liaison with suppliers, customers and other industry contacts (Groom & David, 2001:13). Through their research, Groom and David (2001:16) discovered that smaller enterprises are not fixated with gathering competitive intelligence, as they are satisfied with their existing data. Reasons given for not gathering intelligence included the lack of resources and the inability to accurately assess the information. Despite these findings, those who did obtain competitive intelligence, even though most likely in an informal way, did realise potential returns. Abeson and Taku (2006:467) established through research that there are various sources used by smaller enterprises for decision making. Table 2.3 lists the sources of information for small and medium enterprises identified by Abeson and Taku (2006:467).

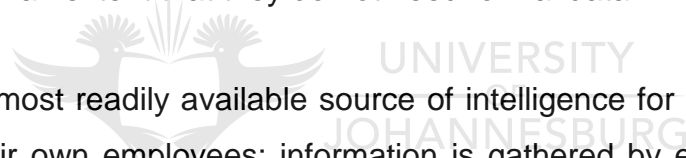


Table 2.3: Sources of information for small and medium enterprises

Sources of information important in decision making:	Sources of information associated with perceived competitiveness:
Colleagues	Colleagues
Salespeople	Salespeople
Trade publications	Trade publications
Bankers	Family members
Industry reports	Seminars
Accountants	Social Contacts
In house marketing research	

Source: Abeson and Taku (2006:467)

In Table 2.3 a distinction is made between the tacit sources (colleagues, trade publications, family members and social contacts) and explicit sources (salespeople and seminars).

2.6 SMALL AND MEDIUM ENTERPRISES IN PERSPECTIVE

Experts identified smaller enterprises as potential vehicles for political, social and economic development in less developed countries globally in the 1980's and 1990's (Arinaitwe, 2006:167). Small and medium enterprises hold many benefits for such developing countries. Rwigema and Karungu (1999:5) revisit why governments worldwide value small and medium enterprises. Some reasons include:

- They have a tremendous ability to absorb labour (even though unskilled).
- They are typically locally owned and controlled and have the ability of strengthening social systems and cultural conditions.
- They provide a platform for entrepreneurship and innovation.
- Their products are local technology and are possibly more likely to meet the requirements of lower income population than the products of large enterprises.

Gordon (2009a:10) declares that small and medium enterprises typically respond better to market changes and very often fill the voids overlooked by their larger counterparts. The global economic downturn can be considered one such market change. Evolving global competitive forces are supporting the need for smaller enterprises to respond more timeously and sufficiently to the damaging impacts of these competitive forces (Metts, 2007:892). Not only do small and medium enterprises have a large impact on the American economy, but also on the world's developing and industrialised economies. Beyene (2002:130) supposes that Africa's economic performance would be enhanced if it utilised the entrepreneurial potential of its' small and medium enterprises. Overall, small and medium enterprises in many African countries lack support from policy-makers, and they lack knowledge of modern management techniques.

Kraus *et al* (2006:334) justly signify that the particular impact smaller enterprises have within any given economy denotes the importance of identifying factors that play a part in the performance of such enterprises. They envisage that strategic planning may be one such factor. Ultimately, smaller enterprises are paramount to the growth of a developing economy, not only due to their contribution towards employment, but also for the overall transformation of such economies (Arinaitwe, 2006:177).

Even in the presence of governmental interventions, smaller enterprises in developing countries continue to be burdened with challenges such as lack of technology, unskilled workforces, lack of infrastructure, volatile pricing, small markets and inability to obtain finance (Arinaitwe, 2006:177). Beyene (2002:136) investigated the specific challenges faced by small and medium enterprises in South Africa. These are mostly associated to taxes and the basic conditions of employment. Some of the more noteworthy challenges were:

- No tax incentives to encourage the creation of new small and medium enterprises or the expansion of existing small and medium enterprises.
- The cost of compliance with tax obligations.

- The complexity of the tax system with leads to increased compliance costs.
- Reduction in normal working hours.
- Leave provision requirements – increasing annual leave to three weeks and the provision of family responsibility leave is costly to small and medium enterprises.
- The increase in minimum overtime rates – increased from 133 percent of normal rate to 150 percent of normal rate is also costly.

Gordon (2009a:10) confirms that financial issues were reported as highly concerning in the small and medium enterprise survey of 2009. These are more specifically broken down as: cash flow, interest rates, business infrastructure and the availability of finance (Gordon; 2009b:10). Carter and Van Auken (2006:495) advise that regardless of the contribution to the economy, bankruptcy and failure is an ongoing subject of concern that has an effect on small and medium enterprises. When identifying the characteristics of failed smaller enterprises, Carter and Van Auken (2006:495) establish that this is commonly associated with external environmental circumstances, financial problems and internal scenarios. The internal scenarios include lack of skills and a shortage of proper strategic planning. Growth in small and medium enterprises is uncommon and, according to Orser *et al* (2000:42), typically only occurs when a substantial level of expertise is attained and applied by management.

Berry *et al* (2002:78) report that access to start-up and working capital was identified in previous research as a limiting factor for small and medium enterprise growth in South Africa. However, they also note that other research (Berry *et al*, 2002:74) refers to crime, tax and labour regulations, corruption and policy instability as being greater obstacles to small and medium enterprises in South Africa.

2.6.1 The corporate versus the small and medium enterprise in strategic planning

Small and medium enterprises are not as adaptive as their corporate counterparts. The Price Group (2007:12) reports that small and medium enterprises fail to deal with issues such as stagnation, simply because they had no idea what to do. Small and medium enterprises also differ from larger enterprises in aspects which include competencies, ideals and resources (O'Regan & Ghobadian, 2004b:77). Small and medium enterprises are considered more adaptive compared with large firms that are described as predictive. Larger firms also have more bureaucracy requiring time consuming procedures that hinder strategic change, which even results in complacency. Nelson (2004:24) explains that small and medium enterprises do not have the same "incentives, subsidies and scale of advantages" that larger enterprises do. They furthermore face rigid competition and an ever increasing level of excellence to attain. "Experience, infrastructure, capital, relationships, brands, economies of scale and more" are just some of the reasons given by Chussil (2005:26) for corporates having the competitive edge over smaller enterprises. Moreover, corporates have the edge in strategy formation based on the following distinguishing benefits:

- Past and present data that is accurate.
- Proficient forecasts of the market and the competition.
- Adequate time to comprehensively analyse the data.

Chussil (2005:26) argues that a lack of the above components does not constitute resultant bad decision making by smaller enterprises. Instead, he identifies the three components required for good strategy formation – irrespective of being a corporate or a small or medium enterprise, i.e. "good decision-making tools, good decision-making attitudes and a compensation system that rewards good strategy decisions". According to Nadler (2004:25), directors and board members of corporate organisations covet opportunities to shape and influence the strategy of the

business. Nadler (2004:25) depicts the frustration experienced by these directors and board members in terms of the prevalence amongst corporates of lacking the required processes in involving them. Chief executives frequently experience anxiety with regard to the participation of board members in strategy formation. Nadler (2004:27) provides an overview of how tasks and roles should be defined in the case of corporates relative to strategy in Table 2.4.



Table 2.4: Corporate strategy tasks and roles

Description of task	Role of the board	Role of senior management
<p><i>Strategic thinking:</i> Collecting, analyzing and discussing information about the environment of the firm, the nature of competition and broad business design alternatives – different views of customer value proposition, scope, competitive advantage and profit capture</p>	<ul style="list-style-type: none"> • Be an active participant in the strategic thinking process • Bring an outside perspective and accumulated wisdom • Test the consistency of management's thinking • Collaborate with management 	<ul style="list-style-type: none"> • Initiate the process of strategic thinking • Set the agenda, pose the questions and issues • Provide rich and meaningful information • Actively participate with the board in the discussions • Summarize the output of board and management working together
<p><i>Strategic decision making:</i> Making the fundamental set of decisions about the business portfolio and business design</p>	<ul style="list-style-type: none"> • Provide input for management's decision making • Provide ultimate review and approval on major decisions (resource allocation, initiatives, portfolio changes, etc.) 	<ul style="list-style-type: none"> • Make critical decisions • Develop proposals to the board for critical directional decisions and major resource allocation • Engage with the board in its review of decisions
<p><i>Strategic planning:</i> Translating the critical strategic decisions into a set of priorities and objectives and resource allocation actions to execute the strategy</p>	<ul style="list-style-type: none"> • Review core strategic plans presented by management • Ensure understanding of the plans and their potential risks and consequences • Comment and make suggestions on plans, as appropriate • Approve plans 	<ul style="list-style-type: none"> • Develop plans, working with staff support and operating management • Review plans to ensure consistency with corporate objectives and strategy • Present plans to the board for review
<p><i>Strategic execution:</i> Undertaking the various initiatives and actions consistent with the strategic plan, including adjustments over time to account for environmental changes and different outcomes</p>	<ul style="list-style-type: none"> • Review the process and progress of implementation of key initiatives vis-à-vis established milestones and objectives 	<ul style="list-style-type: none"> • Ensure resources and leadership required for execution are in place • Monitor progress of execution • Make changes in either the execution or the plan, depending on outcomes

Source: Nadler (2004:27)

Nadler (2004:32) goes on to emphasise the role of the chief executive. In terms of corporate strategy, the chief executive needs to be conducive to receiving input,

receptive to varying and new ideas and, importantly, needs to be experienced. Although the resources of his board members can be tapped into, in some cases, the chief executive will turn to an external facilitator to help lead the corporate through the process of strategy formation. Nadler (2004:32) states this can be compared with the small and medium enterprise leader, whose situation may mean that these resources are not necessarily abundant, or easily accessible. Furthermore, the small and medium enterprise leader may not necessarily be conducive to input – for the simple reason that it is not given. Just as Nadler (2004:32) identifies experience as a key success factor in strategy formation, Chussil (2005:30) also explores the impact it has on strategy formation. Chussil (2005:30) questions what we learn from experience – which could also simply be an accumulation of doing the same thing repeatedly – and whether or not it was the right thing in the first place. In the corporate environment, the experience of one leader may be questioned or contextualised by another. However for smaller enterprises with singular or limited leadership, this may be more complicated. For the individual small and medium enterprise leader, questioning habit is a difficult personal challenge, yet it is vital in order to avoid the deceit of over-confidence (Chussil, 2005:30).

2.7 THE ROLE PLAYERS IN STRATEGY FORMATION

The answer to the question ‘Who should form the business strategy?’ will always be answered differently – depending on who is being asked (Lawler, 2006:11). Lawler (2006:11) advises that the process of strategy formation should be lead by the chief executive, yet should be organised and managed by someone who understands the process. The importance of the presence of the chief executive during the strategic planning process is well documented. Mintzberg (2000:391) contemplates the use of planners as strategists (strategic planning). Montgomery (2008:56) explains that as strategy has been reduced to a competitive game plan, removing it from the business’ greater sense of purpose, the chief executive’s exclusive role as “arbiter and steward” of strategy has been eclipsed. In the prevailing approach, as identified by Montgomery (2008:58), strategy is seen as a set solution and leadership is shared by the chief executive and the strategy consultant. The missing element, in seeing strategy as a dynamic process, counters the latter in the belief the chief

executive should be the chief strategist; it refutes the practice of outsourcing the task. As the job of the strategist is never-ending, irrespective of how convincing or clearly defined the strategy is, it is improbable that the strategy will be adequate for a business that seeks a long and sustainable life expectancy (Montgomery, 2008:59). According to Montgomery (2008:60), the role of strategy formation should be intertwined with the leadership of the organisation. Just as the business evolves, so too should its leadership. Thus, the benefit of continuity is highlighted in preference to once-off strategy formation exercises traditionally concluded by consultants.

The strategist is distinguished from other role players in the business as the person who needs to create and re-create reasons for the business' protracted survival asserts Montgomery (2008:60). As the strategist, he or she needs to concurrently and continuously assert how the business is adding value and what changes will provide threats or opportunities to the business (Montgomery, 2008:60).

2.8 THE CONSULTANT AND CLIENT RELATIONSHIP

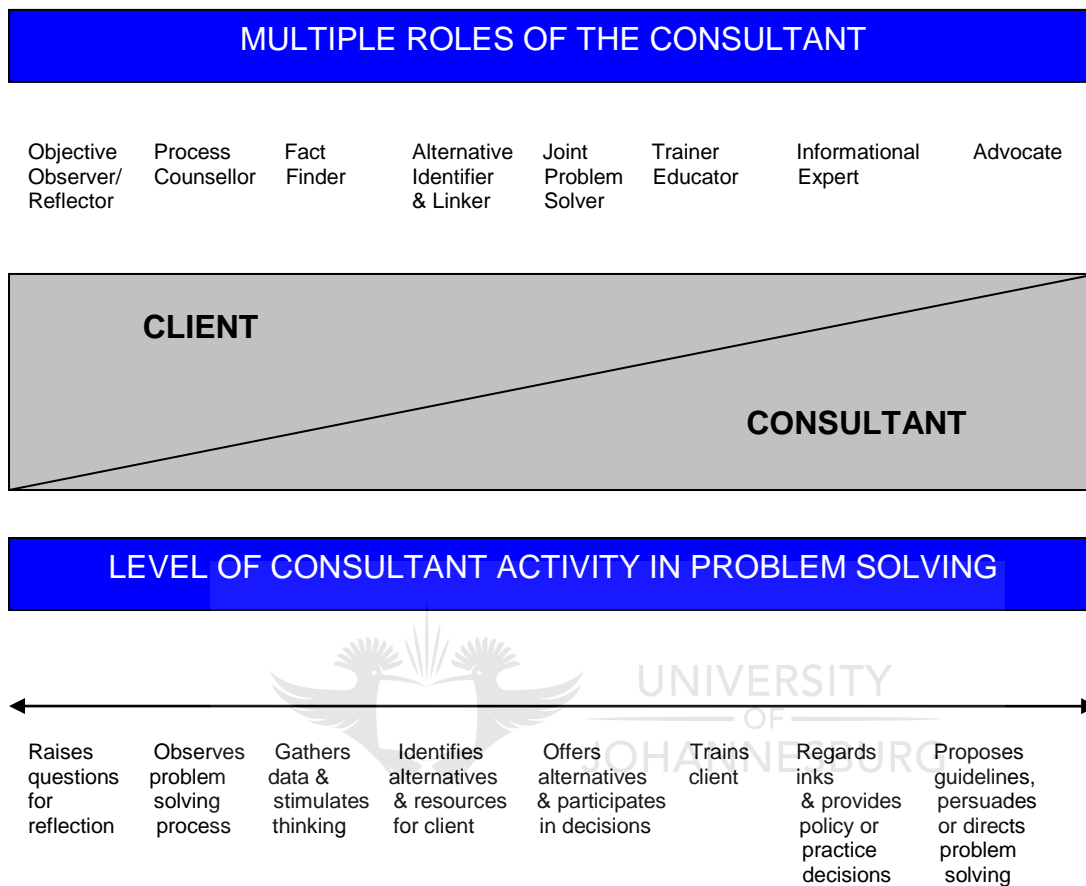
In the client-consultant relationship, there is a notion of mediation, reconciliation and conflicting enactment. The 'consultants' term of reference is to attain a separation from existing business mindset, obligation and custom (Pellegrinelli, 2002:343). There is a requirement of interaction based on relational exchanges, from which the enterprises' needs are determined by the consultant, and the consultant's expertise is assessed by the enterprise (Bennett & Robson, 1999:353).

2.8.1 The role of the consultant

The development of business unit strategy should be undertaken by operating managers and corporate strategy should be developed by executives such as the chairman and chief executive (Koch, 2000:5). Only as a second option should strategy consultancy be employed, although this has proven to be successful too. The role of the consultant is to support the client by reducing management uncertainty and restlessness (Williams, 2001: 521). In 1978 Lippitt and Lippitt designed a descriptive model to define the roles played by consultants. The model

(as illustrated in Diagram 2.2), is described in terms of a continuum established by the level of consultant activity in problem solving (Pellegrinelli, 2002:344).

Diagram 2.2: Multiple roles of the consultant



Source: Pellegrinelli (2002:345)

Williams and Rattray (2004:182) refer to the three consultation models reported by Schein, i.e. expert; doctor-patient and process. In the expert model, a problem is characteristically identified by the client, followed by the recognition of the need for a consultancy. Once appointed, the consultant in turn transmits his or her respective expertise and skills to unravel the problem. Simply described, the client identifies the problem and appoints a consultant who simply acts on the client's instruction. The doctor-patient model sees the client conveying an opinion that something is not 'well'. A symptom is being encountered, yet the cause is unknown. The role of the consultant in this model is to diagnose the problem and to present a 'remedy'. Williams and Rattray (2004:182) advise that process consultation varies from the first

two models in so far as the focal point is a series of activities that aid the client in perceiving, understanding and acting in order for clients to help themselves. To all intents and purposes, the consultant is a facilitator and does not enforce an opinion (Williams & Rattray, 2004:183). Eso and Szentes (2007:865) recognise the belief that the role of strategy and management consultants is to aid clients in unearthing their own ideas in order for clients to realise what they are capable of. The customary role of the consultant has evolved and many consulting agreements contain new, beneficial features that include:

- Increased consultant accountability that demands the production of a noteworthy business change.
- Elevated visibility with increased participation, including training employees with the required skills.
- Quicker turn-around times.
- Pioneering payment structures that include re-imbusement models based on performance.

Very often, consultants are not even appointed based on their specific skills or expertise, or even for the completion of a specific task. Occasionally, it is simply done to get everyone's attention. This is referred to by Kaarst-Brown (1999:549) as "the non-consulting role of the consultant", i.e. a symbolic role underpinned by the consultant. It may be to participate in the signalling of new messages, or even the embedding of existing messages.

2.8.2 The value of consultants

Consultants are continuously at the forefront of criticism and condemnation. They are criticised for their lack of objectivity due to their ongoing attempts to tell the client what the clients want to hear. In turn, they are also used by management as a symbolic instrument of management policy (Williams, 2003:134). Bennett and Robson (1999:353) describe the professional services offered by consultants as an

increase in knowledge and expertise that is “highly knowledge based and intangible”. Bennett and Robson (1999:353) further describe their services as a ‘process’ that results in change. There is a legacy of opposing views of whether consultants add value to the enterprise or not. Some are captured below.

Pro-consultant views

Literature dated back from Penrose (1959), Rummelt (1984), Teece (1986), Peteraf (1993) and Porter (1998), consider the competitive benefits realised through increasing strategic knowledge as derived from external sources of advice such as consulting (Bennett & Robson; 2003:797). The dawn of major change in an organisation is emblematic of the need for consultants in the view of Schuyt and Schuijt (1998:399). The consultant is seen as the change agent who should be directing the processes of change within or even between organisations. The consultancy model discussed by Schuyt and Schuijt (1998:403) is subdivided into three elements: “content, process and procedure”. The consultant brings expertise and experience to this. He then needs to steadily introduce the appropriate processes and then the consultant needs to produce a procedure, in so doing underpinning the clients’ feeling that the client is part of the controlled and managed process.

Anti-consultant views

Carolin (2007:14) lists the ten deadly sins leading to corporate extinction of which the use of an external consultant is one. According to Carolin (2007:14), no external consultant has the right to set the direction of an organisation or knows as much about the people in the business, the business itself and the environment it is facing. Carolin (2007:14) states that most strategies developed by external consultants end up in the wastepaper basket. To obtain commitment, key managers must be involved at each step of the process so that their views are heard and discussed. In response to Carolin’s (2007:14) article, Susini (2008) adds that strategy formed exclusively by consultants is not sustainable, yet contends that the role of a consultant is that of a facilitator. The function of the consultant during the strategy formation process is to “probe, examine, critically evaluate and distil each component of strategic content, whilst guiding the business through a structured process”. Susini (2008) observes that the process is potentially emotive in practice, particularly as there are diverse

stakeholders involved in the process and, therefore, the consultant can aid in facilitating through potentially sensitive areas.

Williams (2003:134) denotes the impact of consultants in relation to improving processes as being minimal. Consultants in his view, by collaborating with management, potentially become part of the problem, or, worse yet, don't have the means to make the grade. Other accusations made against consultants include the appointment of graduates with limited or no working experience for the completion of complicated and high impact tasks. They also can't resist the use of 'consultobabble' or buzzwords and acronyms. Yet, Williams (2003:134) concedes that 'consultobabble' is part of a greater role being played by consultants i.e. one that corresponds to the expectation of the client. Taylor (2001:19) calls for the removal of big words and complicated diagrams and for people to just revert to talking common sense. Taylor (2001:18) also highlights the quandary of costing consultant time by input in lieu of output value to the client – with the inducement of selling as much activity as possible. It is also uncommon for consultants to present a simple, cheaper solution that could very well be more effective than a more complex and profitable solution.

A damaging component of consulting in strategy is identified by Taylor (2001:18). Consultants often accept and even reinforce internal divisions. The simplicity of designing work to comply with smaller parts of the organisation leads to complacency or of consultants becoming specialists in particular areas. In contemplation of a greater organisational strategy, this could lead to conflicting outcomes. Taylor (2001:18) reasons that bringing strategy to life in an organisation is more elemental and should transcend not only functional or divisional boundaries but also the business and the external environment.

When marketing their services for consulting in strategy, many firms champion their individual solutions that are focused on the customers' needs. In reality, there are no precise and unique tools and processes developed for each individual customer. The truth, according to Kaplan (2000:30), is that consulting organisations use "standardized, pre-packaged tools and processes" and these are, more often than not, recycled across not only clients, but also industries. A host of reasons for



unsuccessful consulting interventions are identified by Zackrisson and Freedman (2003:72). Many of these are a result of the client's own shortcomings. A few examples include:

- A lack of stakeholder support.
- Management fails to manage the changes brought about through the consulting process.
- Management fails to sustain the changes introduced by the consultants.
- The old adage of “dead elephants in the boardroom” proves true (a key issue is robustly avoided due to the controversial nature thereof).
- Reacting to a problem when it is too late to administer a solution.

2.8.3 The client-consultant interaction

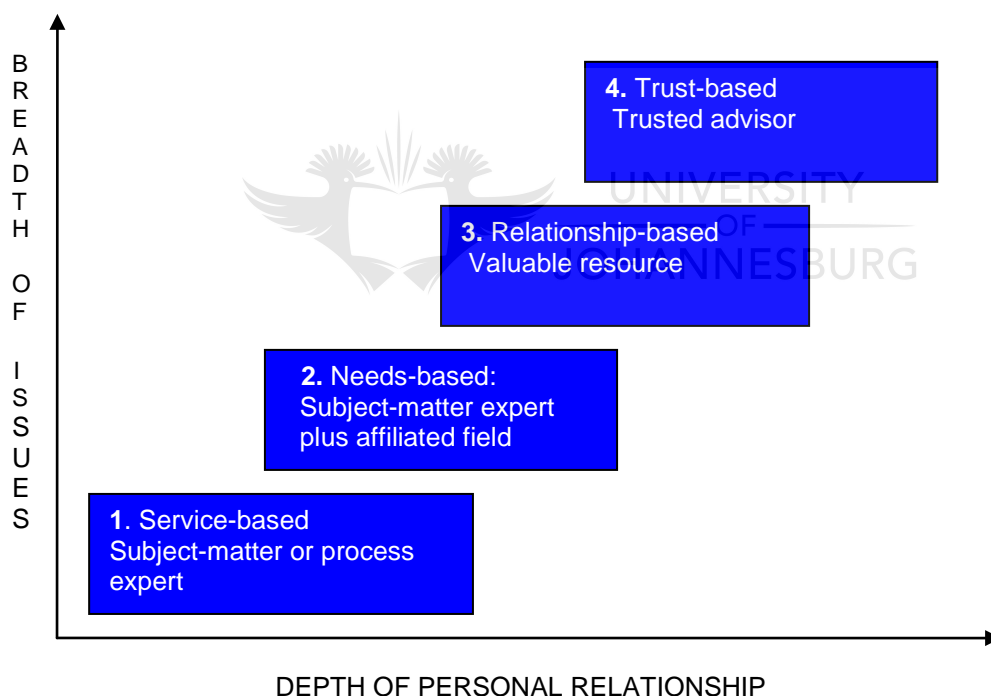
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Simply defined, the client is the procurer of consulting services, the consultant is the supplier and the client-consultant relationship facilitates the attainment of the association (Pellegrinelli, 2002:344). In the process of consulting, Williams (2001:519) maintains that both parties (the consultant and the client) characterise each others' requirements and identities. It is very much a complex relationship. Research by Clarke and Salaman (1998), concluded that both parties should concurrently produce and consume the rhetoric that describe and delivers each others requirements and characteristics (Williams, 2001:520). They describe the client as a “passive, vulnerable and exploited” consumer of ‘gurudom’ and discern that the client should expend the expert knowledge that gurus bring to the party.

Kaarst-Brown (1999: 540) cautions against the client manipulating the consultant for the purpose of achieving the client's own desires. The client may use the consultant for an intervention, yet, in the eyes of the organisation, the consultant is used for other reasons. When the consultant departs, it is seen as a return of power to the

organisation. Varying levels of trust exist in the client-consultant relationship (refer to Diagram 2.3). According to Maister, Green and Galford (2000:36), this is a function of a combination of the “breadth of issues” and the “depth of the personal relationship”. The breadth is the span of problems the consultant gets involved in, and the depth of the personal relationship is the degree to which the client allows the consultant to address their personal relationship to issues at hand. At level four, all matters are open to dialogue, on both a personal and professional level. The trusted advisor is the person the client consults when an issue first comes to light, whether it is a crisis, a significant change, feat or even defeat (Maister *et al*, 2000:36). The evolution of a client-consultant relationship according to Maister *et al* (2000:37) is captured in Diagram 2.3.

Diagram 2.3: Evolution of a client-consultant relationship: Levels of trust



Source: Maister *et al* (2000:37)

Bennett and Robson (1999:353) stress the importance of trust in the relationship. Personal relationships allow “the implicit assumptions and obligations to be explored, and trust to develop”. Findings produced by the research done by Handley, Sturdy, Clark and Fincham (2006:52) established the key attributes that clients seek from

their consultant relationships. These were: flexibility, openness and integrity, a commitment to the project and an awareness of the client's business.

2.9 CONSULTING TO SMALL AND MEDIUM ENTERPRISES

As enterprises seek to gain benefits which at first are restricted to early innovators, competition is inevitable. Bennett and Robson (2003:797) state that the level of competition increases as the small and medium enterprise advances beyond its niche and expands its activities into a larger market. The strategic positioning of the small and medium enterprise, in its attempt to improve its performance, is part of the life cycle of the small and medium enterprises' development. Bennett and Robson (2003:797) advise that the probability is that, over time, as the small and medium enterprise grows, they will have an increased need to seek external advice.

Bennett and Robson (1999:352) discuss the paradox of small and medium enterprises concerning the use of external advice.. They often have a greater need for external assistance in the form of advice from consultants, but are more reluctant to do so than their larger counterparts. Bennett and Robson (1999:352) also describe the likelihood of small and medium enterprises employing external advice as less likely the smaller the enterprise is. Significantly, the most reluctance is among owner-managed enterprises. Not only because they fear the lack of control, but also because there is a lack of information on where to find advice. Small and medium enterprise owners favour their own experience and intuition (Dyer & Ross, 2008:133) as compared with getting external advice. The main reason for this preference is suggested by Dyer and Ross (2008:133), to be the independent mindset of small and medium enterprise owners. They have a preference for independence and would not want to admit to not knowing their own business. Yet, in reference to technical information, small and medium enterprise owners prefer to get external advice (Dyer & Ross, 2008:133). This applies more commonly to legal or financial advice from accountants. Findings from research by Pineda, Lerner, Miller and Phillips (1998:70) show that small and medium enterprises turn to internal sources of advice as opposed to external sources. The sources of advice are further broken down to the type of decision involved when approaching them. Small and medium enterprises are most likely to seek information when making decisions

related to their products, and least likely to seek information when making technical decisions.

Rapid economic and technological changes in the global marketplace are resulting in management development needs evolving for small and medium enterprises, which were traditionally reserved for large enterprises (Mughan *et al*, 2004:424). The specific consulting needs identified for small and medium enterprises pertain to information, operation and processing activities. According to Bennett and Robson (2003:797), the resource-based view is the principal theoretical approach available to small and medium enterprises. The resource based view is described by Mintzberg *et al* (1998:276) as the process of identifying resources which can lead to high profits, and striking a balance between exploiting existing resources and developing new resources. Bennett and Robson (2003:797) implies that the small and medium enterprise can improve its' competitive standing and performance by augmenting their strategic and information expertise. This is where the external business advice in the form of consultants can be implemented to develop such expertise. The appointment of consultants is however not the only option for small and medium enterprises. Other alternatives include:

- Recruiting specialist employees.
- Internal management training and development.
- Merging or strategic collaboration with another enterprise.

Rapattoni (2008:18) suggests an alternative for seeking expert advice for small and medium enterprises is the creation of an advisory board. It offers a huge competitive advantage in that the advisory board will challenge the small and medium enterprise to think strategically about growth, and will also provide a structure for reliable decision making. Lorigan (2008:70) concurs that the introduction of a board is an opportunity to complement the small and medium enterprises' skills at a lower cost of that of employing a consultant. Lorigan (2008:70) also signifies that the main benefit of introducing an advisory board is when the small and medium enterprise aspires

for growth. Research by Rwigema and Karungu (1999:15) confirms that small and medium enterprises in South Africa covet knowledge. Business related education and training amongst small and medium enterprises could lead to business efficiency.

2.9.1 The impact of consultants on a small and medium enterprise's performance

Dyer and Ross (2008:135) examine the varying outcomes of small and medium enterprise performance as a result of external advice. Some studies revealed that improved financial performance of small and medium enterprises was related to assistance through advisors. Yet other studies showed less noteworthy outcomes and even argue that it is difficult to link the external advice with the overall performance of the small and medium enterprise. Larsson, Hedelin and Garling (2003:205) found a positive link between the use of expert advice and expansion goals of the small and medium enterprise. They tested the hypothesis that the adoption of expansion goals by small and medium enterprises is directly influenced by expert advice. Expansion goals are defined by Larsson *et al* (2003:206) as the willingness to enlarge the firm by finding new markets. They refer to earlier research by Harvey and Fischer (1997) that showed that advice gives novice decision makers a chance to share responsibility, and also leads to increased confidence and risk taking. Larsson *et al* (2003:206) also report that expert advisors are able to motivate small and medium enterprises to pursue expansion goals. Their enhanced knowledge leads them to being more trustworthy. They assert that start-up entrepreneurs who use the knowledge of others, have an advantage over those who do not.

Dyer and Ross (2008:136) contend that the varying outcomes of previous research are as a result of varying environments in which small and medium enterprises operate. The type of environment and market conditions are the deciding factors determining whether small and medium enterprises seek external advice from consultants. Dyer and Ross (2008:136) furthermore assert that in lieu of evaluating the characteristics of the small and medium enterprise owner, that it is actually the characteristics of their environment that should be examined as a determining factor

for seeking external advice. Their research concludes that advice seeking by small and medium enterprises that are faced with challenging environments is directly correlated to their success.

2.10 CONCLUSION

Small and medium enterprises are referred by Johns and Russel (2008:23) as the “economic equivalent of a canary down a mine shaft”. In time of economic recession, it is typically the small and medium enterprises that “keel over first”. Johns and Russel (2008:23) refer to research in May 2008 which identifies a striking fall in business confidence, which is further aggravated by the worsening economic conditions. This implies that small and medium enterprises will be even more pressed to battle for survival. The significance of forming an appropriate and sustainable strategy will be a key determinant of the small and medium enterprises’ survival.

The diverse topics relating to strategy formation as covered in this chapter demonstrate that formation of strategy is not a simple task, whether completed by the small enterprise owner or through appointed consultants. There is diversity in the research outcomes and views of many formidable authors in this field. It is evident, that there is a need for further research to sufficiently answer the research question *“Will small and medium enterprises derive greater benefit in the strategy formation process through appointing third party consultants or through self-development internally?”*

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

CHAPTER 3

RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

Chapter Two provided an overview of the literature available on strategy formation for small and medium enterprises. It started with a review of the key concepts of the research – strategy, the formation of strategy, small and medium enterprises and consultants. The chapter expanded to consider: the significance of strategy to small and medium enterprises, the strategy formation process and strategic planning for small and medium enterprises. Furthermore, the chapter compared the small and medium enterprise to the corporate in terms of strategic planning as well as the key role players in strategy formation. Before concluding, the chapter considered the consultant and client relationship as well as consulting to small and medium enterprises.

Chapter Three will explain the approach, process and strategies of this research. As this research is qualitative, an overview of qualitative research will be provided, including a comparison with quantitative research. The chapter will consider the research process, which will provide a guideline of the steps to be followed from commencement to completion of the research project. The research process will cover key aspects such as definition of the research problem, research design, planning the research sample, data collection and data analysis and will serve as a point of departure for the formulation of conclusions. The chapter will also consider the importance of trustworthiness and ethics in research.

3.2 RESEARCH CONCEPTS

Before embarking on the research process, the researcher must understand many important research concepts. These research concepts include research paradigms and the approach or design of the research.

3.2.1 Research paradigms and approach theory

From the Greek word 'paradigma' (meaning pattern) paradigm is a "theoretical structure or a framework of thought that acts as a template or example to be followed" (Miller & Brewer, 2003:220). Miller and Brewer (2003:220) refer to studies done by Thomas Kuhn in 1962 in which the paradigm is depicted as a set of metaphysical and scientific beliefs that comprise a theoretical framework from which theories can be tested, evaluated and revised. Thinking and behaviour evolves over time and human experiential space is subject to "forces and fashions, entwining histories, proclivities, opportunities and environments" (Kuhn. L, 2007:156). These habits of thought are often referred to within scientific and social inquiry comprising the paradigmatic orientation.

The concept of the paradigm of research is taken to mean the set of assumptions (epistemological, ontological, axiological [values], and methodological) that result in the approach of the inquiry process, which ultimately guides the thinking about the meaning of the outcomes (Kuhn. L, 2007:171). Nagy Hesse-Biber and Leavy (2004:17) analyse four competing paradigms most frequently associated with qualitative research: positivism, post positivism, critical theory and constructivism. Inquiry paradigms define what could be considered within the boundaries of legitimate enquiry and the responses to three closely interrelated questions establish the basic beliefs that define inquiry paradigms, i.e.:

- The ontological question: "What is the form and nature of reality and, therefore, what is there that can be known about it?"
- The epistemological question: establishes the relationship between the 'knower or would-be knower' and what can be known?
- The methodological question: determines how the would-be knower can obtain whatever he or she believes to be known.

The basic beliefs of the inquiry paradigms are depicted in Table 3.1.

Table 3.1: Basic beliefs of alternate inquiry paradigms

	Ontology	Epistemology	Methodology
Positivism	Naïve realism – ‘real’ reality but apprehendable	Dualist / objectivist; findings true	Experimental / manipulative; verification of hypothesis; chiefly quantitative methods
Post positivism	Critical realism – ‘real’ reality but only imperfectly and probabilistically	Modified dualist / objectivist; critical tradition / community; findings probably true	Modified experimental / manipulative; critical multipism; falsification of hypotheses; may include qualitative methods
Critical theory	Historical realism – virtual reality shaped by social, political, cultural, economic, ethnic and gender values; crystallized over time	Transactional / subjectivist; value-mediated findings	Dialogic / dialectical
Constructivism	Relativism – local and specific constructed realities	Transactional / subjectivist; creative finding	Hermeneutical / dialectical

Adapted from: Nagy Hesse-Berger and Leavy (2004:24)

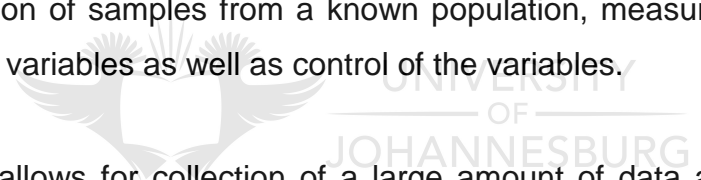
Saunders *et al* (2000:84) state that research philosophy depends on the way the researcher thinks about the development of knowledge. This in turn will impact the way the research is conducted.

Before considering decisions pertaining to data collection methods, the researcher should evaluate the overall approach to the research. The use of the term research approach is often used inter-changeably in research literature with the term research design. Saunders *et al* (2000:84) propose that “before coming to this central point” that there are “important layers of the onion that need to be peeled away”. The first layer is the philosophy of the research, which determines the way the researcher thinks about the development of knowledge. Researchers in positivism assume the

role of objective analysis and are able to make detached interpretations about the data collected. The phenomenologist approach is one that prefers to discover the details of the situation to comprehend the reality (Saunders *et al*, 2000:86). Saunders *et al* (2000:87) state that the next layer differentiates between a deductive approach and an inductive approach. A deductive approach makes use of a developed theory and hypothesis (or hypotheses), followed by designing a research strategy to test the hypothesis. The inductive approach takes place when the researcher collects data and develops a theory as a result of the analysis of the data.

The research strategy is determined in the third layer. Some of the strategies are more appropriate to deductive approaches and others more appropriate to inductive approaches. Saunders *et al* (2000:92) advise that the strategies should not be considered as being mutually exclusive. They are:

- Experiment – typically will involve the definition of a theoretical hypothesis, the selection of samples from a known population, measurement of a small number of variables as well as control of the variables.
- Survey – allows for collection of a large amount of data and is most often based on a questionnaire, which allows for easy comparison (deductive).
- Case study – appropriate if an in-depth understanding is required and most often provides answers to who, what, why, when and how questions.
- Grounded theory – commences without the formation of an initial theoretical framework and theory is formed from data generated by a series of observations (inductive).
- Ethnography – is a time-consuming strategy that needs to be responsive to change as the researcher will constantly develop new patterns of thought. It is used to interpret the social world the participants inhabit.



- Action research – requires close collaboration between participants and researchers and often leads to outcomes that have implications beyond the immediate research.

A research method not identified by Saunders *et al* (2000:92) is thematic analysis. Although Saunders *et al* (2000:92) specifically refer to research strategies and not research method, thematic analysis is a research method comparable with the research strategies they identify. Thematic analysis is a method of identifying, analysing and reporting themes within data (Braun & Clarke, 2006:79). It not only organises and describes the data, but also interprets aspects of the research topic.

The fourth layer in the research is determined by time horizons. Cross-sectional research is typical of research done on a specific phenomenon at a specific time. Most often, cross-sectional research makes use of survey strategies, as they best describe the incidence of a phenomenon. Longitudinal research provides a better ability to study change and development and provides a measure of control over variables being studied (Saunders *et al*, 2000:96). Finally, the inner layer determines the data collection methods, which will include sampling, secondary data, observation, interviews or questionnaires. The research process 'onion' is depicted by Saunders *et al* (2000:85) in Diagram 3.1.

3.2.2 Research approach applied

The researcher's personal approach to this research has more of phenomenological leaning than a positivist leaning. The social world of business is too multifaceted to simplify into defined rules typified in the physical sciences. The insight applied in this research will ensure avoiding using generalisations, although a small level of positivism will exist as the researcher will aim towards remaining independent. Phenomenology requires interpretation based on an understanding that human consciousness is the key to understanding (Shank, 2002:81). When applied to qualitative research, most phenomenological research follows the empirical approach: the researcher is interested in seeing how people interpret their circumstances and, in turn, how the researcher can interpret their interpretations.

Miller and Brewer (2003:227) state that phenomenology focuses on people's cognition, perceptions, beliefs, interpretations and social meanings.

This research approach is inductive. Saunders *et al* (2000:91) characterise inductive research in the following ways:

- Gaining an understanding of the meanings humans attach to events.
- The collection of qualitative data.
- A realisation that the researcher is part of the research process.
- A close understanding of the research context.
- A flexible structure to permit changes in research emphasis.

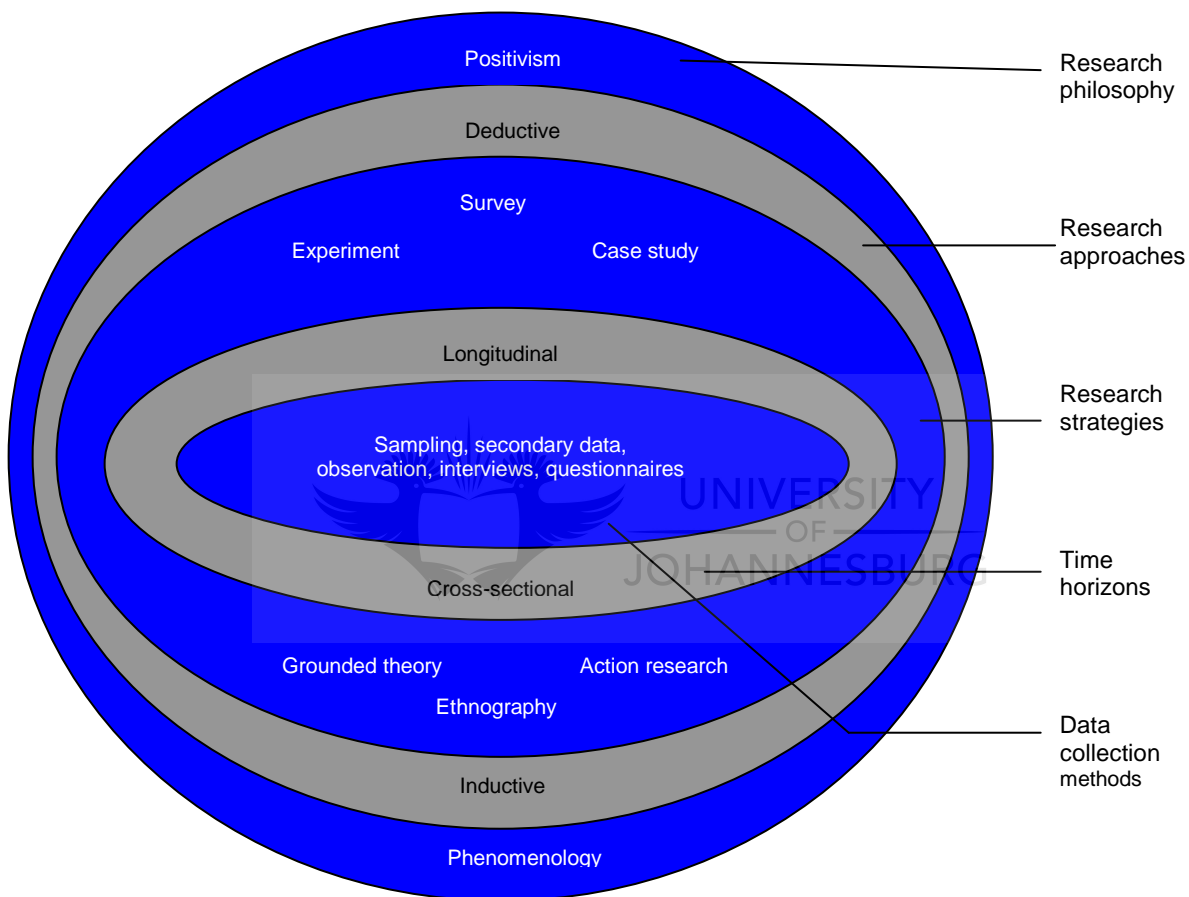
Two of the predominant reasons for this research being inductive are coupled to the last two points, i.e.: a close understanding to the research topic relates to the researcher's husband managing a small and medium enterprise. Exposure to the husband's experiences in this sector, has provided a great deal of insight from the perspective of a small and medium enterprise. The research categories have evolved and changed throughout the research process and therefore a lot of flexibility was required in this research.

This research will use thematic analysis as the research strategy. This strategy occurs when themes emerge from analysis of the data. Thematic analysis offers a more accessible form of analysis, as it does not require the detailed technological and theoretical knowledge of approaches and is, therefore, more suitable to a first-time researcher (Braun & Clarke, 2006:81).

The time horizon of this research will be cross sectional. This is ascribed to the limited duration available to complete the research. Qualitative research can be applied in cross sectional studies (Saunders *et al*, 2000:96) and is described by

Zikmund (2002:187) as research in which “various segments of a population are sampled at a single point in time”. Finally, the data collection method of this research will include secondary data for the literature review and interviews with the appropriate sample to compare the literature with the experiences of small and medium enterprise owners. The research process onion is depicted in Diagram 3.1.

Diagram 3.1: The research process ‘onion’



Source: Saunders et al (2000:85)

3.3 RESEARCH CONCEPTS IN QUALITATIVE RESEARCH

Qualitative research looks at the way people interpret their experiences and the world in which they live (Wicks & Whiteford, 2006:94). All research is based on philosophical assumptions about what is real (ontology) and how we know (epistemology). Strauss and Corbin (1990:17) define qualitative research as research that generates findings that are not obtained through statistical procedures

or other methods of quantification and it refers to behaviours, stories, organisational functioning, social movements and interrelated relationships. Quantitative research considers counting occurrences, volumes or the size of associations between entities, whilst qualitative research strives for 'rich or thick' descriptive accounts of a phenomenon (Gelo, Braakmann & Benetka, 2008:268). Strauss and Corbin (1990:20) describe the three major components of qualitative research, i.e. data, analytical or interpretive procedures and reports, as follows:

- Data can come from multiple sources, the most common being interviews and observation.
- Analytic or interpretive procedures include the methods used for conceptualising data, e.g. non-statistical sampling, diagramming conceptual relationships and writing reports or memos. These procedures are used to derive findings or theories.
- Written or verbal reports can be presented in various forms, ranging from an overview of entire findings to a detailed review of one component of a study.

Berg (1995:2) explains that quantitative research has generated more confidence and respect due to the perceived scientific nature thereof as it results in numbers, which in turn implies exactness. Berg (1995:2) argues, however, that qualitative research can derive a "greater depth of understanding". Some perceptions of qualitative research view it as simply a method of observation. Other links with qualitative research, however, expand the view to include interviews. Yet the most common qualitative research includes among others, methods such as observation of experimental natural settings, photographic techniques and document and textual analysis (Berg, 1995:2).

3.3.1 Qualitative versus quantitative research

Researchers collect data using either qualitative or quantitative techniques. Simply put, qualitative data collection relies on collection of data in the form of numbers and

qualitative data collection is done in the form of words or pictures (Neuman, 2000:33). Quantitative researchers place emphasis on exact measurements and test hypotheses that can be linked to causal explanations. Qualitative researchers prefer interpretive data collection and typically pursue a non-linear research approach (Neuman 2000:122). Researchers are required to exercise their skills and creativity in selecting the most appropriate data collection technique for their research to ensure maximum effectiveness. According to Berg (1995:3) qualitative and quantitative research can be distinguished by quality versus quantity. In research, quantity is the amount of something and quality is the nature of something. Quantity is the measures or counts of something; quality is the how, when, what and where of something – its core and character. The view of qualitative research is to denote meanings, metaphors, concepts, definitions, symbols, characteristics and descriptions are explored. The key differences between qualitative and quantitative research, as summarised by Sogunro (2001:5) are, provided in Table 3.2.



Table 3.2 Differing characteristics of qualitative and quantitative research methods

Factor	Qualitative	Quantitative
Data collected	Soft data	Hard data
Data collection techniques	Active interaction with sample population (observed by active participation)	Passive interaction through questionnaire and/or experimental design
Sample population	Small population	Large population
Research variables	Large number	Small number
Data collection	Ongoing observation and interview	Before and after training or experiment
Relationship	Intense and long term with subjects	Distant and short term
Research context	Uncontrolled	Controlled
Data analysis	Content/interpretive analysis through themes, patterns and narrative synthesis, using coding and descriptive statistics, including ranking, frequency, percentages, etc	Statistical analyses (e.g. descriptive, inferential statistics) using specific procedures, such as Statistical Package for the Social Sciences (SPSS)

Source: Sogunro (2001:5)

3.4 RESEARCH PROCESS

Research is a systematic inquiry that requires careful planning of an orderly investigation (Zikund, 2002:59). Business research is a sequence of closely interrelated activities, some of which overlap. The research process can not be reduced to a simple process that follows the same sequence. The six stages that follow in a general pattern are listed as:

- Defining the problem.
- Planning a research design.
- Planning a sample.

- Collecting data.
- Analysing the data.
- Formulating the conclusions and preparing the report.

According to Zikmund (2002:70), the research problem determines the purpose of the research and if the research problem is clear, the correct and necessary information is more likely to be obtained. The design of the research follows the problem definition. It is the master plan specifying the procedures and methods for gathering and analysing the required data. The research design can be described as the blueprint of the research that plans the actions required (Zikmund, 2002:65). In the research design process, the research method (e.g. survey or experiment), the sampling methodology and the schedule and costs of the research must be determined. Zikmund (2002:70) advises that there are many alternatives for the researcher to decide on in the research design process and that the selection of the most suitable design only comes with experience. Zikmund (2002:65) advises that planning the sample determines identifying the number of representatives from the total population that will present an adequate reflection as a good sample should have the same characteristics as the entire population.

There are many methods for data collection, some of which have been identified in the research 'onion' illustrated by Saunders *et al* (2000:85). Zikmund (2002:72, 73) discusses two phases of data collection, i.e.: the pre-testing phase, when a small sub-sample is used, followed by data collection from the full sample. Processing and analysing data can be done either by editing and coding, or analysis. Once the data is collected, the researcher needs to convert it into a format that will answer the research questions. The last step in the process is for the researcher to draw conclusions. As most business research is applied research, the purpose is to make a business decision, therefore making recommendations is an important component of the final step.

3.4.1 Research problem

The most challenging part of doing research is starting with the research problem, i.e.: firstly, how to find a research problem and then how to refine it so that it is adequately workable (Strauss & Corbin, 1990:33). Once the problem definition has been completed, the researcher should prepare a statement that clarifies what the research hopes to achieve. Zikmund (2002:99) advises that this can be done either by formulating a series of research questions or through the development of a hypothesis (an unproven proposition that tentatively explains certain facts or phenomena). Problem statements and hypotheses are similar: they both refer to a relationship. However, problem statements are typically provided in the form of a question, whereas hypotheses are declarative. Miles and Huberman (1994:23) explain that research questions could be general or particular, descriptive or explanatory. They could be formulated at the start of the research or later and could even be cultivated during the course of the research. In Chapter One, the problem statement for this study was stated as follows:

Small and medium enterprises do not have a proven approach to strategy formation, with no distinction being made between the outcomes in respect of employing external consultants and developing a strategy independently and internally within the organisation.

3.4.2 Research design

“A research design is the plan of actions of structure which links the philosophical foundations and the methodological assumptions of a research approach to its research methods, in order to provide credible, accountable and legitimate answers to the research questions” (Gelo *et al*, 2008:272). Stated more simply, the design of a research project is the plan of how the research will be carried out (Berg, 1995:24). The design stage will determine the type of information that will be gathered as well as the data-collection techniques that will be employed. Berg (1995:25) recommends that vital questions should be asked during the research design process. These could include:

- Will the research cover a single theory or multiple theories?
- Will the research be done alone or in collaboration with others?
- How much will the research cost – in time and money?
- What population would be most appropriate?
- Are the data collection strategies best suited to the research questions?
- How will the data be organised and analysed?

Miller (1991:58) discusses some general considerations of research design. The design is the plan of the research and it is present in all studies, irrespective of whether they are controlled or uncontrolled; subjective or objective; scientific or unscientific (Miller, 1991:58). The scientific extent of the design can be determined by the degree of accuracy required, the status of existing knowledge or the level of proof aimed for. Miller (1991:58) cautions that there is no single correct design. Designs will be created by different researchers to suite their own methodological and theoretical preference. Research design is also limited to practical matters, such as the availability of resources, which could include time and finance or even the availability of data. Lastly, Miller (1991:58) observes that a research design is not a plan that must be followed without deviation; instead, it serves as a guide for the researcher to maintain direction.

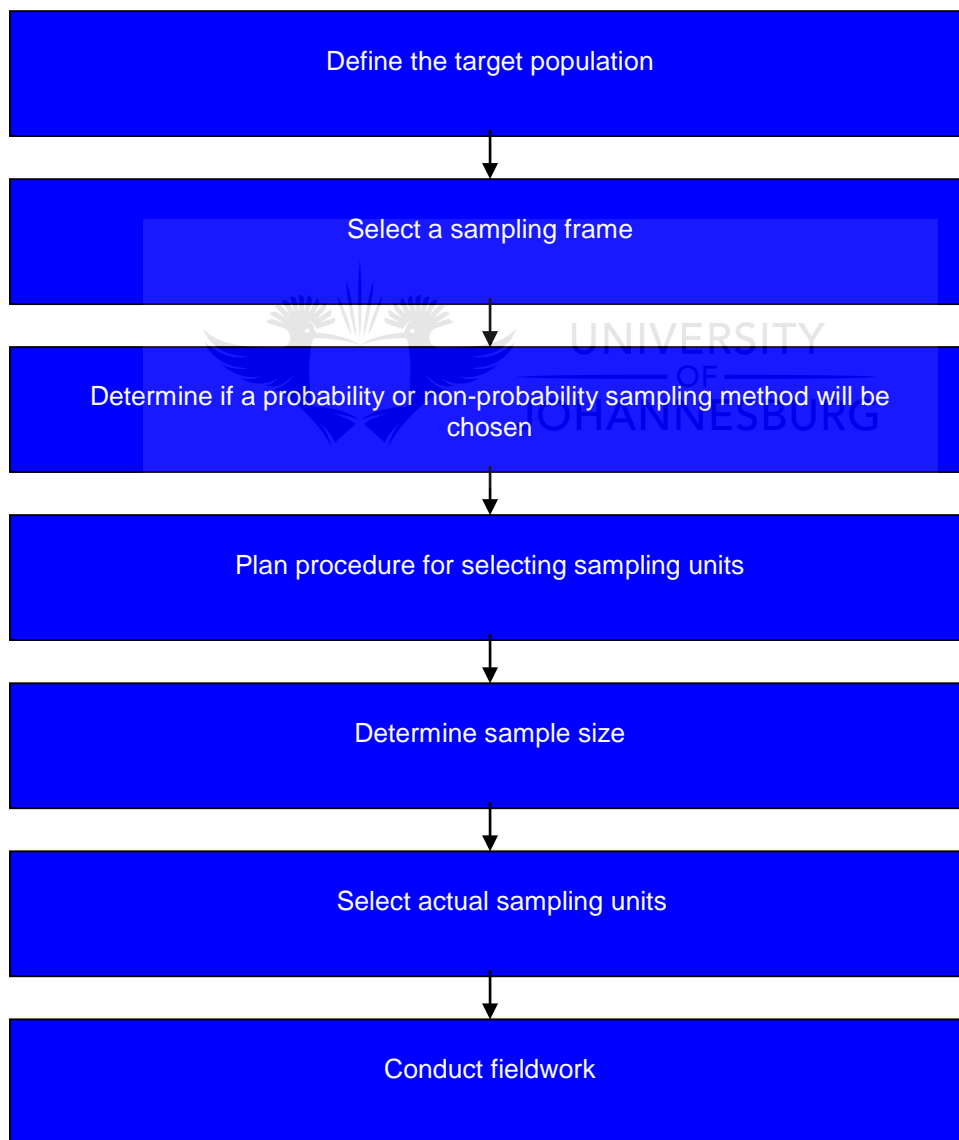
When dealing with human subjects, the researcher should already consider ethical standards as well as the safety of the subject in the design phase. Berg (1995:25) contemplates the significance of honesty, openness of intent, issues of privacy, anonymity and confidentiality, intent of the research and the willingness to participate by the research subjects as significant issues to contemplate in research design. The key decisions that form part of finalising the research design will be discussed for each key area of the research, i.e. planning a sample (refer to 3.4.3), data collection

(refer to 3.4.4), data processing and analysis (refer to 3.4.5) and formulating conclusions (refer to Chapter Five).

3.4.3 Research sample

Before a research sample can be taken, several decisions must be made. Diagram 3.2 shows the decision process as being sequential; however, according to Zikmund (2002:371), the sequence of decisions may vary.

Diagram 3.2: Stages in selection of a sample



Source: Zikmund (2002:372)

The choices made in the sampling process have a broad influence on the conclusions that are made at the end of the research process. Some key features of qualitative sampling are discussed by Miles and Huberman (1994:27), e.g.: research samples tend to be purposive rather than random; samples in qualitative research are typically smaller and the research is more in-depth; research samples are less likely to be pre-specified and the sample will usually evolve once fieldwork commences (Miles & Huberman, 1994:27). When compared to quantitative research, sampling in qualitative research is less focused on representativeness and detailed techniques for drawing a probability sample (Neuman, 2000:196). Qualitative research is more related to discovering cases that will enhance the understanding of a research topic. Neuman (2000:196) says consequently, qualitative research is gathered through non-probability sampling. Table 3.3 details types of non-probability samples.

Table 3.3: Types of non-probability samples

Type of sample	Principle
Haphazard	Get any cases in any manner that is convenient.
Quota	Get a pre-set number of cases in each of several pre-determined categories that will reflect the diversity of the population, using haphazard methods.
Purposive*	Get all possible cases that fit particular criteria, using various methods.
Snowball	Get cases using referrals from one or a few cases; then referrals from those cases; and so forth.
Deviant case	Get cases that substantially differ from the dominant pattern (a special type of purposive sample).
Sequential	Get cases until there is no additional information or new characteristics (often used with other sampling methods).
Theoretical	Get cases that will help reveal features that are theoretically important about a particular setting/topic.

Source: Neuman (2000:196)

*Purposive sampling is also referred to as judgemental sampling

Two additional types of non-probability sampling are identified by Saunders *et al* (2000:176). The first is convenience sampling, which involves selecting cases that

are the easiest to obtain for the sample; the selection process for the sample is continued until the needed sample size has been obtained. The second is self-selection sampling: this occurs when the researcher allows cases to identify their willingness to participate in the research. The likelihood of the sample being representative is described as low and this type of non-probability sampling is associated with exploratory research (Saunders *et al*, 2000:176). Neuman (2000:196) claims, relevance to the research topic is more important than representativeness in non-probability sampling and this type of sampling seldom determines the size of the sample upfront. It most often has limited understanding of the larger population from which the sample is taken (Neuman, 2000:196).

In compiling the research sample, it was determined that the sample would be based on small and medium enterprises based in Gauteng. Furthermore, and importantly, the research sample comprises only small and medium enterprises with which the researcher already had contact. This contact was in the context of a supplier and customer relationship between the research subjects (the suppliers) and the researcher (the customer). Therefore, a relationship of trust already existed between the parties, providing the appropriate platform for the research to take place. A combination of self-selection sampling and convenience sampling was used as the type of non-probability sampling for this research. Access to owners of the small and medium enterprises was possible due to the already-established supplier and customer relationship - hence the convenience. An element of self-selection was evident in the sampling process, as certain research participants had indicated an interest in some or all of the research concepts in earlier informal discussions with the research participants (in the context of suppliers).

3.4.4 Data collection

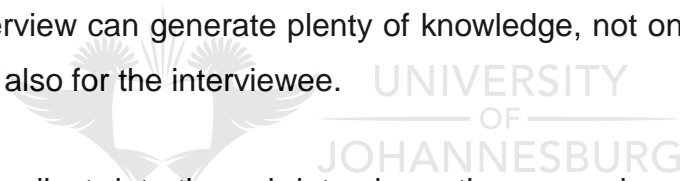
Qualitative research employs a broader range of techniques with which to measure while collecting data (Neuman, 2000:157). Most of the research measurement occurs during the data collection process when compared to quantitative research, where most measurement occurs in the planning stage (before the data collection takes place). Numbers are not the only medium used to present data in qualitative research. Neuman (2000:158) identifies alternatives, such as written or spoken

words, actions, sounds, physical objects, visual images or symbols. Qualitative research is, therefore, more erratic and results in data being presented in an assortment of styles (Neuman 2000:158). Although qualitative researchers may review ideas before data collection, most of their concepts are developed during the data collection phase. Furthermore, they will reflect and review the data and concepts simultaneously and the process of data collection is evolutionary, as they are continuously developing new ideas as they gather data (Neuman, 2000:158).

Interviews are explored within phenomenological research by Wimpenny and Gas (2000:1487). This research makes a distinction in the relationship between the researcher and the interviewee: it is more dialogical in qualitative research and, more specifically, in phenomenological research it is more reflective - compared to being only observational in quantitative research. According to Wimpenny and Gas (2000:1487), this acknowledges that the researcher is an important element in the research process. The preferred style of interviewing in phenomenological research is open and accepting and the interview is intended to be in-depth. Qualitative research interviews differ from the typical field interview and this method is considered more contemporary. Shank (2002:44) lists 12 decisive characteristics of interviewing for qualitative research, i.e.:

- A qualitative interview aims to uncover the everyday, lived world of the interviewee.
- The interview seeks to identify key meaningful themes as part of that world.
- The themes are delved into in ordinary and qualitative language.
- The interviewer will attempt to seek information on varying aspects of the interviewees' life.
- Specific concrete actions are preferred to notions.
- Deliberate openness is preferred.

- There is a distinction between a rigid structure and a totally non-directive line of questioning.
- Uncertainty and contradictions are not ignored, but rather accepted and noted.
- New insight is welcomed.
- The interviewer should take cognisance of any sensitivity to issues that are discussed.
- The interview is an interpersonal experience and knowledge generated through the interview is inevitably fashioned by such interpersonal dynamics.
- A good interview can generate plenty of knowledge, not only for the research project, but also for the interviewee.



When deciding to collect data through interviews, the researcher should also decide on whether to use structured or unstructured interviews. The unstructured interview has the benefit of being guided by the interviewee; an unstructured interview requires specific skills, hence the novice researcher is more likely to be successful with a semi-structured interview (Shank, 2002:46). The semi-structured interview requires the researcher to generate a list of topics to be covered during the discussion and the interviewee may cover some of the topics during the discussion without specifically being asked, with the researcher using the topics as a checklist of discussion points. Structured questionnaires often result in leading questions being asked and Shank (2002:46) warns that the interviewee should not be pressed implicitly or explicitly in any direction. Jackson, Drummond and Camara (2007:25) assert that in qualitative research, semi or unstructured, open-ended, informal interviewing is preferred, as this allows for more flexibility and responsiveness to emerging themes for both the participant and the interviewer.

The research participants were contacted in person to give an introduction to the research verbally. Once they had agreed to participate, a meeting was scheduled, with a personalised introductory letter forwarded electronically at the same time (refer to Appendix A). Some of the interviews (66 percent) took place at the researcher's workplace. The remaining interviews were scheduled at the work places of the participants for purposes of convenience. Disruptions were minimised where possible, by conducting the interviews in meeting rooms, or if in the researcher's office, by silencing telephones and closing the door. At the commencement of the interview, the participants gave verbal consent to proceed. They were advised that the discussion was being recorded using a dictaphone and notes typed by the researcher. The interviews were semi-structured and, accordingly, a document with key headings was prepared prior to each appointment to serve as an interview guideline so as to ensure all content was covered. The interviews commenced with a request for the participants to provide an introduction to their individual enterprises. At the end of the interview, any outstanding topics not discussed during the interview were raised and, finally, participants were requested if they had any final thoughts before concluding the interview. Participants were requested to make themselves available for any follow-up questions or to provide clarity on answers after the interview. They were also offered access to transcripts of the interview, as assurance that the best attempts were being made to capture the responses truthfully.

3.4.5 Data processing and analysis

Qualitative data analysis is ongoing, emerging and iterative (Henning *et al*, 2004:101). Henning *et al* (2004:101) state that the competence of a qualitative researcher becomes evident when doing data analysis. Data analysis requires craftsmanship and the capability of capturing the understanding of data in writing. Qualitative researchers seldom use statistical analysis. Data from qualitative research is typically in text, words or phrases, but despite the lack of hard numbers, qualitative research has evolved to being more precise and systematic (Neuman, 2000:418). Qualitative data analysis requires the researcher to meticulously review data and to give thought to the data (Neuman, 2000:441).

Kleiman (n.d.:12) views data analysis from a phenomenological perspective. Two methods are referred to: bracketing and withholding existential claims. With bracketing, the researcher must withhold prior knowledge of the phenomenon being studied, taking the experience exactly as it is described. Kleiman (n.d.:12) believes this allows for the researcher to appear attentive and open, allowing for willingness to wonder about experiences presented by participants. Kleiman (n.d.:12) cautions that theorising, labelling, conceptualising and categorising according to what is already known provokes a sense of complacency, which removes the enthusiasm of discovering the unknown. The second method requires the researcher to consider what is given exactly as it is. This provides a platform to analyse phenomena that are not easily recognised and are more abstract, such as values, emotions or experiences. Neither of these methods implies that the researcher should forget all past knowledge, but rather that past knowledge should not influence perception or originality (Kleiman, n.d.:12).

The methodological frame of the research, combined with the aim of the data analysis procedures, determines the qualitative coding and categorising route the researcher will take (Henning *et al*, 2004:102). Beginner researchers prefer qualitative content analysis, as it is easy to access and works on only one level of meaning, which is in the form of data texts. This data however, is typically not cross-examined, as the researcher will simply capture what is presumed to be real. Henning *et al* (2004:102) warn against 'thin description', which occurs when facts are simply reported without consideration of relevant intentions or circumstances. This results in data being obtained from a perception of 'naïve realism' – a belief that the world is simply as it is.

This research will use thematic analysis. Braun and Clark (2006:86) claim that thematic analysis differs from other analytic methods of data analysis, although they all share a search for themes or patterns across a data set, rather than within a data item (such as an individual interview such as in the case of case study analysis). The process of thematic analysis is described by Braun and Clarke (2006:86). Many of the phases of thematic analysis are similar to other qualitative research, therefore many of the phases of thematic analysis are not unique.

The process for qualitative data analysis is identified by Henning *et al* (2004:104) and includes many of the processes identified by Braun and Clarke (2006:87) in the thematic analysis process (see Table 3.4). The process starts with a set of data in the form of transcribed interviews. Importantly this has to be verbatim. The researcher should leave enough space on the transcript (either in the form of a margin on the right-hand side, or double line spacing) for coding purposes. The researcher then reviews the entire content to get a better understanding of content. This is referred to as “open coding”. Henning *et al* (2004:104) advise that although some themes may be identified, the coding process has not yet begun formally. Open coding is an inductive process, which means that the codes are selected according to their meaning to the researcher. After the first reading, a set of field notes is read again, followed by units of meaning being identified, which should be marked or labelled. (Henning *et al*, 2004:104).

After the transcription is ready and codes have been allocated to various segments of meaning, the codes can be grouped or categorised (Henning *et al*, 2004:104). Categories will start to show themes constructed from the data. Once all the data has been coded and categorised, the researcher will need to see the global picture. In order to do this, Henning *et al* (2004:107) identify some questions that can be asked:

- What are the relationships in meaning between all these categories?
- What do they say together?
- What do they say about each other?
- How do they address the research question?
- What is omitted?
- How do the categories link together?

- What additional data gathering and/or analysis are required?

A good researcher will be able to answer these questions and thereby round off the analysis. At the same time, the report will be written and will be part of the data analysis (Henning *et al*, 2004:104). Thematic analysis extends further than the process described above by Henning *et al* (2004:104), as being a reflection of the first three and the last phase of thematic analysis described by Braun and Clarke (2006:87). For true thematic analysis to take place, the fourth and fifth phase must also take place.

Once the interviews were completed, the researcher re-read notes made during the interviews and re-played the recorded interviews to gain more clarity and understanding of their content. The typed notes were 'tidied' to remove general errors in the capturing process and to ensure related topics were kept together. The transcripts were then coded to refine the topics further and to break down the content into more distinct categories. Codes were allocated in the side columns of the typed notes to separate the different themes. Once all the categories were coded for each interview, the interviews were reviewed across categories in lieu of individually to identify themes within the categories. The researcher also captured reflections of the interview after the interview was completed (refer to Appendix B), noting general impressions of the participants including: body language, ease of conversation and general demeanour during the interviews. In some cases, previous working experience with the participants influenced these reflections.

3.5 RESEARCH TRUSTWORTHINESS

Carsten (2007:74) states that the notions of trustworthiness and confirmability in research are focal to the research design and warrant some consideration. This is often referred to in the context of research reliability (confirmability) and research validity (trustworthiness). McGloin (2008:49) refers to the model created by Guba in 1981. Guba argues that the qualitative researcher should employ a model to assess the trustworthiness of data and four criteria of trustworthiness are proposed in the model.

3.5.1 Truth value

Truth value considers how confident the researcher is with the truth of the findings of the research. It is subject-oriented and considers credibility. Various methods can be used to improve truth value (McGloin, 2008:50), i.e.:

- Peer review - is considered one method of assessing truth value, as is respondent validation, whereby the participants in the research review the findings.
- Groundedness - is achieved when the findings are grounded in the data produced rather than as a result of the researchers' imagination.
- Reflexivity - facilitates allowances being made throughout the research for the possible influence of the researcher. As there may be researcher bias upon the responses of the research participants, frequent contact between the researcher and the research participants is encouraged.
- Triangulation - enhances credibility by using multiple sources of data, such as survey instruments, interviews and analysis of associated documentation and observation of the research being conducted.
- Sampling - is the practice of collecting data over a given period, thereby enabling variables to be measured at several points in time.

3.5.2 Applicability

Applicability is the extent to which findings can be applied to other contexts or groups (McGloin, 2008:51). Fittingness or transferability is identified as the criteria to assess the applicability of the research. Concentrating on a given case in a given setting makes the findings intrinsically more difficult to apply to a wider population. McGloin (2008:51) claims that the size of the sample is a key determinant of applicability and small samples may result in identifying circumstances rather than facts.

3.5.3 Consistency

This criterion of trustworthiness determines whether the findings would be consistent if the research were to be reproduced (McGloin, 2008:52). Consistency relates to dependability. As there is a great deal of variability in qualitative research, dependability with variability should be assigned to specific sources. Dependability can be assessed through the use of an audit trail to warrant accurate data collection (McGloin, 2008:52).

3.5.4 Neutrality

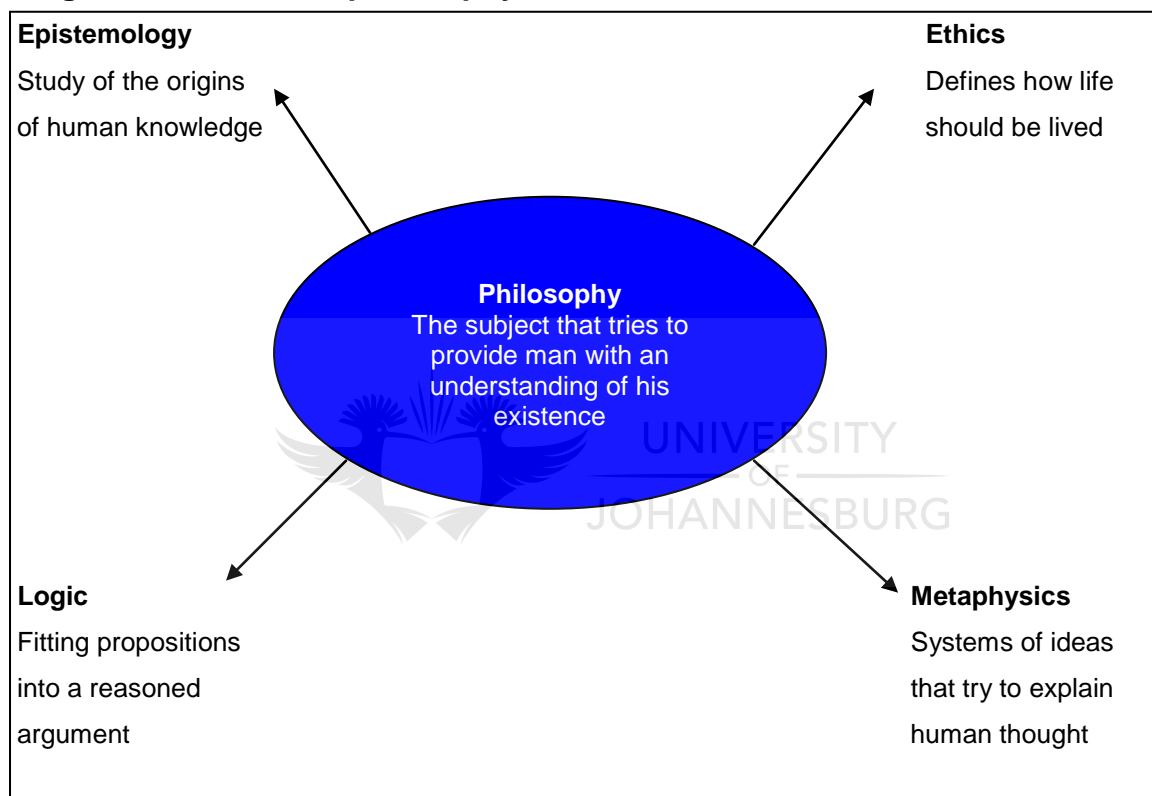
Neutrality relies on the removal of influences, biases or perspectives from the conditions and the participants of the research. McGloin (2008:53) refers to research done by Kreftling (1991), in which neutrality is linked with confirmability. Truth value, triangulation and reflexivity are also used to establish neutrality in qualitative research (McGloin, 2008:53). Cost effectiveness of the research is closely linked to neutrality. To improve neutrality, a larger research population is required, resulting in greater expense. Neutrality is also closely linked to issues of conflict of interest. This applies in cases where research is being funded by institutions that may have power over those being studied or those carrying out the research (McGloin, 2008:53).

3.6 ETHICS IN RESEARCH

In section 3.5, the research trustworthiness was discussed. Research trustworthiness is directly linked to the research ethics. "The ethics of social research is about creating a mutually respectful, win-win relationship in which participants are pleased to respond candidly, valid results are obtained and the community considers the conclusions constructive." (Miller and Brewer, 2003:95). Ethical considerations are essential in qualitative research; there are few informants, and researchers become close to the personal lives of participants. Researchers should devise strategies to ensure confidentiality (Ohman, 2005:276).

In The Reader's Digest Library of Modern Knowledge (1981:632) the history of ethics, which is traced back to the Greeks, is explored. According to the Greeks, ethics can be defined as a subject that attempts to answer the questions 'What sort of life should a man lead?' The history of ethics is entwined with the history of ideas about human psychology and the nature of man. Ethics is considered to be one of the four main areas of philosophy (although there are still many connections with other disciplines) as depicted in Diagram 3.3.

Diagram 3.3: Areas of philosophy



Source: *The Reader's Digest Library of Modern Knowledge* (1981:632)

Rolfe (2004:10) speaks of trustworthiness in phenomenological research as the researcher's ability to reveal the true lived experiences of participants. Trustworthiness is considered the reassurance that the researcher has complied with the rules and methods determined by the paradigm being followed. In the case of phenomenological research, a trustworthy researcher is one who has separated his own views about the phenomenon and conducted the research according to the rules of the phenomenological interview. Jackson *et al* (2007:26) assert that qualitative research tests trustworthiness via "credibility, transferability, dependability

and confirmability”. Trustworthiness in good qualitative research is ensured by employing tools such as member-checking, stepwise replication and audit trials to verify the essence of what was said by participants. This ensures that subjective interpretations based on the researcher’s own beliefs are avoided (Jackson *et al*, 2007:26). Miller and Brewer (2003:95) assert that ethical responsibility is vital throughout all the stages of the research process, starting with the design of the research, the manner in which participants are enlisted and treated during their involvement and the consequences of their participation. Certain key considerations are identified by Miller and Brewer (2003:96) for researchers to be aware of during the research project, i.e.:

- Voluntary consent. Participants should only take part in research of their own freewill. The researcher should ensure that participants know that the research is voluntary and that they can withdraw at any time.
- Informed consent. Participants should have adequate background to the research including its aims, methods and intended outcome.
- Anonymity and confidentiality. The identity of the participant should be protected. Anonymity means that the participant will not be identified. Confidentiality means that the researcher will ensure that the identity of the respondent is not revealed.
- No harm to participants. This could happen if the participant is exposed to unpopular attitudes by the research or if it reveals demeaning personal characteristics (such as low income or poor education). It is the researcher’s responsibility to ensure that participants do not suffer any physical or mental harm.

According to Shank (2002:97), becoming an ethical researcher is an ongoing learning process. The researcher can however enhance ethics in research by concentrating on certain principles; some of these principles reflect the thinking of Miller and Brewer (2003:96), i.e.:

- Do no harm - this can be done by placing yourself in the position of the participant.
- Be open - participants must be informed if they are being observed and must have access to content that pertains to them.
- Be honest - be honest to not only the participants, but to yourself too admit errors.
- Be careful - particularly relevant to qualitative research is the need to have an adequate trace of all work as others should be able to follow the work you have done.

Schostak (2006:135) makes specific reference to ethics in the interview process. He describes the researcher's observation of participants' experiences and views through the interviewing process as an ethical and political act. Coming face to face with participants requires the researcher to be open, which, according to Schostak (2006:136), requires the researcher to avoid revealing his or her own views and to be a listener. It is also vital that the researcher creates an environment for telling to take place. Shaw (1999:74) summarised this matter simply as follows: "Naivety about ethics is itself unethical".

3.6.1 Ethical statement of this research

I, Corrinne Kennedy declare that in respect of this research, the following statements are true:

- All the research participants in this research participated voluntarily and without any coercion.

- All the research participants were provided with an introduction to the research prior to the research interview and were given an opportunity to decline the interview.
- All the research participants were notified in advance that the research interviews were being recorded.
- All the research participants were given direct access to the information generated through this research.
- The research does not include any intentional plagiarism.
- The intent of the research was to reflect the work of the authors referred accurately.
- The intent of the research was to interpret the findings accurately.

3.7 CONCLUSION



This chapter has provided the framework of the research methodology undertaken for this research. The chapter commenced with an overview of the focal research methodology concepts, starting with a consideration of the different research paradigms, followed by the research approach. As this research has been identified as qualitative research, important concepts relating to qualitative research were explored. The research process was examined, according to which important decisions were made, e.g. the design of the research (such as the research sample), the data collection method and the data processing and analysis of the research. Consideration was also given to trustworthiness and ethics to be applied throughout the research process, which was corroborated by the inclusion of a personal ethical statement. Lastly, a summary of personal experiences leading to the development of the research topic was included to share some of the background relating to the development of the research topic.

The next chapter (Chapter Four) will make known the findings of the research. A step-by-step process will detail the practical execution of the research. The research sample will be introduced, including a summary of their key characteristics, in order to provide a better context of understanding of the responses to the research topics. The research categories will be identified before the findings of the resultant research are provided. The verbatim responses of the research participants will be presented where the research participants gave responses to the specific research topics identified.



CHAPTER 4



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RESEARCH FINDINGS

CHAPTER 4

RESEARCH FINDINGS

4.1 INTRODUCTION

Chapter Three discussed the research methodology to be followed in executing the research. It was concluded, through exploring the various components of the research approach, that the research lends itself to qualitative research. The research approach also identified a preference for conducting semi-structured interviews selected from a theoretical sample.

This chapter will summarise the content of the interviews through the verbatim responses of the research participants, which will be separated into the research categories that will be identified. However, before doing so, the chapter will commence with a short review of the practical execution of the research. This will be followed by an introduction to the research sample, including a review of some of the characteristics of the research sample. The rest of the research results will then follow.

4.2 PRACTICAL EXECUTION OF THE RESEARCH

The research process commenced informally before the research problem and research question were identified. Through various interactions with small and medium enterprise business owners in the context of suppliers to the company the researcher worked for, it was identified that very little reference was made to their enterprise strategies. This left the researcher wondering to what extent these or any small and medium enterprises formulate strategies and if so, how this took place in practice and, specifically, whether this was done internally or whether external assistance was sought.

To simplify the research process, the sample was narrowed down to include only small and medium enterprises operating in Gauteng. A further convenience was applied by incorporating only small and medium enterprises that were currently

suppliers to the organisation the researcher worked for. The interviews were scheduled with the research participants over a four week period to allow for enough time to reflect and absorb the content of each interview. The research participants all provided verbal consent for the interviews to be recorded, as well as for the content to be used in the research dissertation. Although none of the research participants requested that their identities be withheld, it was decided to remove the names of the research participants and allocate a reference number to each because of the verbatim content in the findings and the sometimes unfavourable conclusions drawn. Throughout the process there was complete transparency, as all the research participants were advised that copies of the recorded interviews could be made available to them and that they could have access to the final research document.

Understanding how the analysis of the research would take place was initially a challenge, but many discussions with the study supervisors aided understanding the various methods available and distinguishing between them. The cluttered composition of information sometimes felt overwhelming. When transcribing the interviews, it felt as if the sequence of themes was not orderly. Fortunately, once the coding took place, a greater degree of tidiness came to being.

After the interviews were transcribed, there was more concise information to work with. At first only the typed notes from the interviews were used to compile the findings of the research with limited verbatim references. There were also too many statistical-type findings as the researcher tried to categorise responses strictly. Once the chapter was revised to simply reflect the responses of the research participants in lieu of attempting to over analyse the responses, the findings became easier to establish. The conclusions will be drawn in Chapter Five, by comparing the content of the literature review with the research findings.

4.3 THE RESEARCH SAMPLE

4.3.1 Nature of respondents

A total of 12 enterprises were requested to participate in the interviews for this research. All participants were known to the researcher as the participants are

suppliers to the organisation in which the researcher was employed. For easier referencing to the research sample, reference codes were allocated that were used when referring to the respective research participants (RP stands for Research Participant) and the numbering was allocated after the participants had been listed alphabetically. A brief introduction to each of the participants is provided for easier contextualisation of their responses and viewpoints in the interviews.

- RP1

This is the youngest enterprise in the research sample. It was established just one year ago, yet has already obtained contracts with large customers. This enterprise does contract cleaning and specialises in the hospitality and healthcare industries. The owner claims that this enterprise is unique as it gives ownership to all levels of the enterprise, including the cleaners in order to provide a platform for empowerment.

- RP2

This enterprise was created out of the need for consulting services resulting from legislation introduced pertaining to Broad-Based Black Economic Empowerment (B-BBEE). The enterprise started off offering consulting services and quickly grew to include a call centre and an electronic platform that enables enterprises to undertake a self-assessment of their B-BBEE status. The employee base is kept small by contracting consultants (of which there are 14) on a work-for-fee basis. Similarly, the call centre is contracted on an output basis.

- RP3

This enterprise was established in 2004 following the owner's sale of a previous enterprise to Bidvest. The enterprise is a provider of linen to the private healthcare sector, with items provided including flat sheets, pillowcases, patient gowns and doctor's scrub suites. The key objective of this enterprise is to provide quality linen at lower prices but higher volumes to established organisations.

- RP4

This enterprise was established 20 years ago through the merger of two smaller enterprises. One partner has a sales background and the other a technical background. The main focus of this enterprise was initially consulting for telephony and telephone infrastructure, but grew to include Information Technology (IT) as technology evolved. This enterprise employs 18 staff members and generates income through either an hourly consulting fee, a fee per project or from commission earned from suppliers as allowed by their customers. They also have a fixed annuity income in the form of least cost routing services supplied to key customers.

- RP5

This enterprise was established 11 years ago when it was purchased by a larger enterprise (top Johannesburg Stock Exchange listed company) to add to the laundry division. It is the only off-premise laundry division within the group. The original focus of this enterprise was within the healthcare sector, where it started with on-site laundries within various hospitals; it has since grown to include customers in the hospitality sector and industrial sectors such as mining and manufacturing. Equipment is imported from the Czech Republic and installation and ongoing maintenance is a key business priority. The enterprise had up to 50 on-site laundries at one stage, but due to negative growth at some of the onsite laundries, these were reduced to include only profitable units.

- RP6

This enterprise does silk-screening, litho printing and labels. It was started 15 years ago in the home of the enterprise owner. The cheapest machine for printing was a label printer and, due to financial constraints, was the only option for the business owner to pursue. Even though the annual turnover of the business is R18 million, this enterprise has no contracts with any of its customers. There are 26 full-time employees who (according to the enterprise owner) are remunerated well above the average wage rates to improve output.

- RP7

This enterprise started in 1997 in Cape Town as a supplier of computers only, but evolved to focus on the supply of printers, printer consumables and printer maintenance. In 1999 a second branch was opened in Gauteng followed by branches in Durban in 2001 and George in 2004. There are now also 17 dealerships that support the four branches, allowing it to service larger national customers. The business model is not to just drop off machines, but to include an effective solution, including the ongoing maintenance of the machines.

- RP8

This is a franchised organisation whose core business is in cleaning and pest control services. Operational for over 30 years, the business systems are described as refined and include sales and marketing, administration, finance and customer care support to its 35 franchisees across South Africa. The two business owners hold different skills, one being in sales and marketing, the other in finance and administration. The franchisees range from two members to up to 30 members per franchisee. Revenue generated for franchising services is five percent for cleaning and ten percent for pest control.

- RP9

Following retrenchment from a previous employer in 2001, six directors found this enterprise which is an electronic development agency that consults on electronic channels. Although only three of the original directors now remain, there are an additional four full-time employees and 25 contract staff, who are used on a project basis. The key services include building and designing websites and advertising campaigns, with a second offering being the marketing of channels via electronic initiatives such as e-mails, banners, Google, etc. The majority of revenue is from consulting services (up to 75 percent), with other revenue coming from building software such as electronic books.

- RP10

This enterprise is a relatively new enterprise started three years ago when the founder went on a trip to the Caribbean and identified a product to import to South

Africa. This is the smallest of all the participants, with R1.4 million turnover annually and two employees – the owner and his wife. Previously distributors and representatives were used to market the product, but due to complications this was discontinued. The enterprise imports hand sanitizers, soap and degreasers.

- **RP11**

In 2006, this enterprise was established following the business owner's wish to leave her job and start her own business. The organisation supplies computer consumables and hardware and ensures pre-sale, sale and after sale services are of a high standard to ensure repeat business. With minimal staff (i.e. one driver, one debtors clerk, one administrator and one creditors clerk), this business does an annual turnover of up to R12 million.

- **RP12**

This enterprise was established 12 years ago as a manufacturer of specialised products for metal and water treatment. Subsequently, new opportunities in the market, such as household and sanitation products as well as industrial cleaning, arose and the business has grown to a R23 million per annum turnover. RP12 has also entered a niche market of solving problems such as cleaning bank notes and is often contacted to create new products for unique situations. The business was found by two partners, both chemical engineers and now employs 52 staff members.

4.3.2 Sample characteristics

As was indicated in section 3.3.3, the primary requirement of the research sample was that participants had to represent an organisation classified as a small and medium enterprise. The definition of a small and medium enterprise is specified in section 2.2.3 and all research participants' enterprises had to meet all these criteria. The second important characteristic was that the small and medium enterprises had to operate in the Gauteng area and in all cases, the organisation were based in Gauteng. There were, however, three organisations that had branches, agents or secondary operations elsewhere in South Africa, although they were based in Gauteng. None of the organisation had any operating units outside of South Africa.

In selecting the research sample, there were no exclusions based on: the period in which the small and medium enterprise had been in business, the industry in which it belonged, the ownership of the enterprise (e.g. single or multiple owner enterprise) or even certain financial considerations, such as market share. The research interviews were conducted in April and May 2009 as indicated in Table 4.1.

Table 4.1: Interview schedule

Date	Time	Venue	Company
9 April 2009	09h00	RP7's Offices - Kempton Park	RP7
9 April 2009	12h00	Netcare Operations Centre	RP1
9 April 2009	14h00	Netcare Operations Centre	RP9
14 April 2009	09h00	Netcare Operations Centre	RP8
15 April 2009	09h00	RP3's laundry – Spartan	RP3
15 April 2009	11h00	RP5's laundry – Spartan	RP5
20 April 2009	11H30	Netcare Operations Centre	RP11
20 April 2009	14h00	RP6's factory – Reuven	RP6
23 April 2009	09h00	Netcare Operations Centre	RP4
5 May 2009	14h00	Netcare Operations Centre	RP12
6 May 2009	12h00	Netcare Operations Centre	RP10
7 May 2009	10h30	Netcare Operations Centre	RP2

The annual turnover for each respective research participant's organisation was a critical requirement for participating in the research. The classification of small and medium enterprises, according to the National Small Business Act (Act 102 of 1996), is not simply limited to the revenue of the enterprise, but includes the value of assets (excluding fixed property) and the number of employees. All the enterprises met the requirements of the National Small Business Act for classification as small and medium enterprises. The combined annual turnover of all the enterprises was R168 million, with the average turnover for all research participants being R14 million per annum. Notably, the newest participant (RP1) had the highest turnover in their first financial year. The lowest annual turnover was reported by RP10 and the enterprise could also be classified as a micro enterprise. Although most enterprises reported significant year on year increases in turnover, there was no direct correlation

between the number of years in operation and the annual turnover of the small and medium enterprises.

The number of years in operation of the enterprises varied from as much as 30 years to as little as one year. In total, the small and medium enterprises had 125 years of experience - an average of 10.4 years.

Participants represented a diverse range of business types. There was also a diverse range of business models, ranging from the simplistic supply of goods (RP3, RP6, RP10, RP11) to the supply of services (RP1, RP2, RP9,) to the supply of goods and services (RP4, RP5, RP7, RP8, RP12). Table 4.2 provides a more detailed breakdown for all research participants' enterprises.

Table 4.2: Business type classification

Supply of goods	Supply of services	Supply of goods and services
RP3 – Linen products for healthcare industry.	RP1 – Contract cleaning services to healthcare and hospitality industry.	RP4 – Consulting services and hardware and software for telecommunications.
RP6 – Litho and screen-printed labels for retail industry.	RP2 – Broad Based Black Economic Empowerment consulting services.	RP5 – In-house laundering services, including provision of equipment and servicing of equipment.
RP10 – Touch-less hand sanitizer units and consumables.	RP9 – Provider of web designs and electronic channels.	RP7 – Printer hardware and consumables and maintenance services.
RP11 – Computer hardware, software and consumables.		RP8 – Cleaning and pest control services, including provision of equipment and consumables.
		RP12 – Cleaning chemicals and product design services.

A diverse range of industries were included in the research, from related industries, such as cleaning services (RP1, RP8) and cleaning consumables (RP10, RP12), linen products (RP3) and laundering thereof (RP5), to others that had no relation to

any of the other participants, such as B-BBEE consulting services (RP2), telecommunication consulting, hardware and software (RP4) and web design (RP9).

There was vast diversity in the ownership structures of the enterprises, which ranged from single ownership (RP3, RP6, RP10, RP11) to ownership by more than one person (RP2, RP4, RP7, RP8, RP9, RP12), ownership by a listed enterprise (RP5) and even a more complicated ownership structure (RP1) (according to which ownership flows down to the lowest levels of the enterprise to allow for empowerment). Once again, the enterprise with the highest turnover (also the newest enterprise), had the most unique ownership structure (RP1).

4.4 RESEARCH CATEGORIES

Saunders *et al* (2000:383) advise that when analysing qualitative data, the first activity is classifying data into meaningful categories. These categories are considered the labels used to re-arrange data and provide an emergent structure that is relevant to the research with which to analyse data further. Importantly, the categories must have both an internal and external facet: the internal facet must be meaningful in relation to the data; the external facet must have meaning in relation to the other categories. The research categories are listed below:

- The need for strategy formation.
- Strategy formation role-players.
- Planning and forecasting.
- Competitive intelligence.
- The use of consultants.
- The use of consultants for strategy formation.

- The small and medium enterprise strategy formation process.
- The link between strategy and performance.
- The use of strategy for corporate versus small and medium enterprises.

Each of the above categories will be evaluated in terms of the responses provided by the research participants.

4.5 EMPIRICAL RESEARCH FINDINGS

4.5.1 The need for strategy formation

From the discussions held with the research participants, the mainstream thinking revealed in respect of the need for strategy formation for small and medium enterprises was mostly in support thereof. Where there was no support for the need for strategy for small and medium enterprises, it was not ascribed to a disbelief in the value of strategy overall, but rather the appropriateness of such to small and medium enterprises. Following are verbatim statements from selected participants, which relate to the need for strategy for small and medium enterprises.

RP1 - I, I, I believe that you need a strategy, but uh, when you are small it's - where do I get the business in, rather than strategise; where do I go now, and I think I am at that point now. Operational focus first, then you strategise. Okay: are we gonna go national; are we gonna go to other areas; are we gonna grow our business; are we gonna get this massive offices; and I am at that point at this stage? You get the business first, get all the stuff in place, get the business running, get the operations running, do a fantastic job out there and then ... and then you say okay, what is the next step for me.

RP2 – Strategy is very important – days just slip by if you don't have a strategy. You need actually to have to formulate a strategy – plan of action - and then work

according to it and measure your progress along the way. And then, it's important - that Alice in Wonderland thing - you need to know where you are going otherwise, you know, you can end up where you don't want to, or you can just as well go anywhere.

RP3 – It definitely ... it definitely is a continuous process. Um, I believe the smaller the company, the more that amount of planning is. The more ... it's more easier to plan for smaller companies, because the decision makers are less. Uh, I believe you have to align yourself continuously. I am also a firm believer that you have to assess your market, strategise for the next three to five years - that is medium to long term – three to five years; and also see where can you take the business to and, uh, this is what I believe bigger service companies don't always do.

RP4 - I think one of the disadvantages of the corporate is the amount of time spent on corporate strategy, although saying that, it is unavoidable. Small business ... I think we can avoid that and concentrate on the core of the business. I think small medium business cash flow is king. Um, I think management of the profitability of the business is critical; I think the other things just happen.

RP5 – Strategy for the SME is absolutely essential; without it how will you know what the focus of your business is, what your competitors are doing or how to train your staff?

RP6 – I have a very good accounts package, so I do it (the small and medium enterprise strategy) from that.

RP9 – When we started our business, we spent probably at least six months defining what we do as a company, who it is we are. From where we started to where we are now we haven't really changed that much of what we do.

RP10 – You certainly must have one (a strategy) but you must have a practical one, um, and I will harp on that point: it must be practical because you must have a mission and vision. I guarantee you know 80 percent of companies that you ask,

what is the mission and vision of the company, and they won't know. It's no use to have this major vision and mission and nobody knows what they are.

RP11 - We don't run the business on a strategy; our success depends on us providing good after-sales service to our customers.

RP12 – Of course, irrespective of whether it is a one-man show, there must be strategy. You have to have strategy in place to ... to steer the company in the right direction - not just steering the right direction, but testing different approaches to work to your advantage.

4.5.2 Strategy formation role-players

Once the views of the research participants regarding the need for strategy for small and medium enterprises was established, the next research category was formed to specifically determine whom the research participants thought should be involved in the formation of strategy for the small and medium enterprise. Some of the varying verbatim responses about strategy formation role-players in the small and medium enterprise are provided below.

RP1 - It's very important that the lower-level people are also part of that strategy sessions.

RP4 – No, it's really ... I would say that the strategic discussions are between the partners and the senior managers ... there are service managers involved in that and there are sales managers. So senior managers and ... and partners would be involved in that - and we do ... we do have those discussions. We discuss products, we discuss growth, discussing staff – how to retain staff, how to improve staff – and of course discussing how to do business.

RP7 –...senior management. Like, I would go to the board meeting, I would come back, I'd sit with my management team. From there it goes down; so when it goes down to; for instance; the sales team, I am part of the meeting. So if there are any questions - what about this and what about that, 'cause very often the guys are saying 'ja', but you wanna do this – but my experience is this, this and this. The strategy can be the same, but implementation - that area can be different, as long as the same objective can be achieved.

RP8 – We have a strategy committee who meet to discuss the needs within the group. It's made up of directors, field managers and a selection of franchises. Strategy should not be driven top down; you need the buy-in of everyone. You must communicate and involve as many people as possible.

RP10 – We have a small little meeting in the morning (him and his wife).

R12 – It should be initiated at the top level, but ... but everyone should be involved. You know the problem with top management, they know – not so much in the SME, but more in the big company – they are in the office, they don't really know what is happening on the floor. You need to have that information to be able to ... to put together a strategy that will work.

These responses will be specifically considered in respect of the ownership structures of the small and medium enterprise research participants (refer to section 4.3.2).

4.5.3 Planning and forecasting

The business type classification of the enterprises ranged from suppliers of goods, to suppliers of services and suppliers of goods and services. These business type classifications could be considered to have an influence on the extent of planning and forecasting. All of the research participants gave feedback to this research category and verbatim extracts from these responses are provided below.

RP1 - Yes, we do a profit and loss and a budget. Twelve months. You must remember, a couple of months of your business you are gonna show - from a revenue point of view - a hell of a growth; because if you had 50 thousand, suddenly now you are 100 thousand; it's now a 100 percent. Okay, so you are gonna have a lot of growth, it's over a 24 month period - you will be able to settle down and say okay, what are we going to try and determine - are we going to determine growth percentage for the following year?

RP2 – Um, we don't go as far as industry um, industry trends. Um, we, what we do is an Excel spreadsheet for our financial plan and then for each one of our elements – call centres, associates – we need to look at operations, um, management, marketing and financial.

RP3 – Ja, ja, specifically and every linen supplier, first of all, my supply of my fabric is a long-term thing. Certain fabric can be on a three month delivery basis. My delivery period to my customer base is between three and four weeks, so we, on a continuous basis have to plan and we ... we plan our workload three months ahead. And, and, and there, my production manager and my general manager play a major role in this.

RP4 – I always say there is limiting budgeting and forecasting. Having said that, we are pushed by suppliers - of particularly hardware - for budgets; so from their point of view we have to give them certain info. Um, that's usually quarterly or an annual basis. But you know, that is clearly an informal arrangement; we don't spend hours or days putting that together.

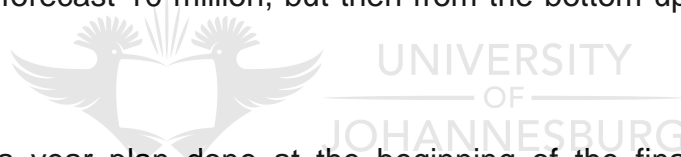
RP5 – We work on a budget from four to six weeks per year. Each account is analysed. Throughout the year we keep a specific filing of events that could have influence on the budget. We compare this to the previous year's performance. Forecasting is not just done as part of the budget - we get input from each unit manager. The forecasts look at income; we do mini income statements, compare these to salaries and wages, repairs and maintenance.

RP6 – No we don't have targets. I do absolutely nothing – I don't do budgeting and I don't do targets. Our accountant does the budgets. For me to do a budget this year, ag no.

RP7 – Um, we are two legal entities. I am the owner of Gauteng and Cape Town is owned by four guys. We get together at least on a quarterly basis, where we review business, what the market is doing – things like exchange rates, the market segment. The exchange rate affects us tremendously. When the exchange rate is good, people tend to buy more machines that need repair. As soon as the exchange rate gets bad, there is a total shift from sales back to technical. So we review that on a quarterly basis. We do a business plan every year – set forecasts, plans. We do bottom-up forecasting. For instance, we set the budget up for 2010, then you get your sales manager that gives a budget for his region - that would then go into the regional budget and then the national budget. Why I like doing zero up, or bottom-up, is I would maybe forecast 10 million, but then from the bottom up you would get 12 million.

RP8 – There is a year plan done at the beginning of the financial year - sales forecasts, cash flow forecasts. In the monthly meetings, the members review these; so the budgets for sales and expenses are reviewed monthly.

RP9 – Well, I think, obviously on the one side there is sort of financial planning, um, and then also strategy planning; but the strategy planning relates mainly to, um, what is the structure of the company, how it relates to particular resources. Because we are quite a small company, we think in terms of particular people – we say, well for the next year we can see where the market is going, there is a lot more of this type of work, so we need to maybe hire two more people ... so that's the one sort of planning and we do obviously do that through numbers, etcetera. The other planning is obviously financial, so we ... we use {name removed} to manage our finances etcetera. So we keep our focus on cash flow: being a small company we have to manage our cash flow quite carefully. The other thing we do, is something that sort of started a few years ago - is what my partner came up with - something called the,



the Bahamas, which is sort of the spreadsheet we use to work out how much money have we got in the bank at the moment to, to last; if we have no income now, how many months would we sort of survive. We sort of say one day we want to be in the Bahamas, so when it gets to the stage if we have no more business we could sort of survive for ten years to retire to the Bahamas.

RP10 – It's a bit difficult, especially with the size of our business where we focus very much on our cash flow. We really focus on our cash flow because, um, we have to order now and get in only in four months.

RP11 – I do a month-to-month indication of deals, but no 12 month forecasts. In this industry, you are only as good as your last deal. There is lots of change; if a buyer leaves, you have to build a new relationship.

RP12 – It depends on, you know, department to department. When I have a look at, for example, operations, that is quite a bit of strategy planning. The strategy for the operations side is all interlinked. We have systems, we work on systems. Uh, we have an optimal system that we work on. As you know, the optimal system has been programmed for our plant. We do forecasting on margins; forecasting we do on overheads as well - that's quite important ... Then we can determine is the market ready for a price increase. We forecast once a year, but at intervals of every three months. We have a long-term forecast and short-term; if you haven't got the short-term you will never get to the long term.

The statements above indicate that there were varying levels of intensity of planning and forecasting undertaken by the research participants. This was evident from the variation in: period for which planning and forecasting was done in advance, the role players involved in the planning and forecasting; as well as the extent to which the planning and forecasting was done by the enterprises.

4.5.4 Competitive intelligence

It was interesting to note that when discussing competitive intelligence gathered by the research participants, that they discussed not only what type of competitive intelligence they gather, but also the sources of that competitive intelligence. Only a few of the research participants discussed why gathering competitive intelligence was important to their small and medium enterprise. Some of the verbatim statements made by the research participants in reference to competitive intelligence are provided below.

RP1 - You know what, I think you ... I think the difficult part for a new guy to come in is how to get all the information. And the only way you gonna get all that information is if you belong to an association, or you belong to an organisation that is linked to your industry - and that's how you gather some of your information. You wanna know who is the new kid on the block; if there is any new kids on the block, you wanna know what are they presenting. They wanna know what do you offer out there; and the only way you are going to be able to get that information is also the relation you have with big corporates, because some of the big corporates are going to share with you that information. You need to have relations with those people (suppliers) as well. I wanna know who they are, who their customers are and anything that they do different; that's the most important. I am not worried about the margins.

RP2 – We are a lot more operationally focused. There are a lot of one-man bands; we look at what is in the market. It would be more on their rates and how they structure their rates and the way they structure their services.

RP3 – I believe ... I believe for me to be competitive I have to know and understand my market. Not necessarily only the pricing structure, but also: the strategy, what it can offer, what the approach is, what the delivery details is. That is very important to the way I operate. I ... I understand very much how my opposition operate. And ... and that plays a crucial part – it is not the beginning and the end, because remember

my company has its goals, it has its focus, its own strategy um ... but yes, my strategy is definitely influenced by my external environment.

RP4 – We continuously review our competitors. We watch them very closely and see what they are doing and measure them. Not many people do what we do. We come across them occasionally and we do like to know what they do. We also use some of their services.

RP5 – Our industry is very small; there are not many competitors; it is price sensitive. Unfortunately, it is difficult to find out what prices are as tenders are closed and it is difficult to assess.

RP6 – I don't have any. I honestly ... our prices are safe as long as I keep my current situation. {Name removed} can't beat my prices. They can't beat my service. They are a large corporate; I am even doing work for people who used to work at {name removed}. There's lots of label makers out there – the big problem is most of the label companies don't even know how to do an estimate on the job. Um, now and again I find someone is trying to cut our prices - somebody who doesn't know what's going on; and then I like lose the job and then three months later I got the job back, because they've closed down. I've had a lot of that.

RP7 – We used to be a lot of, or quite a few big companies in the same market, and they have all fallen by the wayside – mostly due to bad management. The competitors we now come across are more the small to medium size organisations. But most of your companies are not totally solutions based – they either do repairs or they do sales. We have never been in a price war. Yes, we look at what our opposition is doing - we are in a service war where customers are prepared to pay a little bit more for excellent service.

RP9 – Well, we spend a lot time looking at websites, 'cause obviously that's our key sort of industry. We are always evaluating what our competitor sites look like, plus the services that they offer: how they structure their pricing, what their value proposition is. So we always do look at that sort of thing. Um, but also we often go out to tenders and when we, let's say for instance a year-and-a-half ago when we did

the {name removed} tender, and what we had to do there is say what is our leading value proposition, how we gonna position. Often when we are at a pitch, we would then look at our competitors to say who, potentially, is going to be involved in this and what angle should we take to present our company. Um, and I think also generally in the market, I mean we have just hired a creative person, who has come from one of our competitors. Through them I can get a good understanding of what competitors offer. And also pricing is a key thing; I mean, it is important for us to see what sort of tools our competitors are selling; how they have structured those tools. Um, and we do often get feedback from our clients as well, to say: this and this competitors have approached them; this is what they are offering; can you offer something similar.

RP10 – Especially prices, that's very important. We examine their ingredients in their products - you know, what type of sanitizer they use, um, so we do a lot of research on their ingredients. And then, of course, their systems, you know.

RP12 – Crucial, it's crucial. What we do is, you know, we do have pricing – pricing is important in our industry these days; in the past it wasn't as important. I know each and every product of my competitor. With all that information ... we use that information to structure synergies to obtain new business. We go out and do what we call a need analysis. We go determine, um: what their needs are; what services do they get from their supplier that they are happy with; what services would they like to have that they are not, uh, uh, that they don't receive from these people; downfalls of, um, the supplier um, surely we know their pricing. And then we look at: their turnover; the potential of the business.

4.5.5 The use of consultants

Consultants were commonly used by many of the research participants. These varied from financial consultants (in the form of accountants) to highly specialised consultants (such as brand specialists). When first introducing this topic, the research participants presumed that the consultants referred to were only

consultants for strategy formation; however, once the scope of this research category was further explained as including consultants of all types, the research participants were able to provide additional details about the type of consultants they engaged with. Some verbatim statements from the research participants regarding the use of consultants are provided below.

RP1 - I didn't consult with anybody. You must remember I come from a background where I worked, um, in a big corporate environment as a managing director. So you ... with those type of experience you do. People have to go and do completely different business altogether, with no knowledge or background ... you will probably think, let's go and consult with somebody, let's get the people that knows and understands that type of environment. See, that's my view. Okay, we did. I did consult with a guy from a BEE point of view; he helped me to put ... gave me a few ideas on ... um, he helped me with this process and gave me options. There is accounts people out there that will do that - accountants that will do those processes for you. And then for you to operate you need to register for VAT, you need to register for WCA, you need to register for UIF, pay as you earn - all that legal stuff you need to register for.

RP2 – ... but I think, in general, we are business consultants, so we see many different businesses that we usually, from personal experience more than professional knowledge, we know more than the usual business person. So on consulting we use tax advisors, brand advisors.

RP3 – I do have an accountant; I do have a lawyer. I won't say they are consulted on a frequent basis on ... on influencing company. They sort of more do the run of the mill accountant things, after things have happened. Um, uh, in designing the {name removed} laundry, the {name removed} linen management system, I did at that stage use consultants, that I chose extensively overseas. I made use of certain expertise abroad to broaden my horizons, to give the correct model for {name removed}; so, yes, in that sense I have consulted.

RP4 – We use somebody to assist us putting the website design and managing it for us. Um, our accountant is used really just for accounting and auditing. {Name removed} and myself are very good on finance and IT and I am good on sales and marketing. It is not like we are two technical guys – we have those skills. Most of that is detained in the business. For labour contracts (legal consultants), because that is the current important part - you know the whole legal aspects of hiring and firing people - you get tied up with the regulation issues. We go to seminars and conferences on quite a regular basis.

RP6 – I can tell you I've got a standard eight; I'm the accountant here; I do the production ... The only time I see an accountant is three days a year - they go back and do my figures. I taught myself accounting.

RP7 – I've got a very good accountant, um, and maybe I am fortunate on my background where I have been in the corporate world as senior management. Use lawyers on the, um, documents, contracts, those type of things and also from a debt collection point of view – sometimes you need them. We use them as well for, for just the once-off, for putting a document together to see if it is legally binding.

RP9 – Well we ... the one thing is, when we started, we had six shareholders and two of them were non-executive, one of them was a senior manager at {name removed} and one of them was more sort of an entrepreneur. And the reason why they were part of the company was because they moved across when we got retrenched and set up the company with us. Through the two of them, because they are not hands-on involved in the business, we had monthly shareholder meetings and they sort of offered a lot of input in strategy, on forecasting, things like that. We do use accountants, because we are a PTY, we have to get audited once a year and they give us sort of formal input via our auditing process, etcetera. But probably at least every two months we consult them on different areas, mainly to do with our finances in terms of where we want to start this division within the company, should we get a CC, a PTY, should we create a separate bank account. We also use a more operational tax and admin lady and she offers a lot of advice on PAYE, how we

structure things etcetera. The one thing ... we are very fortunate, my partner is ... I mean he has a lot of financial background as well. So, in terms of shareholding and finances, he's great in those sort of areas. We do also consult with lawyers, more brokers, where at the moment we need to set up some sort of a shareholder, uh, uh, insurance. And one of the biggest areas from a legal point of view is it took us three years to set up our shareholders' agreement.

RP10 - Of course auditors and then we try use courses - you know, what's new.

RP12 – That the only contract or person that we make use for to help us with our strategy, that is a consultant – process developer. We have, uh, accountants, that, uh, well one person that does the tax every now and then. But that's it. But on determining the profitability of the company - that's done in-house. My wife's an attorney ... we use {name removed} ... they do ... you know, um, we pay them x amount a year and they look after the labour issues.

4.5.6 The use of consultants for strategy formation

Some verbatim responses from the research participants are provided below regarding the use of consultants for strategy formation in their businesses. Four of the research participants did not make any comment regarding the use of consultants for strategy formation for small and medium enterprises.

RP1 - I have no idea. Ask me later. The reason why I am saying that there is two different types of consultants: you get a consultant that is operationally minded or a consultant that is financially minded. If you can marry the two, you will have a fantastic consultant. It is somebody that understands your business; so when you get a consultant (he or she) must spend time in your environment and then make up and say, well, this is what you should do. You can have all these fancy okes coming in, telling you, you need to do this and you need to do that. They don't understand how

this whole engine runs. You got ... you got no chance. So I don't ... I'm not adverse to it; but it's not ... no, no.

RP6 – As the owner of a small business, I am not concerned with any dealings outside the business and have no need for a consultant.

RP7 – We used consultants before in the pharmaceutical industry and very seldom did I get information I didn't know already – I had it confirmed. But if you say, is it value for money – no.

RP8 – I do see the value in employing consultants, but the cost is the biggest issue.

RP9 – We are fortunate that we are from a consulting background, so we know the process. We use workshop processes, we have a certain methodology that we follow so, so we know the process to go through. It is probably more a time issue. We certainly want to do it in-house, because we got those skills. The only thing that we could probably do is our strategy in terms of what do you offer to the market, but, um, I think we have in the past ... cash spending on that sort of thing being a problem, we prefer to do that kind of thing in-house.

RP11 – I have been in the industry for over 20 years and have achieved what I needed by going with my gut.

4.5.7 The small and medium enterprise strategy formation process

Various responses from the research participants in response to the small and medium enterprise strategy formation process are provided below. A lot of terminology was interchanged in this research category. Research participants spoke of strategy by referring to their mission or vision or even used the concept of strategy for financial plans or goals and objectives.

RP1 - We haven't really documented a strategy. When you start the business, you have to have your goals and objectives, okay - your short-term and long-term goals. You need to strategise, okay: what are your short-term goals - it is to get the business off the ground, okay. And what are we gonna ... what are we gonna, um, focus on - being just another cleaning company or are we going to focus on specialised divisions, okay. Ours was then to focus on specialised divisions, okay - short-term goals, ones you know best at this stage ... you know best - they are the ones you target first. Um, then you, then you can settle all those accounts long-term on what you are going to strategise on. Are you going to strategise on the healthcare market? And then you take it from there. That's how you do it. Don't do a shotgun approach; that's not going to work.

RP2 – We have a documented strategy and the financial projections. The thing is, we try to have values as well; so we don't really have a mission or vision. It (the strategy) looks at a next year projection; it is evolving quite fast.

RP3 – All in my head (the strategy, vision and mission). I share that with my general manager, I share that with my production manager and ... and also share that with certain role players in my customer base.

RP4 – Well, I have a personal one (vision and mission) - there's two parts to this. It's where I fit in the long-term and, uh, where should the business be going. I would say, going forward, one of the visions of the business would be growing annuity revenue.

RP6 – So, my personal vision is to keep this company going. I can't say how much sales I am going to make. Other than that, I've got no idea, what we're going to do.

RP7 – Our mission is to be the printer supplier of choice for any of our customers. Um, and our core values are not just values: we live by them. They are not staff: we are family.

RP9 – Um, we haven't actually done a mission statement as such. I find that the partners and myself essentially run the business very informally. We get together, I would say, every four/five months and then we evaluate our business - but not necessarily our positioning, but more in terms of our growth and profitability. We know between us what our mission is, but the only channels that are really out there for the public are our website and our company profiles. But we've never really had to have a mission, etcetera and I find people who have mission and values, when they are a big company, so that all their employees can say, "This is what the company stands for". Myself and my partner are completely operational ... we do find, sort of every two/three months, we need to take some time out for at least a day when we look at the strategy and we look at the finances and that.

RP10 – Ja, we have ours (mission and vision) from America. We have short, medium and long-term (strategies), um: now, within a year and about within a three-year term.

RP12 – We ... we do, you know. We haven't got a ... a broad strategy for the company itself: each department will have a strategy to eventually have an end goal, to have a profitable business. We have one for, on the finance side; one for operation; we have one in despatch; marketing will, uh, have strategy. So each department will have strategy its gotta be compliant together into one big strategy.

Before a research conclusion can be made in terms of this research category, a breakdown of the various terms will need to be provided in order to separate the terms used interchangeably, e.g. strategy, vision, mission, goals, objectives, etc. Furthermore, a distinction will have to be made between those referred to that are documented and those that are not documented, although they exist.

4.5.8 The link between strategy and performance

Seven research participants (RP1, RP2, RP5, RP7, RP9, RP10, RP12) provided responses in respect of their view on the link between strategy and the performance of the small and medium enterprise. However, each of their responses will be explored in more detail to reveal that, in many cases, their responses had no reference to the research topic. Below are some of the responses (verbatim) from the research participants referred to above in response to the issue of the link between strategy and small and medium enterprise performance.

RP1 - I believe if you strategise, strategy should be flexible, adaptable to the environment. If you don't have a flexible strategy, it could determine your future growth: it could be your downfall.

RP2 – If you don't meet your projections, you go and evaluate why you have not met your projections and then correct that: it forces you to evaluate where you are.

RP5 – There are currently no linkages to strategy and individual performance, but we want to change that.

RP7 – I do believe it is true: that there is a link between strategy and the performance of the small and medium enterprise. The success is that the strategy is communicated all the way down and enforced and valued by every team member.

RP9 – When we worked with {name removed}, as a division we actually spent a lot more time going on conferences, looking at what competitors are doing ... look, at this stage, we find we are very operational and whether the competitor is doing this or that doesn't really influence us. We do find we spend less time looking at the environment around us.

4.5.9 The use of strategy for corporates versus small and medium enterprises

Half of the research participants shared their views regarding the use of strategy for corporates versus small and medium enterprises. Below are some of the responses (verbatim) regarding the use of strategy for corporates versus small and medium enterprises.

RP1 - Doesn't matter how big your business - start to put the process in now. If you can, apply to corporate governance, okay. And I am not saying you need to run it like a big corporate: have your policies and procedures and stuff in place.

RP2 – Huge difference, you know: you drive the business according to. In a small business it is often self-based: you put your own money into the business to make sure it is profitable or to make sure you get a return on what you invest. In a larger organisation, people are appointed in a specific role that is more specialised and you find that strategy is not only formalised for the entity, but operational issues become centralised. In a small business, all those issues form part of the same strategy for the small business.

RP10 – Ja, I think so; but it must be practical, you know. I think the corporate side – its too much attend seminars or meetings and then they file the file after four weeks or three weeks in the desk, you know in the drawer.

RP12 – I don't think there should be a difference, I think irrespective of what the business ... you have ... you have to have strategy.

The views shared by the research participants are therefore diverse regarding the use of strategy for small and medium enterprises versus corporate enterprises. However, the reasons given by the research participants for the respective responses were not very specific. None of the research participants made very

strong arguments in respect of whether there should or should not be a difference in the use of strategy for small and medium enterprises versus corporate enterprises.

4.6 CONCLUSION

The primary focus of this chapter was an examination of the research findings. The chapter started by introducing the research participants and detailing a selection of their characteristics that were relevant to the research. The research categories were then investigated comprehensively. There was diversity in the responses from the research participants in all the research categories. This is partly associated with the varying research participant characteristics (variances in tenure in operation, classification of business type, annual turnover, etc). Some research categories also elicited more comprehensive responses than others and certain research categories elicited responses that were not aligned to the research category.

Chapter Five will formulate the conclusions of the research and will assess these against the research concepts introduced in Chapter One. Before conclusions are formulated, research in respect of the formulation of research conclusions needs to be undertaken. Limited or vague responses obtained during the data collection process may, however, result in conclusions not being drawn for all of the research categories. Importantly, the conclusions will be assessed against the intent of the research, i.e. the research problem, the research question and the research objectives, in order to determine if the research achieved its objectives that were identified in Chapter One.

CHAPTER 5



CONCLUSIONS

CHAPTER 5

RESEARCH CONCLUSIONS

5.1 INTRODUCTION

Chapter Four revealed the information gathered through the interviews conducted with the research participants. The findings of the research were made through examination of the research participants' responses to the research categories identified. Some research categories were strongly responded to by the research participants, whilst certain research participants did not have any particular response to other research categories, or were even confounded by concepts introduced.

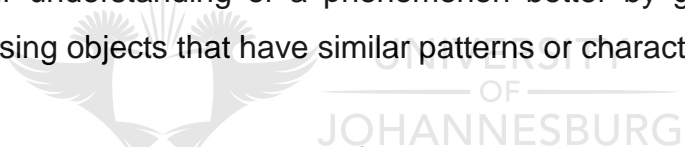
Chapter Five will commence with the formulation of conclusions for this research. This will include research in respect of best practice for the formulation of conclusions. Conclusions will be formulated for the research topics identified. Once the conclusions have been formulated, these will be tested against the intent of the research, i.e. the research problem, the research question and the research objectives.

5.2 FORMULATING RESEARCH CONCLUSIONS

In the data collection process, the qualitative researcher is drawing conclusions: this could be in the form of observing patterns, regularities, explanations, propositions and potential configurations (Miles & Huberman, 1994:11). These should not be resolutely maintained: the researcher should maintain a stance of openness and scepticism. Final conclusions sometimes only emerge after data collection is complete. Miles and Huberman (1994:11) caution however that this depends on factors such as the size of the sample, the coding, the complexity of the research and even the demands of the agency paying for the research. According to Miles and Huberman (1994:11) conclusions should be verified. This verification could range from extensive and elaborate processes, to momentary recollections by the researcher with a simple reference back to field notes. Meaning from data must be tested for credibility, sturdiness and confirmability – also referred to as 'validity'.

Conclusions in qualitative data must be valid, repeatable and accurate. The quality of conclusions must be assured and bias avoided. Miles and Huberman (1994:245) list the following tactics for generating meaning in conclusions:

- Noting patterns or themes: the human mind identifies patterns very quickly and easily - they just 'happen'. When identifying patterns, the researcher must be able to see recurring regularities as well as remain open to disconfirming evidence if it appears. Patterns must be exposed to scepticism.
- Seeing plausibility: intuition, combined with plausibility, is not to be rejected in research. Many researchers derive odd conclusions, which they describe as 'just feeling right'. History has shown that, following detailed verification, the intuitive understanding of researchers was confirmed.
- Clustering: forming categories to make sense of data. Ultimately, it is used to improve our understanding of a phenomenon better by grouping and then conceptualising objects that have similar patterns or characteristics.
- Making metaphors: metaphors are found in research, either in the way the interviewee responds or in the way the researcher examines data. Metaphors are also known as 'data reducing devices' by which many particulars are made into a single generalisation.
- Counting: although qualitative research is not associated with numbers, counting is still done (in the background) when judgments of qualities are made. When a theme is identified, it is isolated to something that happens a number of times and in a specific way. Using numbers also ensures that the researcher is being analytically truthful.
- Making comparisons: this method dates back to as early as Aristotle. Comparison is a timeless method of drawing a contrast between two sets of things that are known to differ.



- Partitioning variables: partitioning variables can take place at various intervals of data analysis. It is the process of 'unbundling' variables in lieu of assuming simplicity.
- Subsuming particulars into the general: subsuming is compared to clustering; rather than just categorising things together - so asking: "What is this an instance of? Does it belong to a more general class?"
- Factoring: this is a technique used for representing a large number of measured variables in terms of a smaller number of unobserved variables.
- Noting relations between variables: after the variables are clarified, the next logical step is to identify how they relate to each other.
- Finding intervening variables: variables that appeared to have a relation in the earlier phases, may later be found not to have a proper relation.
- Building a logical chain of evidence: this tactic requires precision in verifying data at each step.
- Making conceptual coherence.

The conclusions of this research will be made in respect of the research categories identified in section 4.4 and further expanded in section 4.5. A combination of the tactics for generating meaning in conclusions, as identified by Miles and Huberman (1994:245), will be applied.

5.3 CONCLUSIONS

Some of the research categories were more closely related than others. The permeating factor among all the research categories was the application to small and medium enterprises. The two other dominant themes within the research categories were:

- strategy (i.e. the need for strategy, the role-players in strategy formation, the strategy formation process, the link between strategy and small and medium enterprise performance and the use of strategy for corporates versus small and medium enterprises)
- consultants (the general use of consultants, the use of consultants for strategy formation).

Two further research categories were indirectly related to strategy but closely linked to determining the usage of strategy in small and medium enterprises - planning and forecasting; and competitive intelligence. The research category that most closely reflected the main purpose of this research was 'The use of consultants for strategy formation'.

5.3.1 The need for strategy formation

- *There was overwhelming support amongst the research participants for the need for strategy for small and medium enterprises.*

The majority of participants were in favour of and supported the notion of having a strategy for small and medium enterprises (RP1, RP2, RP3, RP5, RP7, RP8, RP9, RP10, RP12). However, after further discussion in the interviews this was contradicted in terms of the definition of strategy according to these research participants and what the reality of strategy was in the research participants' enterprises.

Two research participants were not in favour of the need for strategy for small and medium enterprises (RP4, RP11). RP4's unfavourable response to the need for strategy for small and medium enterprises (in 4.6.1) was contradicted later in the interview when discussing the strategy formation process (4.6.7). This research participant suggested that the two enterprise owners needed to give more thought to the strategy of their business. Furthermore, the research participant also noted that

strategic discussions were held between the two business owners and other senior managers within the small and medium enterprise. Similarly, RP6 stated early in the interview that a strategy was done on a monthly basis. Yet, when defining the activities associated to the monthly strategy, these were simply the compilation of standard financial monthly reports, such as a monthly balance sheet and a profit and loss statement.

In section 2.3 it was stated that Sandberg *et al* (2001:13) report that small and medium enterprises focus on the operation of the business rather than the preparation of time-consuming strategic plans. This was confirmed by the response of RP4 in this research category. The findings of other research categories later indicated more support of Sandberg *et al*'s (2001:13) view, as the scope of strategy of the research participants was further revealed.

The concerns of Dibrell *et al* (2007:23) regarding small and medium enterprises becoming disconnected from their operations should they become too involved in a structured planning process was supported by the response from RP4. This participant stated that the amount of time needed for strategy was a disadvantage to corporates. This view of Dibrell *et al* (2007:23) was more distinctly supported in the conclusions of other research categories where variables in this research category were identified.

This research could not be seen to support or contradict Sandberg *et al*'s (2001:13) findings that half of all small and medium enterprises have no strategy; this as the participants were not questioned directly about having a strategy or not. Based on the verbatim statements given in 4.5.1, it was evident that 75 percent of participants strongly support the need for a strategy. A more accurate reflection of Sandberg *et al*'s (2001:13) view in this regard will be explored in section 5.3.7, with the small and medium enterprise strategy formation processes more accurately reflecting the views of Sandberg *et al* (2001:13).

5.3.2 Strategy formation role-players

- *Single-owner small and medium enterprises mostly (with the exception of RP11) reported that they (the owners) were the only participants involved in the formation of strategy. Small and medium enterprises with multiple owners, however, included multiple role-players in the formation of their strategy.*

The responses to the feedback in respect of whom the participants thought should be involved in the strategy formation process was, also in accordance with their respective ownership structures. In respect of all the single-owner small and medium enterprises (RP3, RP6, RP10), the responses indicated that the sole owners were the only participants involved in the formation of the strategy. It is important to note that this must be considered in respect of their individual definitions of a strategy and not the formal definition of a strategy. The example described in section 4.5.1 in respect of RP6 serves as an example. RP11 offered no response in respect of who the role-players in the formation of strategy should be, simply because RP11 did not believe in running the business on the basis of a strategy.

The responses from research participants in enterprises that had multiple owners (RP2, RP4, RP7, RP8, RP9, RP12) were varied in respect of who the role-players in the formation of strategy should be: some research participants referred only to the owners (or partners) of the small and medium enterprises being involved (RP2, RP7, RP9); RP4 referred to many role-players being involved in the strategy formation process, including the owners, senior management and even strategic business partners, such as suppliers. The response from RP4 must be considered in respect of RP4's non-favourable view of strategy for small and medium enterprises. RP8 also recommended using as many role-players as possible and referred to an internal strategy committee made up of the directors, field managers and a selection of franchisees. RP12 held that although top management should be responsible for the formation of the strategy of the small and medium enterprise, this should be based on feedback obtained from lower levels of management.

RP1's enterprise has a multi-layered ownership structure and responded that management should be involved in the formation of the small and medium enterprise

strategy. However, the description of 'management' was not explored and it is not known what level of management (i.e. senior, middle, junior) was being referred to. RP5's enterprise was owned by a listed organisation. RP5 referred to two levels of strategy: the first at the level of the listed organisation (i.e. the combined strategy of the divisions within the organisation); the second at the business unit level (i.e. that of RP5's enterprise alone). In respect of the role-players involved in strategy formation at business unit level, all unit managers were involved in the process. RP5 placed a lot of emphasis on participation being important in the strategy formation process.

With the exception of RP4, when referring to strategic partners such as suppliers being involved in the strategy formation process, all other participants' references to role-players were to internal role-players only. None of the research participants made reference to consultants as role-players for strategy formation. Thus, a second conclusion can also be made about this research category based on the research findings, i.e.:

- *The majority of research participants only obtained input from internal role-players for the formation of strategy and none of the research participants used external consultants for the formation of their strategy.*

Similarly, the literature review also provided varying views (refer to section 2.7) in respect of who the role-players in strategy formation should be, and none of these made specific mention of the role-players required in the formation of strategy, specifically for small and medium enterprises. The varying responses included reference to the chief executive (Lawler, 2006:11), strategic planners (Mintzberg, 2000:392), the joint responsibility of the chief executive and the strategy consultants (Montgomery, 2008:58) and the overall leadership of the organisation (Montgomery, 2008:60). Nadler (2004:32) explored the willingness of the chief executive within the corporate to receive input and ideas from his board members and even external facilitators. This was contrasted with the small and medium enterprise owner who, may not have access to such resources and who may not necessarily be willing to receive such input.



5.3.3 Planning and forecasting

- *Planning and forecasting was referred to only in financial terms by most of the research participants.*

Some research participants advised that forecasts were being used to determine the growth of the small and medium enterprise and to measure if they were on track for their future. Some referred to forecasting only in financial terms, e.g. sales, cash flow or revenue growth (RP1, RP2, RP4, RP5, RP6, RP7, RP8, RP10, RP11); others included reference to forecasting in terms of products (RP3, RP12) and organisational structure (RP9). Although RP6 did refer to forecasting in financial terms, this was not done in practice, as previous experience had shown that it was not successful and it was therefore discontinued.

In addition to the two research participants, who advised that they did not do forecasting (RP6 and RP11, who only looked retrospectively at deals completed for the preceding month), one other participant indicated reluctance to do so. RP4 reported that they only undertook forecasts for the sake of their suppliers, who required quarterly forecasts for their planning. In fact, they preferred not to do forecasts, as the time spent on doing forecasts could be better served generating income for their business.

One research participant (RP9) referred to their forecasting in terms of a 'Bahamas spreadsheet'; this being the focus on cash flow, which ultimately determined how much money was in the bank. (The specific reference to the Bahamas was used as an indication of having enough cash flow to afford to retire in the Bahamas). Cash flow was also the only reference to forecasting made by RP10: cash flow determined the ability to place new orders, which was ultimately the focus of all planning for their enterprise.

Although RP12's enterprise did not spend as much time on forecasting, they used forecasting for the most strategic purpose of all the enterprises. Their forecasts included: margins on turnover (sales of inventory or services for cash or on credit [Marx, 2004:183]); forecasts on overheads to determine profit (revenue exceeding

total cost excluding taxes [Marx, 2004:181]); nett profit (revenue exceeding total costs including taxes [Marx, 2004:179]); and forecasts on margin on gross profits (contribution of core business after covering operating expenses [Marx, 2004:176]). These financial calculations were then used to determine whether or not the market was ready for a price increase. A contrasting response was provided by RP6, who reported that *this* enterprise had no targets and didn't do any budgeting (this was an enterprise who had an annual turnover of R18 million per year). The enterprise preferred to go "day by day" and simply "play around with numbers".

Stonehouse and Pemberton (2002:885) reported that research from England indicated that most small and medium enterprises adopted a highly structured approach to forecasting. Evidence of this was reflected in two responses from the research participants. The most focused forecasting was reported by RP5, who spent four to six weeks annually preparing budgets and forecasts. Detailed information was maintained throughout the year to prepare for this annual process and input was obtained from various sources within the enterprise. The second research participant who provided evidence of structured forecasting was RP12 as per the information provided above.

In the same research done by Stonehouse and Pemberton (2002:885), it was found that small and medium enterprises from the service sector had more structured plans than those from the manufacturing sector. Both the above examples of structured and comprehensive planning and forecasting undertaken by research participants (RP5 and RP12) was in respect of organisations that were suppliers of goods and services. Two of the weakest examples of planning and forecasting identified during the research came from participants RP6 and RP11, with both their enterprises supplying only goods. However, RP11's organisation did not actually manufacture the goods and therefore could not be classified as being in the manufacturing sector.

A second conclusion in this research category could be made, i.e.:

- *None of the research participants did planning and forecasting beyond 12 months in advance.*

Although almost half of the research participants did forecasting for 12 months, none of the research participants did longer term forecasting. As most organisational strategies look beyond a one-year period, this response must be considered in respect of other responses from the research participants in respect of their strategy formation process. The thinking of Gibson and Cassar (2002:175) and Yusuf and Saffu (2005:481) (refer to section 2.5) support the results of this research. They reflected that planning in small and medium enterprises is mostly adaptive (i.e. in response to specific events), short-term and focused on managing and positively exploiting scarce resources.

In some cases, forecasting was done exclusively by the owners of the enterprise, whilst other research participants reported that forecasting was done from the bottom up. This involved budgets compiled by sales staff being rolled up to the sales manager and then into a “global budget” for the full enterprise. With reference to this particular item, the research participant (RP7) reported that forecasts done from the bottom up allowed for greater participation within the enterprise.

Forecast reliability varied amongst the research participants, with many research participants reporting that the increased growth of the enterprise made it harder to forecast accurately. RP7 reported that it was difficult to determine a pattern in the current market circumstances. RP1, who represented a relatively new small and medium enterprise, also reported difficulty in forecasting accurately, given that this enterprise was new and had no historical reference data.

5.3.4 Competitive intelligence

- *Competitive intelligence was gathered by most research participants and this was most commonly in respect of competitor pricing and offering (product and/or service).*

One research participant did not gather any competitive intelligence (R6). All other research participants did and this ranged from pricing, product or service offering to who the customers were and even what their value proposition was. Although most research participants interviewed actively sought competitive intelligence, none

made specific reference to how the competitive intelligence impacted their strategies. The types of competitive intelligence gathered by the research participants are listed in Table 5.1.

Table 5.1: Types of competitive intelligence gathered

	Reason for gathering competitive intelligence			
	Pricing	Offering	Other	None
RP1			Who their customers are	
RP2	Pricing	Structure of services	General approaches	
RP3	Pricing	Service offering	Strategy, lead times, general approach	
RP4		Service offering		
RP5	Pricing			
RP6				None
RP7		Service offering		
RP8	Pricing	Service offering		
RP9	Pricing	Service offering	Value proposition	
RP10	Pricing	Product offering		
RP11	Pricing			
RP12	Pricing	Product and service offering	Business potential	

Many research participants gathered competitive intelligence on pricing (RP2, RP3, RP5, RP8, RP9, RP10, RP11, RP12). Various research participants also gathered competitive intelligence pertaining to either the products or services that their competitors provided (RP2, RP3, RP4, RP7, RP8, RP9, RP12). However, certain research participants gathered competitive intelligence at a higher level than just simply pricing or service/product offerings: two research participants (RP2 and RP3) gathered competitive intelligence on the overall approaches of their competitors. RP12 gathered competitive intelligence to determine the business potential of the competition. RP9 also reported gathering competitive intelligence to establish the value propositions of competitors. This suggests that although RP12 also wanted to know the prices of their competitor's offerings, they also wanted more in-depth knowledge of how competitors operated and where they fitted into the market - this

instead of just a simple price benchmarking exercise, as indicated by most participants.

Groom and David (2001:16) reported that small and medium enterprises are not focussed on gathering competitive intelligence, because of a lack of resources in most cases. This was confirmed by the research: four of the research participants gathered competitive intelligence beyond information that was easily accessible, such as pricing and product/service offering of their competitors.

A second conclusion can be made from the research findings:

- *The two most common sources for competitive intelligence gathered by the research participants were from customers and suppliers.*

The research participants gathered competitive intelligence from various sources, the most common being customers (RP2, RP5, RP12) and then suppliers (RP1, RP4, RP11). Other sources of competitive intelligence included:

- Previous employment at competitor organisations (RP1).
- Employing staff from competitor organisations (RP9).
- Membership of industry association (RP1, RP2, RP8).
- Attending industry conferences or seminars (RP4, RP8).
- Information gathered by franchisors in the field (RP8).
- Trade publications (RP8).
- Review of competitors' websites (RP9).
- Surveys undertaken with customers of competitors (RP12).

Research conducted by Groom and David (2001:13) revealed that small and medium enterprises typically gather competitive intelligence via their own employees and through interactions with their suppliers, customers and other industry contacts. This is reflected in the feedback from the research participants: 25 percent gathered competitive intelligence from their customers and 25 percent gathered competitive intelligence from their suppliers. Competitive intelligence gathered through industry associations occurred in 25 percent of the instances reported. Although RP6 reported being a member of an industry association, this was not used as a platform for gaining competitive intelligence.

In terms of the sources of information associated with perceived competitiveness identified by Abeson and Taku (2006:467), none of the participants reported approaching family members or social contacts. RP8 gathered competitive intelligence through three of the other sources identified, i.e. trade publications, seminars and colleagues (in the form of franchisors in the field). RP4 also attended seminars, most of which were international seminars and directly associated with new products.

In reference to the responses from the research participants, the most commonly used source of competitive intelligence identified by Abeson and Taku (2006:467) was suppliers (referred to as salespeople by Abeson and Taku, 2006:467). However, the other source of competitive intelligence commonly used by the research participants (RP2, RP5 and RP12) i.e. customers, was not identified by Abeson and Taku (2006:467).

The research of Groom and David (2001:13) complements the findings of this research in terms of small and medium enterprises not being overly preoccupied with gathering competitive intelligence and converting it into useful information for purposes of the development of strategy.



5.3.5 The use of consultants

- *All the research participants consulted external service providers for the provision of services and almost all of the research participants used external parties for financial services.*

The research participants employed the services of 15 different types of external service providers. These were categorised into financial, legal, human resource, information technology and other. Table 5.2 gives an overview of various external stakeholders consulted by the research participants.



Table 5.2: External parties consulted

	Financial	Legal	Human resource	Information technology	Other
RP1	Accountant	Lawyer			B-BBEE consultant
RP2	Tax advisor				Brand specialist
RP3	Accountant	Lawyer			Product specialist
RP4	Accountant	Lawyer	Labour consultant	Website designer	Suppliers
RP5			Industrial relations specialist	Information technology specialist	
RP6	Accountant	Lawyer			
RP7	Accountant	Lawyer			
RP8	Accountant	Lawyer		Information technology specialist	Administration specialist, franchise specialist
RP9	Accountant	Lawyer			
RP10	Auditors				
RP11	Accountant	Lawyer			Suppliers
RP12	Accountant			Information technology developer	Process developer
Total	11	8	2	4	8
% usage by participants	92%	67%	17%	33%	67%

A total of 33 consultants were used by the research participants, with an average of 2.75 per research participant. All participants, bar one (RP5) engaged with external parties for assistance in financial matters. This is mostly ascribed to tax and other legislated requirements for small and medium enterprises. Legal advice was obtained by eight participants and reasons for approaching these parties included assistance in managing bad debt, registering company names and setting up

partnerships. Labour consultants were used by two participants, both of whom supply both goods and services. Notably, participants with larger labour quotas did not make use of labour consultants. The participants used external information technology providers for various purposes, ranging from setting up infrastructure to designing websites.

Bennett and Robson (1999:352) advise that the need for external assistance in the form of advice from consultants increases as the enterprise grows. Although small and medium enterprises are more likely to need specialist advice, they are less likely to seek it. Dyer and Ross (2008:133) also assert that owners of small and medium enterprises prefer to rely on experience and intuition. The findings of Dyer and Ross (2008:133) reflect the findings of this research in terms of small and medium enterprises being most likely to seek external advice on technical issues such as legal or financial matters.

According to Bennett and Robson (1999:352), the lower the annual turnover of the small and medium enterprise, the less likely it is to obtain the services of consultants. The feedback provided by the research participants does not support this assertion. The research participants (RP4 and RP8) who made use of the most consultants (five), both had an annual turnover of R15 million. This value is within the median range of annual turnover of the total research population, calculated at R14 million. The research participants with the highest turnovers (RP1 with R24 million and RP12 with R23 million) both only employed the services of three consultants, which is close to the average number of consultants used throughout by the total research population. The only correlation with the findings of Bennett and Robson (1999:352) was established amongst research participants with the lowest turnover: RP10 had the lowest annual turnover (R1.4 million) and employed the services of one consultant; the next 3 lowest annual turnover figures were reported by research participants RP2, RP7 and RP9 respectively, and all employed the services of two consultants.

Bennett and Robson (2003:797) later reported that owner-managed enterprises are less willing to employ consultants. Ten of the 12 research participants were owner-managed; six of these had multiple owners and four were managed by single

owners. The exceptions to these ownership structures were: RP1, who had multiple levels of ownership; and RP5, who was part of a listed enterprise. RP1 employed one consultant and RP5 employed two.

5.3.6 The use of consultants for strategy formation

- *None of the research participants had ever employed the services of consultants for the provision of strategy formation.*

Nine of the research participants were in favour of the need for strategy for a small and medium enterprise, although none had employed the services of consultants to assist with the formation of a strategy. Thus, the findings of Pineda *et al* (1998:70) are not refuted in the findings of this research. Their research showed that small and medium enterprises turn to internal sources of advice rather than to external sources. Although the research of Pineda *et al* (1998:70) did not make specific reference to advice on strategy, it did show that small and medium enterprises seek external advice when making decisions related to their products, but are less likely to do so when seeking advice regarding technical decisions.

- *The research participants held diverse views in respect of willingness to employ consultants to attend to the formation of strategy.*

Four research participants (RP3, RP5, RP10, RP12) did not offer a response as to whether they would be willing to employ the services of a consultant to formulate strategy; one research participant was fully in favour of employing the services of a consultant (RP2); and three research participants were in favour of employing a consultant (RP4, RP8, RP9), but were hesitant about this due to the associated cost and time required.

Four research participants (RP1, RP6, RP7, RP11) were not in favour of employing consultants to formulate strategy. Two of these responses confirmed that the performance of the owners of the small and medium enterprise could not be improved through the use of consultants (RP6 and RP11). In reference to their own

experiences as small and medium enterprise owners, RP6 had been in operation for 15 years and RP11 had been in operation for three years. RP7's disapproving response was based on previous experience working with consultants in a corporate organisation; however, it was not confirmed if the consultants referred to were employed for the purpose of strategy formation. If the conditions (pricing and time availability) stipulated by RP4, RP8 and RP9 were removed, there would be an equal number of participants in favour of and not in favour of employing consultants for the formation of strategy in future.

Bennett and Robson (2003:797) argue that small and medium enterprises can improve their competitive position by augmenting their strategic and information expertise, and suggest that consultants are used to facilitate this. They offer alternate methods for expanding the expertise of the small and medium enterprise, including: recruiting a specialist employee; internal management training; and development and strategic collaboration with another enterprise. Of the three methods referred to, only management training and development was used by the research participants. RP10 and RP12 both referred to attending strategy training courses. A further method, not mentioned by Bennett and Robson (2003:797), of expanding expertise on strategy was noted by RP8, RP10 and RP12, who all spoke of reading books about strategy.

5.3.7 The small and medium enterprise strategy formation process

- *None of the research participants made reference to a formal process in respect of their strategy formation.*

None of the research participants described how they had formed their strategies and even used the following concepts interchangeably: business plans (RP7), long term goals and objectives (RP1), short and medium term objectives (RP10), and annual projections (RP2). Furthermore, no reference was made by any of the research participants to the use of any models or methodologies for the purpose of strategy formation. Refer to the models identified by Pun (2004:918) in Diagram 2.1.

- *None of the research participants had written strategies, including a mission and vision statement developed independently.*

The responses of the research participants regarding the approach to strategy formation are summarised in Table 5.3. The table is used to separate the responses in respect of the existence of an enterprise strategy and the existence of an enterprise mission and vision. These sections were then further examined to identify if the research participant: had such in place and it was documented; or had such in place but it was not documented; did not have such in place at all.

Table 5.3: Summary of strategy status

	Exists and is documented		Exists but is not documented		Does not exist	
	Strategy	Mission and vision	Strategy	Mission and vision	Strategy	Mission and vision
RP1					X	X
RP2	X					X
RP3			X	X		
RP4				X	X	
RP5	X	X				
RP6				X	X	
RP7		X	X			
RP8		X	X			
RP9	X					X
RP10		X			X	
RP11				X	X	
RP12			X			X

The findings of this exercise indicated a large assortment of outcomes. Three research participants had documented strategies in place (RP2, RP5, RP9). RP5's strategy was prepared annually and was aligned to that of the holding company's overall strategy. RP5 also confirmed that the mission and vision was documented. Mission and vision statements are mostly included in the overall strategy, but for the purpose of evaluating the understanding of the content of a strategy, the reference to mission and vision statements was separated. RP9 advised that the enterprise's

strategy was limited to a one page document. Notably, although RP9 reported the enterprise had a documented strategy, the mission and vision was not included in the strategy as the research participant reported there was no mission or vision.

Two research participants had documented mission and vision statements, but no documented strategies (RP7, RP8). RP10 had a documented mission and vision statement, but no strategy. The three research participants (RP4, RP6, RP11) who had earlier indicated either indifference or resistance to the need for strategy for small and medium enterprises (refer to section 4.5.1) all had the same results, i.e. although the enterprise had mission and vision statements, these were not documented. Furthermore the enterprise had no strategy at all. Thus, their responses in 4.6.1 were consistent with their responses in respect of the existence of strategies in their enterprises. The research participant with the most extreme response, i.e. no strategy, mission or vision statements, was RP1. It must be noted, however, that RP1 did specify that there were goals and objectives in place, but this can not be equated to a strategy.

Thompson *et al* (2005:9) explain that strategy formation is confused with strategic planning. This corresponds with the responses provided by the research participants when asked to describe their strategy formation processes. Prior to the interviews, the research participants were given a broad introduction to the content of the interviews. The introduction letter referred to all the topics discussed in section 4.5. A definition of strategy formation was purposely not provided, so as to avoid pre-determined responses being given based on a given definition. One research participant (RP10) made enquiry about the definition of business strategy after receiving the introduction letter.

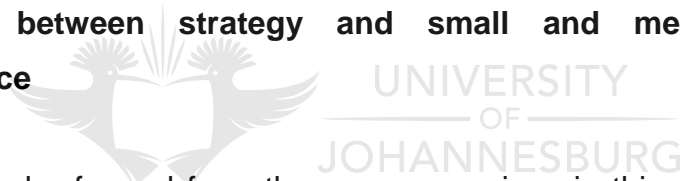
Frese *et al* (2000:2) speak of process versus content strategy formation. There was no evidence of any process (the 'how') strategy formation, with the possible exception of RP5, who reported having a documented strategy (as well as documented vision and mission statements). It is not likely that any of the other research participants engaged in formal strategy formation processes. Although evidence of formal strategy formation processes was lacking, certain research participants referred to strategy content, as noted by Frese *et al* (2000:2). Content



specifies the type of strategy to be used, e.g. differentiation, innovation leader, etc. Five research participants summarised the overall strategy of their small and medium enterprises, indicating that they had considered strategy content. These responses are summarised below:

- RP1: growth to be on a national level.
- RP4: increased annuity income.
- RP6: outperforming the competition.
- RP7: increased turnover.
- RP11: growth.

5.3.8 The link between strategy and small and medium enterprise performance



No conclusion can be formed from the responses given in this research category. There were many vague responses that detracted from the key concepts raised. These included comparison of the link between strategy and the performance of the individual employed in the small and medium enterprise, or comparisons to the link between the strategy and the performance of the industry in which the small and medium enterprise operates.

RP12 responded that strategy must be linked to performance. However, this response did not reflect if the research participant believed there was a link between the strategy and the performance of the small and medium enterprise. RP1 said that strategy determines the future growth or failure of the business. This can be interpreted as supporting the belief that there is a link between strategy and the small and medium enterprise's performance. RP7 asserted that strategy set the direction of a company and believed that there was a link between strategy and performance. RP10 reflected that performance was linked to strategy, but added that

there were linkages between the strategy of the small and medium enterprise and the performance of the industry in which it operated. In a similar fashion, RP5 spoke of the importance of linking strategy to the performance of the individual, but did not make reference to the link between strategy and the performance of the small and medium enterprise. The most perplexing response was from RP9: the response given had no bearing on the research category and referred to issues discussed in other research categories.

Divergent views on the linkages between strategy and the performance of the small and medium enterprise were explored in section 2.4.1. Meers and Robertson (2007:302) claimed that there is a direct link between strategic planning and organisational performance for small and medium enterprises. French *et al* (2004:774) agreed, but their research showed that the link is not significant. However, an underlying disagreement on how the performance - and even the strategy - is defined (Gibson & Cassar, 2005:207; Keats & Bracker, 1998:53; Kraus *et al*, 2006:335) resulted in questioning the validity of previous research. Despite this, Kraus *et al* (2006:335) and Gibson and Cassar (2005:219) affirmed that a greater amount of formalisation is linked with improved performance. Although some of the responses did not agree with this, none of the research participant indicated that there was no linkage between strategy and the performance of the small and medium enterprise.

This research did not attempt to assess the performance of the research participants' enterprise and the extent of formal strategy formation (as described in section 4.5.7) they undertook.

5.3.9 The use of strategy for corporate versus small and medium enterprises

A conclusion can not be formed in terms of this research category. Six research participants offered an opinion in this research category; of the six responses, three respondents (RP1, RP2, RP12) thought that there should be no difference in the way strategy is approached by corporate and small and medium enterprises; three research participants (RP4, RP7, RP10) did not believe that both corporate and small and medium enterprises should approach strategy in the same way. RP2

further clarified the view to specify that although there should not be a difference, there was a difference in practice. RP2 also stated that in small and medium enterprises the operations of the business formed part of the strategy, which was not the case in corporates.

The views held by O'Regan and Ghobadian (2004b:77) are closely reflected in the response from RP4, who believed that corporates were disadvantaged by the amount of time needed to prepare strategies. RP7 said that people at the 'coal face' (forefront) of the business knew the needs of the business and, therefore, would be better at strategy formation than corporates. Although not directly stated, the inference was made that senior staff, who were typically responsible for the formation of the strategy at corporates, did not typically have access to the required information to do so and, therefore, would be disadvantaged in the strategy formation process. RP10 stated that corporates only undertook the strategy formation process to have something to file in a drawer. Yet RP10 was adamant that small and medium enterprises should have a practical strategy, but also felt that these were too costly for the small and medium enterprise to prepare and implement.

Just as the responses from the research participants were divided in this research category, so too were the views reported in the literature review. O'Regan and Ghobadian (2004b:77) considered small and medium enterprises to be more adaptive than large corporates, as they are not hindered by bureaucracy. Nelson (2004:24), however, refers to challenges faced by small and medium enterprises in respect of "scale of advantages". More specifically, Chussil (2005:26) identifies reasons for corporates having the edge over small and medium enterprises in strategy formation, including: access to accurate data, more accurate forecasts and adequate time to analyse the data.

5.3.10 Conclusions summarised

Although there was strong support by the research participants for the need for strategy for small and medium enterprises, this support failed to translate into real life practices. Examples included the limited forecasting and planning done by the research participants, as well as the narrow-based competitive intelligence gathered.

The favourable support of strategy for small and medium enterprises also did not translate in respect of external consultants used by small and medium enterprises as none appointed consultants for the purpose of strategy formation. Similarly, the extent to which the enterprises formalised their strategy formation process did not correspond with the participants' support of the need for strategy in a small and medium enterprise.

5.4 APPRAISAL OF THE RESEARCH INTENT VERSUS THE RESEARCH CONCLUSIONS

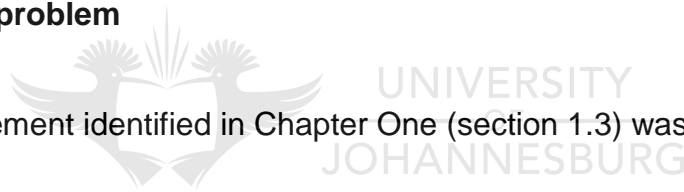
In Chapter One, the purpose of the research was established by identifying the research statement, research question and research objectives. These research principles will now be reviewed to determine how they relate to the research conclusions.

5.4.1 Research problem

The problem statement identified in Chapter One (section 1.3) was as follows:

- *Small and medium enterprises do not have a proven approach to strategy formation, with no distinction being made between the outcomes in respect of employing external consultants and developing a strategy independently and internally within the organisation.*

The problem statement started with a deliberation of small and medium enterprises not having a proven approach to strategy formation. This was confirmed by the conclusion made in section 5.3.7. This conclusion was supported with an explanation that many of the small and medium enterprise research participants did not have consistent definitions of what strategy is. The second part of the problem statement makes reference to the outcomes in respect of employing external consultants. In the research conclusions (section 5.3.6), the outcome indicated that none of the organisations had ever employed the services of external consultants for the purpose of formulating strategy for the small and medium enterprise. Thus, the



research conclusions in fact revealed a problem within the problem statement, i.e. external consultants had never previously been employed for strategy formation.

5.4.2 Research question

The research question formulated in 1.4 was as follows:

- *Would small and medium enterprises derive greater benefit in the strategy formation process by appointing third party consultants or by self-development internally?*

As stated above, the research conclusions established (section 5.3.6) that none of the research participants had ever employed the services of external consultants for the purpose of strategy formation. Although the literature review emphasised the need for strategy for small and medium enterprises, the research findings indicated that none of the research participants had a formal approach to strategy formation. Therefore two of the critical components of the research question were distinctly absent. i.e. the use of external consultants and the strategy formation process.

5.4.3 Research objectives

A primary objective of the research was provided in section 1.5 and this was supported by secondary objectives. The primary objective of the research was:

- *To examine the trends in strategy formation for small and medium enterprises.*

This objective was comprehensively achieved. The research conclusions provided rich information in respect of the real-life trends in strategy formation for small and medium enterprises. Some of the specific trends examined included: the role-players in strategy formation in small and medium enterprises; the use of forecasting and planning in small and medium enterprises; the sources of competitive intelligence

gathered by small and medium enterprises; and the small and medium enterprise strategy formation process.

The secondary objectives of the research are considered in reference to the research outcomes below.

- *To identify the significance of strategy to the small and medium enterprise.*

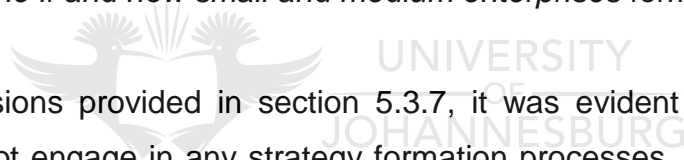
Although the research conclusion provided in section 5.3.1 determined that most research participants were in favour of strategy for small and medium enterprises, in practice strategy was not really significant in terms of the operation of the small and medium enterprises of the research participants. This is confirmed by the research conclusions provided in sections 5.3.3, 5.3.4, 5.3.6 and 5.3.7. Therefore this research objective was fully achieved.

- *To determine if and how small and medium enterprises form their strategies.*

From the conclusions provided in section 5.3.7, it was evident that the research participants did not engage in any strategy formation processes. Thus the research conclusion provided insight into only the first portion of the research objective, i.e. 'if' small and medium enterprises form their strategies. Therefore, the 'how' was no longer applicable, given that the answer to the first aspect was negative and this research objective was partially achieved.

- *To examine to what extent external consultants are engaged by small and medium enterprises.*

The research conclusions provided in section 5.3.5 and section 5.3.6 gauged the extent to which the research participants consulted with external consultants. Although external consultants were used for a range of services, none were used for the purpose of strategy formation. Thus, this research objective was achieved.



- *To determine if there is a link between strategy formation and the performance of the small and medium enterprise.*

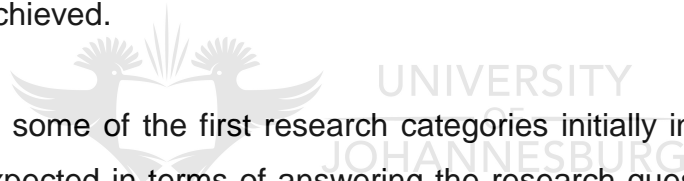
Although the literature review sourced information in respect to this research objective, it was not tested through the research findings. Therefore this research objective was not achieved.

5.5 CONCLUSION

In this chapter, the findings of Chapter Four were merged with the information gathered in the literature review (Chapter Two) in order to determine the research conclusions. Concrete conclusions were drawn in respect of some of the research categories, whilst other research categories elicited vague responses and therefore solid conclusions could not be drawn. Despite this, a comparison of the overall intent of the research versus the outcomes of the research indicated that most of the objectives were achieved.

The responses to some of the first research categories initially indicated a positive result could be expected in terms of answering the research question. However, as further research categories were revealed, the practice of using consultants for the formation of strategies for small and medium enterprises was revealed to be non-existent among all the research participants. Although the scope of the research did not intend to include an assessment of the outcomes of small and medium enterprises using consultants for the purpose of formation of strategies, the opportunity of engaging with small and medium enterprises that had used consultants for the formation of strategy would have been valuable in identifying future research opportunities.

The final chapter of this research will examine the limitations of this research in respect of research design, literature review and research content. The implications of this research will also be examined, which will then provide a platform against which recommendations for future research can be determined.



CHAPTER 6



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IMPLICATIONS AND RECOMMENDATIONS

CHAPTER 6

IMPLICATIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

In Chapter Five the conclusions in respect of the respective research categories were provided. Chapter Five also dealt with a re-visitation of the intent of the research, in order to determine if the research problem, research question and research objectives had been satisfactorily concluded.

In the final chapter (Chapter Six) of this study, consideration will be given to the implications of the research and recommendations provided in terms of the implications identified. The implications and recommendations will be categorised into the research methodology; the literature review and the research problem. Limitations of the research will also be considered and reference will be made to the anticipated limitations referred to in Chapter One. Before making the final conclusion, research reflections will be provided. The chapter will commence with recommendations for future research.

6.2 RECOMMENDATIONS FOR FUTURE RESEARCH

Most of the recommendations for future research arise from the research implications and will be considered in respect of the research categories.

- The need for strategy.

The research implication showed that small and medium enterprises aspired to have formal strategies, yet these did not exist. This implies that there is a need to assist small and medium enterprises with the strategy formation process. Therefore, a recommendation for future research is to explore alternate mechanisms or channels for small and medium enterprises to form their strategies.

- Strategy formation role-players.

The conclusion provided in section 5.3.2 indicated that the role-players in the strategy formation process were restricted to internal role-players only. None of the research participants engaged with external role-players for strategy formation. This indicated one of the following possibilities i.t.o. small and medium enterprises: that they are not willing to engage external role-players; that they do not know which external role-players to approach; that they do not have access to appropriate external role-players for the formation of their strategies. Future research could perhaps identify possible external role-players that small and medium enterprises could engage for purposes of formation of strategy.

- Planning and forecasting.

The research conclusion provided in section 5.3.3 indicated that none of the research participants did forecasting or planning beyond 12 months in advance. Future research could investigate the benefits of longer term forecasting and planning for small and medium enterprises.

- Competitive intelligence.

The extent to which the research participants gathered competitive intelligence was evaluated (see the research conclusion provided in section 5.3.4). Most research participants gathered competitive information in respect of competitor's pricing. The most common sources of this competitive information are suppliers and customers. This implies that the focus of competitive intelligence is confined and does not look toward the overall strategy of the competition. Small and medium enterprises operate in very competitive environments. If they were able to determine the strategies of their competitors, they might be able to stay one step ahead of them. An avenue for future research could be to determine what the potential advantage would be for small and medium enterprises of more focused competitive intelligence gathering. Such research could look at small and medium enterprises that do

competitive intelligence that extends beyond just price or product comparison and which includes competitive intelligence in respect of competitor's strategies.

- The use of consultants.

The extent to which the research participants used external consultants indicated that a variety of consultants were appointed, but that financial advisors were most commonly used (section 5.3.5). More focus is placed on the financial affairs of the small and medium enterprise compared to any of the other components of the business. Although the value of a financially strong small and medium enterprise is not questioned, further research could potentially expose the value of using external consultants for other aspects of operating a small and medium enterprise.

- The use of consultants for strategy formation.

The conclusion in respect of the use of consultants for the formation of the small and medium enterprises' strategy showed that there was variation in the responses received from the research participants (section 5.3.6). There were differing perceptions of the value of consultants for strategy formation. Even research participants in favour of the use of consultants for strategy formation had reservations in respect of potential cost and time requirements associated with appointing strategy consultants. Future research could be used to either disqualify or accredit these perceptions. Future research could also engage exclusively with enterprises that have engaged with consultants for the purpose of forming their strategy, as the perspective offered by these organisations could be vastly different to that of enterprises that have never engaged with consultants for strategy formation (as was the case in this study).

- The small and medium enterprise strategy formation process.

In section 5.3.7 a conclusion of the formality of the strategy formation process undertaken by the research participants was provided. It was disappointing to discover that none of the research participants had engaged formal strategy

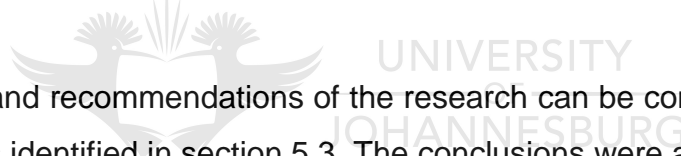
formation processes and that there was no evidence of documented strategies. The research did not attempt to explore the definition of strategy according to the research participants, yet, irrespective of their individual definition of strategy, there was no formality in respect thereof. Future research could identify small and medium enterprises that have formal documented strategies and compare the performance of these to small and medium enterprises that have no formal documented strategies.

There were no conclusions made i.t.o. the final two research categories, i.e.: the link between strategy and small and medium enterprise performance (section 5.3.8); and the use of strategy for corporate versus small and medium enterprises (section 5.3.9). Even though no research conclusion was made for section 5.3.9, a consideration for future research could be an examination of the reasons why small and medium enterprises believe that strategy formation should be the same or different for small and medium enterprises versus corporates.

6.3 RESEARCH IMPLICATIONS AND RECOMMENDATIONS

The implications and recommendations of the research can be considered in respect of the conclusions identified in section 5.3. The conclusions were as follows:

- *There was overwhelming support amongst the research participants for the need for strategy for small and medium enterprises (section 5.3.1).*
- *Single-owner small and medium enterprises mostly (with the exception of RP11) reported that they (the owners) were the only participants involved in the formation of strategy. Small and medium enterprises with multiple owners, however, included multiple role-players in the formation of their strategy (section 5.3.2).*
- *The majority of research participants only obtained input from internal role-players for the formation of strategy and none of the research participants used external consultants for the formation of their strategy (section 5.3.2).*



- *Planning and forecasting was referred to only in financial terms by most of the research participants (section 5.3.3).*
- *None of the research participants did planning and forecasting beyond 12 months in advance (section 5.3.3).*
- *Competitive intelligence was gathered by most research participants and this was most commonly in respect of competitor pricing and offering (product and/or service) (section 5.3.4).*
- *The two most common sources for competitive intelligence gathered by the research participants were from customers and suppliers (section 5.3.4).*
- *All the research participants consulted external service providers for the provision of services and almost all of the research participants used external parties for financial services (section 5.3.5).*
- *None of the research participants had ever employed the services of consultants for the provision of strategy formation (section 5.3.6).*
- *The research participants held diverse views in respect of willingness to employ consultants to attend to the formation of strategy (section 5.3.6).*
- *None of the research participants made reference to a formal process in respect of their strategy formation (section 5.3.7).*
- *None of the research participants had documented strategies, including a mission and vision statement developed independently (section 5.3.7).*

The implications and recommendations can also be made by looking at the study in its entirety. Certain implications and recommendations will be resultant from the methodology employed in doing the research, others from the information gathered through the literature review. Lastly, implications and recommendations can also be

made from the problem that the research tried to solve (as identified through the problem statement in 1.3).

6.3.1 Implications and recommendations associated with the research methodology

There are certain implications associated with qualitative research. Neuman (2000:122) states that qualitative research relies on interpretive data collection and requires the researcher to apply skills and creativity when choosing the data collection technique for the research. The implication for this study of doing qualitative research, is that the research sample had to be limited to a manageable number of research participants because of cost and time constraints. The implication of having a smaller research sample is that a detailed and accurate reflection of the research question and objectives is potentially not achieved. Given the overall research problem, the fact that none of the research participants had previously employed an external consultant for the formation of their strategy proved disappointing. The research was thereby limited and excluded further expansion into the outcomes associated with employing an external consultant for strategy formation for the small and medium enterprise. It is recommended that future research considers a pre-qualification assessment of the research participants prior to finalising the sample. In the case of this research, by doing a pre-qualification assessment, the researcher could have aimed to ensure at least one-third of the population of small and medium enterprises had previously employed an external consultant to assist with the formation of its strategy. This would have had a significant outcome on the research.

Another implication of the research methodology applied is linked to the data collection method employed: interviews were chosen as the data collection process for this study. Sogunro (2001:5) highlighted a characteristic of the relationship between the interviewer and interviewee in qualitative research as being more intense and long term. Although the implication of this closer relationship between the interviewer and interviewee can be seen in a positive light, the potential negative implication is that there is a loss of objectivity. Perhaps the “history” in the relationship between the interviewer and interviewee prevents the absolute truth

being spoken, or the inclusion of prejudices. Although the value of knowing the individuals represented in the research sample is not questioned, the extent to which the research sample is known to the researcher should be assessed closely. It is recommended that in future research the researcher indicates through a declaration of interest, the nature of the relationship between the researcher and the research participants. This would give more assurance if the nature of the relationship was considered to be acceptable, or could allow for further questioning, if the relationship was considered to be inappropriate.

6.3.2 Implications and recommendations associated with the literature review

In Chapter Two, a literature review of the study was provided. In some instances, opposing views were highlighted. In other instances, more than one author held the same view. There were also instances where the views of authors either supported, or opposed the findings of the research. The implication of conflicting views in the research implies that adequate or comparable research has not been done. Therefore, the recommendation is that more research be conducted, specifically in the areas where there were strongly conflicting views.

Limited literature was available in respect of strategy formation in the South African context – and even more so in respect of small and medium enterprises. Therefore, the literature review had to be expanded to include various elements that influence or affect the strategy formation trends of small and medium enterprises. The expansion included topics such as: strategy and performance linkages; sophistication of planning; forecasting; competitive intelligence gathered; the corporate versus the small and medium enterprise in strategic planning and the role players in strategy formation. The expansion resulted in these topics being identified as research categories, which were then included as topics for discussion in the interviews. This then led to important linkages being made between these “sub-categories”, to the main themes of the study, i.e.: strategy; strategy formation; small and medium enterprises; and consultants.

Having limited literature available for a research topic implies that more research is needed. This was highlighted in Chapter One with reference to the findings of Griggs

(2002:25) and Kraus *et al* (2006:335), who identified a lack of research pertaining to small and medium enterprise strategy formation. It is recommended, therefore, that more research is undertaken in this area to expand the pool of knowledge and to improve the quality of understanding of the challenges faced by small and medium enterprises in their strategy formation process.

The findings of this study will hopefully enrich literature available in respect of strategy formation for small and medium enterprises. Specifically in respect of the great support in favour of strategy by small and medium enterprises. No previous research contemplated the existence of demand for strategy among small and medium enterprises.

6.3.3 Implications and recommendations associated with the research problem

A great deal of support being seen for the need for strategy for small and medium enterprises was provided in section 5.3.1, yet, in practice, despite the support, there was no strong evidence of the actual existence of such (see section 5.3.7). The implication, therefore, is that small and medium enterprises aspire to formal strategies, yet (for reasons not distinctly explored in this research) these do not exist. This further implies that there is a need to assist small and medium enterprises with the strategy formation process. It is, therefore, recommended that whoever is responsible for supporting small and medium enterprises (most typically financial institutions that provide loans) provide tools to them to develop strategies. This could be in the form of group forums, such as workshops, or, if significant financial support is provided, it would be in the interest of the supporting institution to give more direct and comprehensive assistance to the small and medium enterprise - perhaps in the form of direct access to a strategy consultant.

The research conclusion provided in section 5.3.3 indicated that none of the research participants did forecasting or planning beyond 12 months in advance. The research implication is that small and medium enterprises do not look to the medium or long term future of their enterprises. This could have many implications that impact their environment and participants in that environment (such as suppliers and

customers). Even at a macro environmental level, such as financial institutions, that may be required to provide financing without longer term business thinking. It is recommended that financial institutions undertake ongoing assessments of the performance of the small and medium enterprises. In particular, the financial institution could require an annual strategy update, which would force the small and medium enterprise to review its strategy on an ongoing basis – thereby avoiding the “once-off” strategy. This requirement could also be applied by large suppliers to small and medium enterprises. In the light of reporting on sustainability, many large corporates are now looking for mechanisms to support their small and medium enterprise suppliers. This support could be in the form of assistance with strategy formation, which is ultimately in the interest of the corporate, which would prefer to be contracted to a sustainable source of supply.

6.4 LIMITATIONS OF THE RESEARCH

Potential limitations of the research were contemplated in Chapter One and one limitation was identified, i.e. the restriction research participants may apply in terms of revealing their existing strategic processes. However, no limitations of the research were associated with the research methodology or the literature review. As the research process unfolded, additional limitations were identified.

Qualitative research describes the quality of something, i.e. the how, when, what and where of something (Berg, 1995:3). Evidence is gathered through uncontrolled variables, as described by Henning *et al* (2004:3), which requires the researcher to apply creativity to ensure effectiveness. Thus, a potential limitation of this research could have been the selection of an inappropriate data collection technique. Semi-structured interviews were used for data collection and these require a certain degree of guidance to be provided by the interviewer, which may result in leading questions being asked. This limitation was reduced by ensuring that the only guidance provided was in the form of reading out the research topic to ease the flow of the discussion. All personal opinions, thoughts, references, etc., were withheld to avoid influencing the responses provided by the research participants.

A research limitation arose during the literature review, i.e. limited information was available in respect of specifically small and medium enterprise strategy formation practices in South Africa, or more specifically Gauteng (to which the research sample was restricted). Most of the findings in the literature review were associated with strategy formation practices in foreign countries.

During the data collection process, it became evident that the limitation identified in section 1.9 was no longer valid. As per the research conclusions in section 5.3.7, none of the research participants had a formal strategy formation process and there was, therefore, no longer a concern that the research participants would worry about the potential loss of a competitive edge. The greatest limitation of this research was that none of the research participants had previously employed the services of external consultants for the purpose of forming strategy. Thus, it was not possible to compare the effectiveness of strategy formation by small and medium enterprises that appointed third-party consultants versus small and medium enterprises that formed their strategy independently.

6.5 RESEARCH REFLECTIONS



Prior to completing my Baccalaureus Commercii Cum Honoribus (B.Com Honours) through the University of Johannesburg in 2008, I had reflected on various potential topics for research. This was even before I decided to complete my honours degree in strategy. One of the topics that always interested me was that of benchmarking, as I was first exposed to this management practice early on in my career when I joined Pharmacare (now Aspen Pharmacare) in 1999. This was a tool often used by the procurement department to measure their level of professionalism as well as to compare their position to the marketplace. As a management practice, benchmarking was used as a strategic tool by the department. When I commenced my honours studies, I already knew that I would like to further my studies to master's level (and hopefully to doctorate level). During the completion of the various course modules, many topics for further research presented themselves, yet the concept of benchmarking remained in the back of my mind.

In preparing my research proposal, the benchmarking idea evolved gradually. The original topic of this research was 'Benchmarking versus third party consulting for strategy formulation in SME's in the South African private healthcare sector'. Some of the key concepts did not change, such as the focus on strategy formulation in small and medium enterprises. Yet other portions such as benchmarking and the specific focus on the South African private healthcare sector were altered.

When electing to focus on small and medium enterprises I was excited at the prospect of speaking to business owners of these enterprises to learn about their thought processes and general approaches to some of the challenges unique to being a small and medium enterprise. As my partner opened a small business of his own just over two years ago, this research process presented me with a unique opportunity to tap into the minds of other small and medium enterprise owners. Through discussions with the research participants, I was able to learn more regarding not only their perceptions and views about strategy for small and medium enterprises, but also in more general terms about the challenges of operating a small and medium enterprise. As a member of my organisation's sustainability forum, this knowledge can now be applied to developing tools for sustaining such enterprises, not only for their benefit, but for the benefit of my organisation as well.

6.6 CONCLUSION

It was hoped that this research would highlight the trends and importance of strategy formation for small and medium enterprises in Gauteng, South Africa. The significance of these enterprises in respect of the South African economy was explored in order to emphasise the importance of these enterprises to the country as the success or failure of small and medium enterprises has a significant impact on the South African economy. By understanding what makes these enterprises successful or not, the reasons for failure could be avoided.

This research was successful in achieving most of its objectives. The main impediment, however, was a lack of research participants who either had more formal strategy formation processes, or who had previously appointed consultants for strategy formation services. However, other valuable information was gathered,

which may prove valuable to various parties. Many important areas of future research were identified, which could potentially lead to an improved understanding of how small and medium enterprises operate and perceive the importance of strategies to their enterprises.



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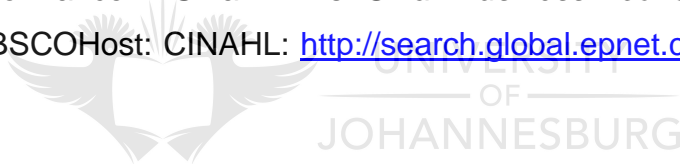
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APPENDICES

UNIVERSITY
JOHANNESBURG

APPENDIX A – SAMPLE OF INTERVIEW INVITATION LETTER

7 April 2009

{Name removed}

Member

Dear {Name removed}

Further to our telecon, I would like to briefly explain the nature of the research I am undertaking for the completion of my M:Com Strategic Management degree through the University of Johannesburg.

The research is titled 'The use of consultants versus independent strategy formation of small and medium enterprises in Gauteng'. It is my hope to obtain a better understanding of: how small and medium enterprises approach their business strategies; whether they use external resources such as consultants, or if they develop their strategies independently.

I would appreciate time with you to explore some of the key aspects of this research, which includes:

- the significance of strategy for small and medium enterprises
- the process of strategy formation / strategic planning for small and medium enterprises
- strategy and performance linkages
- planning sophistication in small and medium enterprises
- forecasting in small and medium enterprises
- competitive intelligence gathered by small and medium enterprises
- the corporate versus the small and medium enterprise in strategic planning
- role players in small and medium enterprise strategy formation
- the role and value of consultants to small and medium enterprises
- the impact of consultants on small and medium enterprise performance

- the use of consultants for strategy formation by small and medium enterprises.

I would like to confirm that we will meet on the 23rd of April at 09h00 at the Netcare Ops Centre in Sandton. Please do not hesitate to contact me if you require any further information.

Kind Regards

Corrinne Kennedy

Corrinne.kennedy@netcare.co.za

082 886 6496 / 011 301 0376



APPENDIX B – REFLECTIONS ON INTERVIEWS AND RESEARCH PARTICIPANTS

Date	9 April – 09h00	Research Participant	RP7
Meeting venue	RP7's offices	Interviewee position	Co-Owner
<p>I had met {name removed} before, as {name removed} is an existing supplier of the organisation I work for. Although I did not have any specific impression of him before the interview, I was slightly annoyed when the meeting did not start on time, as agreed, and I was left waiting in the reception area for some time. The meeting was held at his offices in Kempton Park. On commencement of the interview, {name removed} was very forthcoming with information, but did not often expand beyond the topic I introduced. He was rightly proud of the accomplishments of his business, but sometimes this translated into over-confidence.</p>			

Date	9 April – 12h00	Research Participant	RP1
Meeting venue	Netcare Operations Centre, Sandton	Interviewee position	Owner
<p>I came to know {name removed} when he was previously employed as the Sales Director of a large supplier of the organisation I work for. He has moved within the industry and has established his own business. I have always enjoyed meeting with {name removed}, as he has achieved a lot over a short period since starting his new business. He was not afraid to share his thinking on strategy in relation to small and medium enterprises and from time to time would even contradict conventional thinking.</p>			

Date	9 April – 14h00	Research Participant	RP9
Meeting venue	Netcare Operations Centre, Sandton	Interviewee position	Co-Owner

I have worked with {name removed} numerous times over the past 12 months, as his company has been involved in upgrading the website for my department at the organisation I work for. He has always come across as soft spoken, kind and patient. He has always been very helpful and when discussing the possibility of doing this interview, he was more than helpful, even insisting on meeting at my offices. I enjoyed the interview with {name removed}, as he was interested in discussing the topics raised. He did not rush to give answers and from time to time clarified my questions before answering. He was very forthcoming in providing answers and he left the impression that he was willing to answer questions honestly. He also revealed a willingness to learn more about strategy for his business.

Date	14 April – 09h00	Research Participant	RP8
Meeting venue	Netcare Operations Centre, Sandton	Interviewee position	Co-Owner

I have known {name removed} for over 4 years and met him as a supplier of services for the company I work for. He always appears kind and patient and is not a typical sales person. He always takes time to listen and also takes interest in the individual he is dealing with and not their position. {Name removed} kindly agreed to meet at the offices of the company I work for, despite being based in Centurion. He shared that he was very keen to participate in the discussions, as he would also like to learn more. The discussions sometimes went somewhat off track, but when steering the discussion back to strategy issues, he was very quick to share his history and approach in this regard.

Date	15 April – 09h00	Research Participant	RP3
Meeting venue	RP3's offices	Interviewee position	Owner

Although I interviewed {name removed} in the capacity of owner of RP3, he is also a consultant of Netcare for in-sourced laundry services. I have had some dealings with {name removed} before, but not specifically on a one-on-one basis. He was very willing to participate in the interview. He was very talkative and at times I had to interject to steer the discussion back to the key concepts of the discussion. He had strong views on certain issues pertaining to strategy for SME's and at times it seemed he was strong-minded and 'old-school' in thinking. Yet, his business is very successful.

Date	15 April – 11h00	Research Participant	RP5
Meeting venue	RP5's offices	Interviewee position	Managing Director

I only met {name removed} once before our interview, yet he was very keen to participate. In some respects, I perceived this may have been based on his wanting to secure more business from the company that I work for. I met {name removed} at RP5's offices in Spartan. Of all the interviews, I think {name removed} spent most time preparing for the interview: he had already prepared a set of documents professionally bound in a folder. Although potentially sensitive (as Netcare has its own internal laundry), he was more than willing to give me copies of RP5's strategy – including copies of presentations he has made to his staff. He was very easy to speak to and the conversation flowed easily.

Date	20 April	Research Participant	RP11
Meeting venue	Netcare Operations Centre, Sandton	Interviewee Position	Owner

[Name removed]'s company is an existing service provider to the company I work for, although she only has a very small portion of the business outsourced by my organisation i.t.o. the commodity she supplies. I had some concerns when talking to {name removed}, as it seemed that despite the success and growth of her business, there was almost no focus on the future of the business. As a mother of two young children, I could relate to her regarding the challenges of achieving a work-life balance. She did not have any in-depth thoughts on any of the topics discussed and would only add additional comment when given prompts on additional information.

Date	20 April	Research Participant	RP6
Meeting venue	RP6's offices south of Johannesburg	Interviewee Position	Owner

To be honest, this was the interview I was dreading the most. When I contacted {name removed} to set up the interview, he seemed slightly arrogant and not particularly keen on having the meeting. My anxiety increased when getting his e-mail address to send an introductory letter, which said his e-mail address was boss@{name removed}.co.za, which left me thinking that he was egotistic. On meeting him, I found him to be a very gentle and kind individual. He was proud of the achievements of his company, particularly when comparing himself to his competitors, who have not stayed in the industry for long. However, some processes left me feeling that the business was still stuck in the 1970s.

Date	23 April	Research Participant	RP4
Meeting venue	Netcare Operations Centre, Sandton	Interviewee Position	Co Owner

I was quite intimidated about scheduling this meeting with {name removed}, as in previous meetings with him and his partner, they both appeared very knowledgeable on many business related matters; and more so, as they act as consultants to large organisations. Although he shared a lot of information on the discussion points raised, at one point, the discussion started to become a 'sales pitch' for the services of his company. I had to outline that the future of his business relationship with the company I work for, would be dealt with in the context of a separate discussion. The discussion at some point also became technical in nature in relation to telecommunications. I decided to do the final questions and we continued the work related discussion afterwards.



Date	5 May	Research Participant	RP12
Meeting venue	Netcare Operations Centre, Sandton	Interviewee Position	Co Owner

{Name removed} is a qualified chemical engineer, but shows a great interest in the business world. He shared that he enjoys reading books on strategy to continue building knowledge of how to remain competitive.

Date	6 May	Research Participant	RP10
Meeting venue	Netcare Operations Centre, Sandton	Interviewee Position	Owner

I had not deal much to do with {name removed} previously and was very pleased when he showed interest in participating in the research. He was the only research participant who wanted to obtain further clarity after the invitation letter was sent. He was keen to share his previous business experience, which included being a state prosecutor and Magistrate. I was interested to see what his responses would be to the topics under discussion.

Date	7 May	Research Participant	RP2
Meeting venue	Netcare Operations Centre, Sandton	Interviewee Position	Managing Director

I had not met {name removed} prior to the interview, as I had only had dealings with one of her colleagues, who was a consultant to the organisation I work for. She was soft spoken and patient, yet firm in her responses. I felt very comfortable speaking to her and enjoyed the insight she provided into the industry in which she works.

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