

**UNIVERSITY OF KWAZULU-NATAL**

**THE RELATIONSHIP BETWEEN BUSINESS PLANNING AND BUSINESS  
PERFORMANCE IN SMALL AND MEDIUM ENTERPRISES IN THE GAUTENG  
PROVINCE**

**BY**

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I Anne Onalethata Gabathuse declare that:

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## **ABSTRACT**

Small and medium enterprises (SMEs) play a significant role in any country's Gross Domestic Product (GDP) through the creation of employment, increasing production volumes, increasing exports and through the development of innovation and entrepreneurial skills. However, SMEs continue to suffer high failure rate as a result of numerous challenges they face such as shortage of financial resources, tough and unpredictable business environments, lack of support from the respective governments, highly competitive business environment. The aim of this study was to determine the relationship between business planning and business performance. The study was cross-sectional and quantitative in nature, with a 109 SMEs participating from the Gauteng province, which represented a 23% response rate. Data were collected using self-administered questionnaire. The results of the study indicated that business planning in general does have a positive impact on the performance of small and medium enterprises. Results from the individual components of business planning indicate that all three constructs of business planning have a positive impact on SME performance. Based on this outcome, it is proposed that SMEs should adopt formal business planning activities to help these businesses navigate the treacherous conditions imposed by external and internal factors in a business environment, if they are to be successful.

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# **CHAPTER 1: OVERVIEW OF THE STUDY**

## **1.1 INTRODUCTION AND BACKGROUND TO THE STUDY**

The study seeks to determine whether a relationship exists between business planning activities and business performance of small and medium enterprises (SMEs) in Gauteng, South Africa. Small and medium enterprises are constantly facing challenges in the environment within which they operate, to remain competitive and relevant in this dynamic environment, the practice and development of sound business planning activities could provide guidance on how the SMEs could avoid or overcome such challenges. This practice could be the difference between success and failure for these entities. To determine whether this practice could make any differences to SMEs, it is important to ascertain whether business planning activities do enhance business performance of the SMEs. It is for this reason that this study aims to determine the relationship between the different factors of business planning and business performance.

Small and medium enterprises (SMEs) play an important role in the development of the global economy, including that of South Africa. A healthy SME sector in any given country contributes immensely to the economy through the creation of new employment opportunities, generation of income and subsequently, reduces the unemployment burden in developing economies (Ayandibu and Houghton, 2017). In South Africa, 90% of formal businesses are SMEs. The SME sector is the largest contributor to the South African economy as it is responsible for 75% of new jobs created in the economy and a 50% contribution to the Gross Domestic Product (Ayandibu and Houghton, 2017; Bruwer and Van Den Berg, 2017). Despite their significant roles as vehicles for economic development, high failure rates amongst SMEs still persist. Previous research studies indicate that at least 75% of SMEs in South Africa fail within the first 42 months of their existence (Bruwer and Van Den Berg, 2017; Muriithi, 2017). Although SMEs function in the same space and compete for the same resources as their larger counterparts, they however, do not have the same benefits that the larger organisations have which include access to resources such as financial resources and suitable human resources (Mathu and Tlare, 2017; Smith and Watkins, 2012).

Pressures encountered by SMEs include increasing competition due to globalisation, changes in legislation and regulations, and the relaxation of trade barriers subject SMEs to external shocks which make them susceptible (Smit and Watkins, 2012; Mallett,2018). As a result, SME owners and managers need to prioritise on practices and activities that will enhance the performance of their businesses to ensure sustainability. As suggested by Analoui and Karami (2003), one of the prominent reasons that contribute to the failure of SMEs include a lack of long term planning.

According to a definition provided by Delmar and Shane (2003), business planning refers to activities undertaken by owners of businesses to gather intelligence about a particular business opportunity and to provide indication on the application of the data in the creation of a new business to exploit the opportunity. Business plans, the end product of the business planning process are essential for the creation of new ventures and for the management of the business once it is operational. Entities such as funding agencies, business support agencies such as incubators and consultants are promoters of business plans, which they demand from businesses in order to provide them the assistance they require (Burke,Fraser and Greene, 2010).

Scholars from varying fields of study for two reasons deem the study of business planning in small and medium enterprises as important. Firstly there is a common belief that because large organisations undertake extensive planning activities, it is therefore a good management practice. Secondly, there is an ample body of research, which has found a positive link between planning and a variety of SME performance measures (Gibson and Cassar, 2005). Strategic management scholars have provided data which is in favour of the importance of formal strategic planning on firm performance. Firstly, the opinion presented is that decision making in organisations improves with formal planning, through guiding of employees to identify gaps and missing information, and making rational decision prior to committing any of the already limited resources in implementing the business's strategy (Gruber, 2007). Secondly, planning is believed to stimulate generation and collection of crucial data in relation to the internal and external business environments (Powell, 1992). Thirdly, according to Locke and Latham (2006), planning facilitates the process of achieving the set organisation goals, in a systematic manner. Powell (1992) further laments that planning formal strategy development induces communication and interactions

internally within the business and therefore leads to improved employee commitment and motivation.

Despite all the identified benefits of formal planning, there are some researchers in the strategic management field who have identified some shortcomings to this process. The first argument posits that formal strategic planning stifles an organisation by making it less agile to respond to forces in the external environment affecting the business (Gruber, 2007). The author further emphasises that such unforeseen changes in the environment are better faced on through just-in-time learning and decision making process as opposed to an inflexible and lengthy formal decision making process. The second argument, according to Mintzberg (1994) is that formal strategic planning gives business owners a false sense of control over unforeseen situations, which may lead to complacency and side-lining creativity. Another view maintains that the strategic planning process is inherently costly and therefore it makes more business sense for SMEs to expend their limited time and financial resources for operational or sales activities, or research and development, as opposed to spending them on strategy formulation processes (Kraus, Reiche and Reschke, 2005).

It is against this backdrop that there rises a need to further investigate the relationship between formal planning and business performance in SMEs, particularly in developing countries as SMEs contribute majorly to the economies of these countries. This chapter presents an overview of the research project and provides the motivation for undertaking this study. The problem statement as well as the aim and research objectives are also presented in this chapter. The research methodology selected for this study is also discussed briefly in this chapter, and the main limitations of the study are also explored.

## **1.2 MOTIVATION FOR THE STUDY**

The outcomes of this study will be of significance to owners of small and medium enterprises as they strive to maximise their profits and to create optimum value for the shareholders. The study will assist and provide guidance to SMEs on the type of business planning activities to focus on, as a way to enhance the performance of their

businesses. Funding agencies that provide financial support to SMEs often insist on SMEs developing business plans as a pre-requisite to providing funding or support. Therefore, the outcomes of this study will provide these agencies some guidance on how to better advise SMEs, as they will be better informed on the aspects of business planning that could enhance the performance of the SMEs. In addition, policy makers such as government agencies responsible for developing national strategies for SMEs will be better informed in formulating these strategies, and better policies. Finally, the study outcomes will be of benefit to researchers and scholars in the strategic management and entrepreneurship fields, by using these findings in their teachings. Enterprise managers in business incubators, technology transfer offices and other agencies in the business of providing support to start-ups and SMEs will gain an understanding of the type of management activities they need to focus on, in their advisory roles.

### **1.3 PROBLEM STATEMENT**

The currently available literature in the strategic management field investigating the relationship between formal strategy planning activities and business performance focused primarily on large organisations. Very few studies have been conducted in relation to small and medium enterprises (Osiyevskyy et al., 2013). Furthermore, a few of the studies focusing on SMEs investigated mostly SMEs in developed economies, with a few conducted on SMEs in developing nations (Majama and Magang, 2017). This has therefore created a gap in knowledge relating to management practices in SMEs based in developing countries.

To combat the high failure rates of businesses globally, it is essential that business owners and managers understand the factors important in creating new businesses (Gruber, 2007). However, there is no definitive answer that has been found, to answer what the most important elements in the creation of new businesses are. With this question still hanging in the air, it is of great worry as it is significant to the venture creation field (Gruber, 2007). The question posed is, “does business planning improve business performance?” researchers from various fields of business have attempted to address this pertinent question and have disappointingly provided contradicting results. Some studies have shown that a relationship does exist between business

planning and performance (Olson and Bokor, 1995; Rauch and Frese, 1998; Schwenk and Shrader, 1993), while many of the studies do not show an existing relationship between the two (McKiernan and Morris, 1994; Lumpkin, Shrader and Hills, 1998).

This study aims to determine the impact of business planning practices on SMEs in the Gauteng province of South Africa, of which there is no evidence in the literature body, of such research being conducted in the province. The study therefore aims to contribute to the body of knowledge in this field.

## **1.4 FOCUS OF THE STUDY**

The study focused on SMEs operating in the Gauteng province of South Africa. The aim was to investigate the different factors of business planning and their impact on the performance of SMEs in this province. The Gauteng province has the highest economic activity of all the provinces within South Africa, and therefore it is the province with the highest number of SMEs. Therefore, it was envisaged that the outcomes obtained from the study would provide a broad picture of the business planning activities of SMEs in South Africa, in general.

## **1.5 HYPOTHESES AND OBJECTIVES OF THE STUDY**

### **1.5.1 Hypotheses**

The study aims to test the following formulated hypotheses:

- H1:* There is a positive relationship between having an inspiring business vision and SME growth
- H2:* There is a positive relationship between having a system of metrics and performance indicators, and SME growth
- H3:* There is a positive relationship between a developed marketing plan and SME growth

### **1.5.2 Objectives**

The main objectives of the study is to determine the following:

- To ascertain whether SMEs adopt any business planning activities
- To establish the relationship between business planning practices in general and business performance
- To determine whether a relationship exists between having an inspiring vision and business performance
- To determine whether a relationship exists between having a system of metrics and performance management, and business performance
- To determine whether a relationship exists between having a marketing plan and business performance

## **1.6 SIGNIFICANCE OF THE STUDY**

This study on the relationship between business planning and business performance in SMEs is valuable to SMEs as it provides insight and knowledge on business planning practices that businesses can implement, which may lead to improved business performance and hence the survival of these businesses. The results obtained in this study should provide an understanding to a number of players in the SME ecosystem such as business managers, CEOs, investors and SME support agencies, on what are the drivers of business performance and to determine what specific business planning activities should be implemented by businesses to enhance growth.

## **1.7 METHODOLOGY**

The methodology section is where the research procedure used to address research the objectives and hypothesis is outlined. The selection criterion for the SMEs is explained, as well as the methods used to collect and analyse the data. The research study is quantitative in nature, and the target population is SMEs in the Gauteng province. The convenience sampling method was used to identify the 109 SMEs that participated in the study. A questionnaire was developed for data collection purposes, and distributed to respondents. To analyse the data, descriptive statistics methods such as the mean, standard deviation and frequency distribution were employed. Additional data analysis statistical methods included correlation analysis as well as

regression analysis, to determine whether a relationship existed between the variables, business planning and business performance. The research methodology is described in detail on chapter 3.

## **1.8 LIMITATIONS OF THE STUDY**

The limitations that were encountered during this study were:

- There was no database available that listed all the SMEs in Gauteng, therefore, there was no sampling frame available, as such it was not possible to ensure that all categories of SMEs were represented in the sample.
- The unavailability of an SME database also resulted in the use of the non-probability sampling method, convenience sampling, to obtain a study sample. Therefore, this presented the challenge of being unable to generalize the results to the rest of SMEs in South Africa, since it was not possible to ensure that the all elements of the population were represented. However, the outcomes of this study can be used as a point of reference for similar future studies.
- Due to time constraints, the study focused on the relationship between the different aspects of business planning and business performance in general. For future studies, it could be useful to determine whether a relationship exists between the difference business planning aspects and individual performance measures such as turnover, customer satisfaction, staff retention, market share growth to name a few.

## **1.9 CHAPTER OUTLINE**

**Chapter 2:** The Literature Review begins with a general overview on small and medium enterprises and their importance and then specifically discusses business planning and its impact on business performance, three components of business planning and their impact on business performance are also discussed as subtopics of business planning.

**Chapter 3:** Describes the Research Methodology applied in this study. The design of the study, the sample and data collection methods used, and the data analysis methods used are outlined here.

**Chapter 4:** Deals with the presentation, interpretation and analysis of the research findings.

**Chapter 5:** Deals with the discussion of the results presented in Chapter 4.

**Chapter 6:** Consists of the summary, conclusion and recommendations of the study. Limitations and implications of the study are included in this chapter.

## **1.10 SUMMARY**

In this chapter, the problem statement, research objectives, hypotheses to be tested as well as the methodology were presented and discussed. The significance of the study as well as the scope of research were also discussed. The chapter concludes with a guide on the layout of the thesis with regards to the chapters and their corresponding titles. In the following chapter, the literature is presented with a focus on SMEs, business planning and business performance, and the link between business planning and performance of organisations, particularly SMEs. The establishment and survival of SMEs is essential for the South African economy, if the economy is to grow. Therefore, it is essential for SMEs to employ management practices such as business planning, which will assist in their survival in the dynamic and highly competitive business environment. Business planning has been linked to enhanced business performance in a number of studies, with full details of these discussed in the following chapter.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 INTRODUCTION**

An introduction and background to the research study were presented in the previous chapter. The current chapter aims to review and unpack the theoretical background, constructs and concepts of small and medium enterprises, business performance and the different constructs of business planning which are, an inspiring vision, a system of metric and performance, and a marketing plan. With business performance, the different criteria used to measure business performance in SMEs are discussed in detail. The literature further deconstructs the relationship between the three business planning constructs and their relationship with business performance.

### **2.2 SMALL AND MEDIUM ENTERPRISES**

Small and medium enterprises (SMEs) play an important role in the proliferation of the global economy, including that of South Africa. A healthy SME sector in any given country contributes immensely to the economy by creating employment opportunities for the communities in which they operate, thereby alleviating poverty. SMEs also contribute to an increase of exports and, development of innovation and entrepreneurship skills (Ayandibu and Houghton, 2017). SME employment levels have been estimated at 22% in developing countries, amongst the adult population. According to a report by the United Nations Industrial Development Organisation (Mahembe, 2011), in the majority of African countries, 90% of private businesses are SMEs. These are responsible for a contribution of more than 50% to employment and gross domestic product (GDP). In South Africa, SMES makeup a portion of 91% from all formal business, and these are estimated to contribute between 52 to 57% to GDP and 61% to employment (Mahembe, 2011; Cameron and Hoque, 2017).

According to research, in South Africa, between 50 and 95% of SMEs fail in their fifth year of operation (Willemse, 2010), and 75% of the new SMEs do not grow to become big businesses (Neneh and Vanzyl, 2012; Bruwer and Van Den Berg, 2017; Muriithi, 2017). These statistics are some of the highest globally. According to Fatoki and Garwe (2010), most new SMEs in South Africa do not progress beyond their infant

phase to other stages, as a result, they do not provide any benefit to the society in which they operate. One of the contributing factors to high SME failures in South Africa is the lack of entrepreneurial competencies. The inability of entrepreneurs to plan effectively and efficiently could lead to the death of the business. Analoui and Karami (2003), further iterate that high failure rate of SME is contributed to by lack of formal strategic thinking and long term planning (Majama and Magang, 2017). According to Fatoki (2014), some of the internal contributing factors to business failure include lack of management experience, lack of functional skills (planning, organizing, leading and controlling) and poor staff training and development. Majama and Magang, (2017) also posit that performance of organisations is linked to strategic planning and further iterate that even with the availability of resources, some SMEs still fail to plan. Therefore, SMEs must optimise their already scarce resource and focus on value adding activities such as development of business strategies, and the application of best practices to implement the strategies to enhance their performance (Neneh and van Zyl, 2012; Kelliher and Reinl, 2009). The performance levels of a business will determine its survival in a dynamic economic environment that is forever evolving. Planning and development of business plans are deemed crucial activities in the survival of SMEs.

According to some studies, planning is mostly essential for large organisations but it is also vital for SMEs (Veskaisri et al., 2007). Berman, Gordon and Sussman (1997) from their findings confirmed that organisations perform well financially when they plan, compared to those that do not plan at all. Although planning is not directly linked to success, however, it is understood that planning may predict and effectively address some factors that may contribute to business failures timeously. The recognition of these factors in the early phases of business development may lead to a decrease in the failure rate of new businesses. According to Lerner and Almor (2002), planning plays an essential role in laying the groundwork for the establishment of strategy capabilities essential for high organisation performance.

Although quite a large number of studies have identified that a positive relationship does exist between strategic planning and SME performance, a handful of studies do contend the reported positive impact of business planning on business performance. These studies perceive business planning as a time consuming administrative task. The argument with this opposing view is that business planning takes away time from

the most crucial activities required for the building of successful companies (Delmar and Shane, 2003). In the midst of the lack of consensus between researchers on the importance of business planning, business planning however remains endorsed by funding agencies, business support agencies and institutions of higher learning (Honig and Karlsson, 2004).

### **2.2.1 Definition and Characteristics of SMEs**

A universally acceptable definition of what constitutes an SME remains a challenge. The definition of SMEs varies across different industries, sectors, regional groupings and countries. The definition is also influenced by the geographical location of the SME and by the country specific legislation, and hence the lack of a common definition for this term. According to Gibson and Van der Vaart (2008), the lack of consistency with regards to SME definition in different countries has posed challenges in the development of SME supporting policies. This lack of uniformity further creates challenges to international development agencies when they want to provide finance, credit and other forms of assistance to SMEs (Asasen, Asasen and Chuangcham, 2003). The most common definitions of SMEs used by regulators revolve around the number of employees in an organisation, sales and/or loan size, with number of employee being the most commonly used amongst the three (Ardic, Mylenko and Saltane, 2011). Small organisations in South Africa are categorised into four distinct categories namely micro enterprises; very small enterprises; small enterprises and medium enterprises as per the National Small Business Act 102 of 1996 (South Africa, 1996) amended by Act 29 of 2004 (Smit and Watkins, 2012). In South Africa, the terms SMME and SME are used interchangeably. Most commonly used definitions for SMEs include the number of employees, annual turnover of the business and the gross assets excluding fixed property are definitions used (Ayandibu and Houghton, 2017; Smit and Watkins, 2012; Mahembe, 2011). Table 2.1 below provides a broad summary of the definitions of SMMEs as per the National Small Business Act of South Africa.

**Table 2:1:** Broad definition of SMMEs in the National Small Business Act.

<b>Enterprise Size</b>	<b>Number of Employees</b>	<b>Annual Turnover (Rands)</b>	<b>Gross Assets, Excluding Fixed Property</b>
Medium	Fewer than 100 to 200, depending on industry	Less than R4 million to R50 million depending on industry	Less than R2 million to R18 million depending on industry
Small	Fewer than 50	Less than R2m to R25m depending on industry	Less than R2m to R4.5m depending on industry
Very Small	Fewer than 10 to 20 depending on industry	Less than R200 000 to R500 000 depending on industry	Less than R150 000 to R500 000 depending on industry
Micro	Fewer than 5	Less than R150 000	Less than R100 000

Adapted from the National Small Business Act as cited by Mahembe, 2011.

In accordance with the SMME definition as described in the National Small Business Act (1996), micro enterprises have fewer than five employees and turnover of less than R150 000. Very small enterprises have less than twenty employees and have a turnover of between R200 000 and R500 000. Small enterprises are defined as those with fewer than fifty employees and turnover between R2 and R25 million. Medium enterprises have an employee count of fewer than 200, and a turnover between R4 and R50 million.

### **2.2.2 Impact of SMEs on Economic Development and Growth**

Small and medium enterprises play a prominent role towards the development of various economies globally, making up the largest business sector in most countries (Wang, Walker and Redmond, 2007). According to the International Finance Corporation of the World Bank Group (2010), SMEs contribute immensely to poverty alleviation through the creation of employment opportunities.

In developing markets such as South Africa, SMEs play a vital role as creators of new employment opportunities and drivers of economic objectives. The importance of SMEs is also emphasised in other African countries such as Kenya, Ghana, Nigeria, and Malawi to name a few (Smit and Watkins, 2012). In developed countries such as the United States of America and the United Kingdom, small enterprises account for an estimated one third of employment and lower levels of output. New jobs were created by SMEs since the 1970s and have contributed immensely to the GDPs of these First World countries: 30% in Australia, 51% in the UK and USA, 57% in Canada and Japan, 76% in Luxembourg despite their small sizes (Smit and Watkins, 2012; Wang et al., 2007). In Third World countries where SMEs make up the majority of economically active enterprises, SME prosperity is considered to be more important than in First World countries. A recent study estimated that SMEs formed 91% of formal business entities in South Africa, and that these SMEs contributed significantly to the country's GDP and created about 61% of job opportunities (Mahembe, 2011; Abor and Quartey, 2010).

There is ample evidence providing support towards the view that SMEs play an important role in the production of goods and services in a number of countries. In developed Organisation for Economic Co-operation and Development (OECD) countries, SMEs are estimated to generate about 60% of the GDP, with 49% of the total outputs in the UK produced by SMEs (Aslund, 2012). A study by Abor and Quartey (2010) which analyse SMEs in Ghana and South Africa showed that SMEs contributed majorly to the GDPs of these countries through the manufacturing of goods and through servicing of consumers and business entities. The results of this study indicated that in Ghana, SMEs contributed approximately 70% to the GDP and in South Africa, the contribution was between 52 and 57% contribution to the GDP. Based on these high contribution values, it is arguable that SMEs play a significant role in the growth and productivity of different economies.

Studies have also shown that SMEs contribute to innovation through the creation of new products and services and by customising existing products and services to the needs of their customers (Harvie, 2004). In a study by Subrahmanya, Mathirajan and Krishnaswamy (2010) to determine the importance of technological innovation in SMEs in India, results revealed that some SMEs are innovative and others do not embark on any innovation activities. Results further revealed that SMEs that undertook

innovative activities showed higher growth as opposed to their counterparts that did not innovate. The study concludes by alluding that innovation in SMEs has a positive effect of the growth of the business. An OECD report indicates that SMES contribute to economic growth through product exports. The report also indicates that in African countries, the export revenues are generally low compared to export revenues generated in some East Asian and OECD countries (OECD, 2004).

There is overwhelming evidence that SMEs play a pivotal role in the development of economies of both developing and developed countries, through job creation, contribution to GDP, innovation and export of products. Therefore, governments of different countries need to focus on developing the SME sector, particularly in developing countries where contribution of SMEs to alleviating poverty is large. In spite of all the contributions, that SMEs make towards economic and societal development, these organisations are riddled with poor performance and high failure rates. It is therefore imperative that studies are conducted to determine the causes of high failure rate amongst SMEs, and to also understand why some SMEs are more successful than others.

## **2.3 BUSINESS PLANNING**

### **2.3.1 Definition of Business Planning**

Business planning is defined by Delmar and Shane (2003) as efforts undertaken by business founders to gather information about a particular business opportunity and to provide indication on the application of the data in the creation of a new business to exploit the opportunity. Volkery and Jacob (2004) also define business planning as testing the viability of a project or organisation by predicting income and expenditure over a period of time. The business planning process generally culminates in the form of a business plan document. A number of authors in the field of strategy define a business plan as a formal statement of economic intent detailing goals, objectives, identified limitations and chosen strategies to mitigate any challenges in order to achieve the set goals (Abbrey, Bagah and Wulifan, 2015). Longenecker et al. (2006) explains the lack of a singular definition for a business plan, and therefore defines the plan as a document that articulates the underlying business opportunity. He further

iterates that the business plan is a roadmap that informs one of the current status quo of the business, where the business wants to be and the process to get to that state. In a description provided by Friend and Zehle (2004), "A business plan presents the business's vision and objectives as well as the strategy and tactics that will be employed to achieve them.

There is strong agreement amongst some writers that a business plan refers to a written document, however, some dispute that although a business plan may be presented in the form of a document, it is actually not a document but a presentation of management decisions. Auken and Sexton (1985), describe a business plan as a set of decision making tools intended to answer the what, where, how and why questions about an organisation. A business plan presents the entrepreneur's thinking about the future of the business and the plans they have put in place to reach the intended future state (Honig and Karlsson, 2004). As indicated by Nordstrom (1999), different types of business plans are possible:

- Strategic business plans to be used for internal decisions making for the business as a whole.
- Tactical business plan for specific projects, which provide guidance in making internal decisions for a specific purpose.
- Short term businesses plans for management control which aid in monitoring and implementation of projects and preparation and follow up of budgets (Nordstrom, 1999; Abbrey 2015).

In the end, irrespective of the type of business planning document, a business plan is ultimately used to either provide a statement of goals and strategies for use by the managers in the business, or to foster relationships with external stakeholders who may provide assistance in the achievement of business objectives (Mason and Stark, 2004; Abbrey et al., 2015).

Large organisations often undertake extensive business planning exercises using sophisticated business planning systems. These organisations are seen to be successful, and therefore entrepreneurs are urged to install and implement planning systems. When small entrepreneurial businesses do not follow suit and do away with planning, they are often labelled as exhibiting inappropriate behaviour (Gibson, and van der Vaart, 2008). Despite the available evidence indicating the large difference

between small business and their larger counterparts, and naturally, their planning procedures would differ from those of the large organisations, small businesses are still urged to replicate the planning systems of their larger counterparts.

The value of business planning and business plans in small and medium enterprises, whether established or new has been the subject of debate in management and recently in entrepreneurial research. The debate concerns the crucial dilemma that entrepreneurs face whether to plan prior to creating a new business or whether they should just storm the castle (Brinckmann, Grichnik and Kapsa, 2010). The varying arguments from a number of research studies on the importance of planning on the performance of small and medium enterprises are presented in the subsections below.

## **2.4 BUSINESS PERFORMANCE**

The current global business environment require businesses to satisfy all their stakeholders and excel concurrently within all the performance dimensions if they are to survive this dynamic environment. Effective measurement and monitoring of a business's performance is a necessity to achieving high standards of performance (Cocca and Alberti, 2010). Performance measurement systems are part of the solution to gaining competitive advantage and timeously reaction to the ever-evolving external business environment (Cocca and Alberti, 2010). In small business literature, there remains a lack of consensus among researchers in defining small business performance, because of the fact that small business performance measures are multi-dimensional (Gerba and Viswanadham, 2016). Gibson and Cassar (2005) also note and concur that business performance has a number of dimensions, making it challenging for researchers to come to suggest a generally agreed upon definition. As a result, researchers suggest a variety of definitions of business performance. The general definition of business performance is defined as "the operational ability to satisfy the desires of the company's major shareholders" (Zulkiffli and Perera, 2011). Daft (2010), defines organisational performance as the ability of an organisation to utilize its resources to achieve organisational goals in an effective and efficient manner (Sosiawani, Ramli and Mustafa, 2015). Sandberg (2003) in his attempt to define small business performance defines it as the ability of small businesses to contribute to job and wealth creation through business start-up, survival and growth. Business

performance may also be described as the business's success in the market (Gerba and Viswanadham, 2016). Based on the different definitions of business performance, it can safely be deduced that performance measurement is a system of gathering information, monitoring and assessing this information in relation to the business's activities in order to achieve the set goals and objectives. It is a process of putting a value to the efficiency of activities undertaken by the business, according to Tangen (2003). There are a number of varying reasons why businesses measure performance. Performance is a comparative process wherein different aspects of performance are compared. Comparisons allow an organisation to compare the performance of the business at differing time periods. Secondly, it enables the business to compare the performance of one business, sector or industry with another. Lastly, it gives opportunity to the business to compare the different strategic course of action and to eventually select the most effective.

There exists little or no consensus on how to measure performance of small businesses, as a result, performances in small businesses are variously measures (Gerba and Viswanadham, 2016). Crowther (1996; cited in Sandada, 2012) for a business to evaluate its performance, first it must determine which aspect to measure. It is argued that both objective and subjective measures can be used by businesses to measure their success (Chow and van der Stede, 2006). Financial and quantitative measures refer to objective measures, while qualitative and non-financial measures may refer to subjective measures (Simpson, Padmore and Newman, 2012).

#### **2.4.1 Financial Performance Measures**

The success of businesses has historically been assessed through financial measures such as return on investment, return on assets employed, return on sales, growth in revenues, cash flow, and market share (Chenhall and Smith, 2007). According to Verbeeten and Boon (2009), financial measures are subjected to internal controls, therefore rendering them reliable. In addition, they are easy to understand and they combine the results of all the business activities into a single integrated financial measure. Carter and Jones-Evans (2000) in their study attempted to provide justification for the use of financial performance measures such as growth rate in sales, increase in capital assets and profits as more accurate due to their objectivity.

Conversely, it was discovered that in practice these measures tend to be susceptible, problematic and not credible as businesses are hesitant to report true values of their sales and profit due to avoid personal or corporate taxes (Zulkiffli and Perera 2011; Sapienza et al., 1988). In addition, businesses may not be able to provide accurate data of their sales and profits if they do not keep records. In support of this outcome, Chow and van der Stede (2006) iterate that traditional financial measures of performance are not flawless due to the use of historical data, which is not reliable for the assessment of the performance of the business. As a result, this data promotes a more reactive approach as opposed to a proactive approach, which may subsequently create competitive disadvantage for the business. Usually in research the dependable variable used to measure performance is growth (number of employees), profit, turnover, profitability or return on capital employed (ROCE) or return on investment (ROI). Traditional financial measures of business performance are flawed as a result of being backward looking as opposed to forward, being prone to manipulation by SME managers and a lack of true reflection of the business value. Consequently, subjective measures, which are the non-financial performance measures have been recommended as a supplement to the financial performance measures.

#### **2.4.2 Non-Financial Performance Measures**

Due to shortcomings associated with financial business measures, a number of scholars have suggested the use of non-financial measures to measure business performance. Subjective measures of business performance have been frequently applied in strategic research and have been found to be reliable and valid. Managers are able to provide their subjective views or perspectives of the performance of their businesses in relation to that of their competitors (Dawes, 1993). Performance measurement in small businesses poses challenges due to the fact that in most cases participants are weary to respond on indicators such as profitability and return on investment (Tippins and Sohi, 2003; Khan, Khalique and Nor, 2014). As a consequence, subjective measures for business performance measure are often suggested. Market share, customer satisfaction and customer referral rates, delivery time, and employee turnover are all non-financial measures (Khan et al., 2014). With subjective measures, managers are often more than willing to provide confidential

information about their perceived performance of the business (Dawes, 1999). Consequently, SME managers are encouraged to apply general subjective measures when evaluating business performance as they may reflect more specific objective measures. Subjective measures allow for comparison across industries, businesses, time horizons and, cultures and economic conditions (Zulkiffli and Perera, 2011). When evaluating the performance of their businesses, managers need to compare different components of subjective measures with those of their counterparts. The components include areas such as customer satisfaction and retention, employee motivation and retention, sales volumes, market share, delivery performance, process improvement (Jusoh and Parnell, 2008). Based on the benefits of using subjective measures, several scholars recommend the use of these measures as opposed to financial measures.

### **2.4.3 Practices from different countries**

In general, performance measurement studies on SMEs are scarce, however, a few studies have been conducted to determine the type of performance measure used in different countries. In a study by Ahmad (2014), 160 SMEs in Malaysia were investigated for performance measurement and the study revealed that of the companies that participated, 79% had implemented a performance measurement system. Both financial and non-financial measures were employed by the companies. The study also revealed that the most commonly used financial indicators were sales growth (76%), operating income (75%), cash flow (74%) and return on investment (73%). The most popular non-financial measures were on-time delivery (77%), customer complaints (77%), employee turnover (75%), defect rate and employee absenteeism (74%) (Ahmad, 2014). This study was conducted in Malaysia and therefore its outcomes may not be generalised to the South African businesses. In a South African study conducted by Naude (2007) in Limpopo, seven SMEs in the ICT sector were questioned on their performance measurement practices. The study outcomes revealed that the businesses did not measure non-financial performance and relied mostly on financial measures such as cash flow, gross profit and revenue turnover for performance measurement. However, some SMEs did measure non-financial indicators such as customer satisfaction ratings, client service, number of

orders and new businesses. This study was focused on the ICT and may therefore not be a representation of practices of businesses in South Africa. Another study investigating performance measurement practices in 13 SMEs in the construction sector established that financial indicators was the most commonly used indicator, however, some businesses measured non-financial indicators (Pooe, 2007). A study of SMEs in the Cape Metropolis by (Maduekwe and Kamala, 2016) of 100 SMEs revealed that, the majority of the SMEs used both financial and non-financial performance measures, with financial measures (sales growth, cash flow, operating income and net profit margin) used more frequently than the non-financial measures (response time, customer satisfaction, percentage of repeat customers and customer complaints). Based on the discussions of different SMEs in different countries and industries, multi-dimensional approaches of business performance measurement that includes hybrid measures (both financial and non-financial measures) has been widely used and recommended to overcome the shortcomings of single measure of small business performance (Gerba and Viswanadham, 2016).

## **2.5 RELATIONSHIP BETWEEN BUSINESS PLANNING AND BUSINESS PERFORMANCE**

Empirical investigations to determine the link between business panning and business performance have been investigated since the early 1970s (Thune and House, 1970; Ansoff et al., 1970). These studies employed a variety of methodologies and measures to determine the after effects of the basic planning tools, techniques, and activities of strategic planning which include systematic intelligence gathering, market research, SWOT analysis, portfolio analysis, formal planning meetings and written long range plans (Powell, 1992). Numerous research studies have been undertaken to determine whether a relationship between business planning and business performance exists, if so, to also determine the nature of the relationship. These studies disappointingly did not point to a specific outcome on the impact of business planning on business performance as they yielded contradicting results. In actuality, the empirical literature provides inconclusive results on the relationship between the two variables.

The general view of strategy researchers however, points to the widespread notion that business plans positively impact the overall performance of the business (Burke,

Fraser and Greene, 2010). Business plans are ubiquitous in the venture creation space and are promoted by agencies providing support to businesses, however surprisingly, the value added by business plans to businesses is seldomly interrogated in research. The number of studies undertaken to determine the impact of business planning on the performance of businesses are few in number. Often the impact is assumed rather than established through research (Becherer and Helms, 2009). In accordance with research examining the diffusion of planning, the perspective established is that the use of business plans should result in the development of efficient and economically viable businesses. The limited empirical studies undertaken to understand the relationship between planning and business performance however do not reveal much with regards to this relationship, and in fact the outcome have been inconclusive due to different schools of thoughts. The widespread belief among some researchers is development of a business plan will have a positive effect on the business and that planning promotes growth and success of small and new businesses. In an argument presented by Delmar and Shane (2003), they pose that business planning guides company founders to swiftly make decisions that they would with the trial and error process. Bygrave and Zacharakis (2004) in their study also argue that the means through which developing a business plan can have positive effect on the business is by developing the potential business idea alongside a well thought-out execution strategy. In their study, Bygrave and Zacharakis (2004) also state that developing a business plan allows business owners to further develop and put to test, their business assumptions prior to spending any resources.

However, some of the studies conducted question the impact of a business plan in new and existing companies (Honig and Karlsson, 2004; Lange et al., 2007). Honig and Karlsson (2004) raise a question on the importance of business plans and whether they are nothing more than mimetic devices whose purpose is to legitimate new ventures. In a study conducted by Bhide (2000), his argument presented is that the impact of a business plan in a company is aligned to the reasons for which the business plan was created in the first instance. He further suggests that the impact of planning on new ventures of planning is not likely to generally have a positive, negative or negligent impact on businesses. In addition, he suggests that the impact of business plans is determined by the context within which they were developed. He also indicates that some business owners develop business plans to demonstrate the

financial viability of their business to financiers. Other business owners develop them to provide guidance on the introduction of new offerings to the market (Chwolka and Raith, 2012). As a result, the value of a business plans is situation dependent and its use is not generally applicable across the board. A study of 24 small businesses and their business plans by Singhvi (2000) indicated that more than 70% of the business used the business plan primarily to secure funding.

With the lack of consensus amongst researchers on the value of business planning in small and medium enterprises, entrepreneurs are often left to face the challenge of determining whether they should engage in extensive planning or to just ride the wave and carry out their venturing activities without planning. Around the globe, universities are teaching students in entrepreneurial courses about the importance of preparing business plans and how to write them. In a study of 100 top business schools in the US, it was learned that 78 of the schools offer business planning courses (Honig, 2004). In many countries, such as South Africa, business plan competitions are used as vehicles through which SMEs could win funding, as a means to foster entrepreneurship and economic development (Brinckmann, Grichnik and Kapsa, 2010). Overall, the hype on business planning appears to be growing in the research arena, but the question is, what value does this practice add to SMEs?

### **2.5.1 Positive relationship between business planning and business performance**

The majority of scholarly articles come to an agreement that business planning is essential for the growth of the business. To determine the relationship between business plans and performance of SMEs, Koh, Kim and Lee (2008) studied the performance of SMEs in Korea and found that good performance was found in businesses with a solid plan and excellent implementation. A meta-analysis study applied by Schwenk and Shrader (1993; cited in Gibson and Cassar, 2005) to a variety of studies conducted prior to 1990 showed a positive relationship between planning and some performance measures. Subsequent studies examining the relationship between planning and performance have also revealed similar outcomes. For example, a study using 121 firms from Fortune 500 companies revealed that business performance is positively linked to planning formality and innovation (Olson and Baker,

1995). Another study by Rauch and Frese (1998) provided support for the positive relationship between planning and business success through a cross sectional study of survey responses from 200 German SMEs. Similarly, in a study conducted in Australia, Gibson and Cassar (2002) analysed a database of 3554 Australian businesses to conclude that business planning is positively related to size and sales volume performance indicators. In addition, a study by Brews and Hunt (1999) indicated the existence of a positive relationship between formal planning and the company performance. The conclusion reached by their study suggested that entrepreneurs should always plan. Delmar and Shane (2003) in their study also argue that business planning has a positive impact on the business as it lowers the probability of the businesses failing and promotes the development of new products.

Other studies such as those of Perry (2001), Delmar and Shane (2003) Liao and Gartner (2007) indicate a positive relationship between business plans and business performance. A meta-analysis study conducted by Brinckmann, Grichnik and Kapsa, (2010) where empirical findings of 46 studies were reanalysed to determine the impact of planning on business performance, found a positive relationship between planning and company performance. In this study the researchers paid attention to factors that could influence the study such as number of years the business has been existing, nature of business planning practice and cultural differences (Hytti, 2011).

Another study in support of the positive relationship between written business plans and the performance of businesses is a study by Perry (2001). The study aimed to explore the effect of planning on the failure of small businesses in the US. The study concluded that very little formal planning takes place in small businesses in the US, and that businesses that did not fail did more planning than their counterparts that failed. The study concludes by recommending that if a small business employs five or more employees, it should engage in planning activities to enhance its chances of survival and success.

Neneh and van Zyl (2012) undertook a study to determine the type of business practices implemented by South African SMEs and the type of impact these have had on the optimal performance thereof. The results revealed that all business practices investigated which include, marketing, strategic planning, human resources

management, performance management and teamwork are positively linked to the performance of SMEs.

Similarly, a study was conducted to determine the relationship between planning and organisational performance in manufacturing SMEs in Nigeria. The study revealed that a significant relationship does exist between planning and performance of SMEs. The study further showed that a strong and significant relationship existed between planning and profits, and planning and market share. Many more studies have lent their support to the positive relationship between planning and business performance such as the study by Jones (1982) and Hamilton, Nwulu and Hamilton (2015), which presented results in support of this relationship. The study also revealed that businesses that did not fail did more planning than businesses that failed. In another supporting study, Bracker and Pearson (1986) examined the relationship between financial planning and performance and found that planning was associated with growth sales and that no significant relationship was found with regards to the return on investment.

### **2.5.2 Negative or No relationship between business planning and business performance**

Although quite a number of studies have shown that there is a positive correlation between business planning and business performance, there is an equal handful of studies which suggest contrary results. For example, two studies by Risseuw and Masurel (1994) and Lyles et al. (1993) found that the relationship between planning and performance was weak or moderate. A study by Rauch and Frese (1998) hypothesising a positive relationship between planning and success was not supported by study results. Studies by Tornikoski and Newbert (2007), Haber and Reichel (2007) and Honig and Karlsson (2004) did not find any relationship between business plans and business performance. Another study conducted by Parks, Olson and Boker (1991) of *Inc. 500* firms, which hypothesized that business plan preparation should result in profit improvement of the businesses. The results of this study were however the opposite of what they were expecting. Profitability was surprisingly higher in businesses that did not have prepared business plans (Becherer and Helms, 2009).

Moreover, a study by McKiernan and Morris (1994) using data from a longitudinal sample of 3000 firms in the U.K found no association between planning formality and performance. In addition, a study by Lumpkin et al. (1998) which analysed 133 firms in Southwestern USA found a minimal correlation between planning and performance.

Additional studies conducted which identified no relationship between strategic planning and SME success include studies such as that of Robinson and Pearce (1983) which investigated 50 small Banks in America; Gable and Topol (1987) investigated 2956 small enterprises in Australia, and French et al. (2004) in their investigation of 127 small Australian services enterprises.

Some studies have even found a negative relationship between planning and success, for example, the study by O’Gorman and Doran (1999) suggested that the presence of a mission statement does not seem to directly impact on the success of small enterprises (Veskaisri et al., 2007).

### **2.5.3 An inspiring business Vision and Business Performance**

Mission and vision statements of businesses have been strongly accepted as crucial aspects of the strategic management process for all types of organisations. These statements are believed to impact on the strategy and performance of a business (Darbi, 2013). According to Osiyevskyy et al. (2013), an inspiring vision is a view of the business’s near future state by the owner, which generally spans between 2 and 4 years. This aforementioned view does not need to be explicitly detailed out or concrete, but it must have the capability to inspire not only the business owner, but to inspire the managers and employees as well to work congruently and drive the business to that future desired state. A vision is defined by House and Shamir (1993) as an ideal that reflects the shared values to which the organization should aspire. Darbi (2012) substantiates this belief by stating that a vision is meant to arouse powerful mental images of the firm’s desired future state. An inspiring vision must be able to improve employee motivation, commitment and collaboration which subsequently should have a positive effect on the firm performance by supporting revenue growth of SMEs. A number of researchers including Piercy and Morgan (1994) and Simpson (1994) have questioned the importance and benefits of mission and vision statements. Literature focusing on mission and vision statements and their

relevance to businesses presents two different schools of thought. Some researchers interrogate whether there is a need at all for mission and vision statements, while on the other hand another group of researchers believe that creating these statements is good but using them is even better (Darbi, 2012). Mullane (2002) states that the content of the statements is not the cause of the debate but rather the processes used to create the statements and the employment of the finalised documents to the rest of the organisation. Darbi (2002) reiterates that often the belief in organisations is that creation of mission and vision statements is the responsibility of the management team, and which often are only mentioned briefly in annual reports or in some cases forgotten about. Seven attributes have been identified through reviews on leadership, business strategy and entrepreneurship theories as necessary for a vision to affect organizational performance. These attribute include, brevity, clarity, abstractness, challenge, future orientation, stability and desirability or ability to inspire (Sashkin, 1988; Sims and Lorenzi, 1992; Baum, Locke and Kirkpatrick, 1998).

Despite the debate on the relevance of mission and vision statements, the body of literature in favour of the relevance of the statements is higher than the opposing view. In their study of 393 firms across multiple countries, Osiyevskyy et al. (2013) revealed that firms that engage in efforts to create an inspiring vision and share it with employees showed significant higher growth rates of 33.9% and above, versus their counterparts growth rates of 16.6% and above. Another study by Bart, Bontis and Tagger (2001) also found that mission statements could affect the behaviour of employees which in turn had a direct impact on the firm's financial performance. Hussey (1998) further explained that business objectives are derived from the vision, linked to the measurement of corporate progress and eventually trickles down to personal performance. Similarly, Baum, Locke and Kirkpatrick (1998) in their study with data collected from 183 entrepreneurs found that the business vision significantly and directly affects organisational performance and also indirectly through vision communication. Another study in agreement of the impact of vision statements on business performance is a study conducted in Nigeria by Oghojafor et al. (2011) of organisations operating in the manufacturing and services sectors. The results of the study reveal that respondents are in agreement of the relevance of vision statements and their positive impact on improving organisational performance. According to the

authors, the employees become highly motivated since “the journey of where one is heading seems to make the journey easier”.

#### **2.5.4 Performance Indicators and Business Performance**

In recent times, a number of organisations have implemented new or improved their current performance management systems. Research studies have shown that regular use of the performance management systems leads to improved organisational performance (Waal and Coevert, 2007; Ahn, 2001, Said, HassabElnaby and Wier, 2003; Sandt, Schaeffer and Weber, 2001). Performance measurement has for a long time been studied in the manufacturing sector at the operational level of organisations (Maskell, 1991; Evans, 2004). A system of metrics and performance indicators is developed by businesses to track day-to-day progress of the business in moving towards achieving the set goals. This portion of the business planning process is concrete and detailed, involving the outlining of exact processes, employee responsibility and the required resources (Evans, 2004). Performance measurement practices contribute to the performance of a business and are essential for the profitability and long term success of the business (Wiesner, McDonald and Banham, 2007; Neneh and Vanzyl, 2012). Chan and Lynn (1991) state that the organizational performance criteria should include profitability, productivity, marketing effectiveness, customer satisfaction and employee morale. They further state that employee performance is important as it is directly linked to organizational performance. According to Schneier, Beatty and Baird (1987), developing a performance management system is classified as a development, planning, managing, reviewing and rewarding process. The two most important performance measurement frameworks employed by organisations are the balanced scorecard and the Malcolm Baldrige Criteria for Performance Excellence. Due to limitations of traditional accounting measures, the balanced scorecard was proposed as a result, to translate strategy into measures that uniquely communicate the organisation’s vision. The balance scorecard helps with the identification of the appropriate measures and aligns them with the vision and strategy of the organisation.

Some studies have investigated the cause and effect linkages amongst some of the organisational performance measures. Studies done by Brandt (2000), Anderson et

al. (1994), Bernhardt et al. (2000), Edvardsson et al. (2000) have studied the relationship between customer satisfaction, value and loyalty and financial performance (Evans, 2004). Borucki and Burke (1999) studied the relationship between customer attitudes and market share/financial performance. An empirical study conducted by Hoisington and Huang (2000) using data collected over 10 years and 50 key measurements revealed strong correlations among market share, customer satisfaction, productivity, warranty costs and employee satisfaction. Delmar and Shane (2003) have emphasized the importance of this aspect of business planning. Bird (1992) also supported the importance of performance measurement by pointing out that successful implementation of the business vision is facilitated by measurement of specific day-to-day tasks by employees (Osiyevskyy et al., 2013). In another study by Panda and Reddy (2016) to determine explore the association between Performance management system and organisational effectiveness revealed that there is a positive association between the two variables. Sumley (1997) further iterates that performance management systems directly influence critical organizational outcomes such as financial performance, productivity, product or service quality, customer satisfaction and employee satisfaction.

### **2.5.5 Marketing Planning and Business Performance**

Marketing is defined as “a business practice that focuses on the importance of having a profound appreciation for the customer so that the marketer can match or surpass the needs of the intended market better than the competition and as a result provide the firm with a continual competitive advantage in the market place” (Neneh and van Zyl, 2012). Marketing planning according to Pulendran, Speed and Widing (2003) can be considered as a set of techniques and activities that assists an organisation to achieve its desired goals through the alignment of both internal and external capabilities. The marketing discipline has put much emphasis over the past two decades to determine the role of marketing on the performance of business. This intense need to link the two parameters is driven by the urgent need of marketers defend the value of their activities and budgets in businesses under the current stringent global recessions conditions. Researchers in the field have thus managed to increase an understanding on the role marketing plays in enabling organisations to

create and maintain competitive advantage (Morgan, 2012). Arsalan, Naveed and Muhammad (2011) put forth an argument that states that carrying out marketing practices is necessary for every business since performance of businesses has been discovered to be directly linked to efficient marketing practices. As a way for businesses to survive in the competitive business environment, they need to have a clear understanding of who their customers are, and their needs. Businesses must also have the capability to measure the value created by a new innovation in the business (Neneh and Vanzyl, 2012).

Research conducted to determine the link between marketing planning as a component of business planning and its impact on business performance has yielded inconclusive results. Some studies such as Fredrickson (1984), Lysonski and Pecotich (1992) and McKee, Varadarajan and Vassar (1990) have found a positive relationship between marketing planning and business performance. Other studies have shown that there is no relationship between marketing planning and business performance (Leontiades and Tezel, 1980; Kulda, 1980), while other researchers have obtained mixed outcomes from their studies ranging from negative, to positive or no relationship depending on the aspects being studied (Fredrickson and Mitchell, 1984; Fredrickson and laquinto, 1989). A study by Taghian and Shaw (2005) aimed at studying the impact of formal marketing planning on business performance showed that marketing planning is significantly correlated to market share than with the overall financial performance of the organisation. On the contrary, a study by Englis et al. (2010) of 350 businesses incubated in the Top Program of the University of Twente yielded results that showed a negative relationship between marketing strategy and firm survival. A likely explanation for this negative relationship could be linked to the fact that marketing strategies can be over developed with the business looking for complex ways to reach their customers (Englis, Ratinho and Englis, 2010; Sahlman, 1997).

## **2.6 SUMMARY**

This chapter introduced SMEs, their definition, challenges they experience as well as their importance to economic development, not only in South Africa but also to other countries across the globe. The literature provided support on the point that SMEs are a mainstay to most economies, particularly in developing countries as they contribute

significantly to GDP. The review on business planning was also conducted in this chapter, where the focus was on the definition of business planning, as well as a presentation of the different views on the impact of business planning on business performance. Business performance was also defined and the various business performance measures were discussed.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 INTRODUCTION**

The previous chapter presented the theoretical background on SMEs, business planning and its impact on the performance of businesses. This chapter presents the process applied to address the research hypotheses and objectives. The research design used to test the presented hypotheses will be covered in this chapter. Firstly, the research design and methodology are discussed. Secondly, the targeted population is identified, which is the sample population. Thirdly, the research tool for collection of data is discussed, followed by the procedures for data capturing, and data processing and interpretation. The study limitations are also discussed in this chapter.

### **3.2 RESEARCH PURPOSE**

The three main scientific purposes that characterise research are: exploratory, descriptive and explanatory (Berglund 2007). Exploratory research aims to identify and discover essential information about a particular subject. It is adopted for the purposes of determining “what is happening”, to ask questions, to evaluate findings from a different perspective. Exploratory research is useful when the problem scope is vast and it is not clear as to what characteristics and relations are important. For proper evaluation of exploratory results, purpose and criteria of the study need to be stated (Berglund, 2007).

Descriptive research design aim to describe a particular occurrence where the researcher has knowledge of the variables to be investigated but does not have answers to the research question posed. The researcher is aware of what needs to be investigated but does not have answers to the posed questions (Berglund, 2007).

An explanatory research design is used to explain the existing relationship between the variables under study, where the aim is to explain the impact of one variable on the other variable. It is the identification of factors which as a bundle cause certain phenomena. The intention of this study is not to make any causal findings (Berglund, 2007).

The objective of this study is to determine the existence of a relationship between business planning and business performance of small and medium enterprises in the Gauteng Province. The study will determine whether the businesses are engaged in business planning activities and to what extent. The study will also determine the impact of adopting these planning activities on the performance of the business. The study is therefore descriptive and exploratory. Data collected from the participants through the selected research tool will be reduced to numbers, to enable the performance of a numerical analysis, therefore rendering the study as quantitative. The quantitative approach to determine the relationship between business planning and business performance is appropriate for this study as it provides the researcher with the necessary information to test and confirm the developed hypotheses.

### **3.3 RESEARCH PARADIGM AND APPROACH**

There are two categories of research paradigms in research, which are qualitative and quantitative research. In quantitative research, researchers who follow this perspective aim to explain how variables interact, shape events and cause outcomes. These explanations are obtained through experimental studies. In the quantitative research approach, the gathered data is converted to numbers and amounts that are analysed using statistical tools (Antwi and Hamza, 2015). This approach is characterized by the study of a few variables in a large number of entities. To gather data for this approach, surveys are often used (Berglund, 2007). In qualitative based research, the nature of the inquiry is interpretive and the purpose of the inquiry is to understand a particular phenomenon and not provide a generalization to a population. This approach aims to gain a better understanding of the phenomena under investigation, and it is based on the researcher's own description and reactions (Antwi and Hamza, 2015; Berglund, 2007).

In this study, a quantitative approach was adopted to determine the relationship between business planning and performance of small and medium enterprises in Gauteng. This approach was suitable for this type of study as it allowed for the researcher to formulate hypotheses, and to gather data used to test and confirm the hypotheses. The quantitative approach was also useful due to the fact that statistical

methods such as correlation analysis and regression analyses could be used to analyse the data.

### **3.4 POPULATION AND SAMPLING**

Bradley (2007) provides the sampling outline for research studies. These procedures which include: target population, the sampling frame, sampling method and the sample size were applied in this study.

#### **3.4.1 Target Population**

According to Mugo (2011), a population is described as a group of individual persons, objects or items from which samples are taken for measurement. The population in this study is small and medium enterprises operating in the Gauteng province, South Africa across all sectors of the economy. The Gauteng province was selected as the study area due to the high number of SMEs in the province. The targeted companies selected had to fit the definition of an SME as per the National Small Business Act of South Africa of 1996. The target population size could not be determined due to the unavailability of a database with all the SMEs operating in the Gauteng province.

#### **3.4.2 The Sampling Frame**

A sample is defined as a set of respondents who are selected from the target population (Mugo, 2011). A sample frame is also described in Sondada (2012) as a complete list where each unit of analysis is included only once. It also viewed as the listing of all units in the population from which the sample is selected (Bryman and Bell, 2007). In this study, the sample frame is a selection of SMEs that were conveniently available to participate in the study, listed on the database of the online research company called Springvale Online.

### **3.4.3 Sample Size**

In this study, a sample size of 474 SMEs was used to investigate the relationship between business planning and business performance because it is large enough to make a good representative of the number of SMEs in the Gauteng province. This sample size is consistent with previous studies on strategic and business planning, and business performance. In a study by Sondada (2012) the sampling size was 415 SMEs, whilst in studies by Fatoki and Odeyemi (2010), a sample size of 417 was used for the study. (Sondada, 2012; ). The questionnaire was sent to the respondents via their email addresses which they provided as part of the agreement to participate in research surveys. From the 474 SMEs targeted, responses were received from 109 SMEs which represents a response rate of 23%. The respondents were the entrepreneurs themselves or their senior managers as identified through their job title and position in the business.

### **3.4.4 Sampling Technique**

Due to the difficulty in obtaining the total population of SMEs in Gauteng, a non-probability sampling technique using the convenience sampling method was used to obtain participants for the study. Convenience sampling also referred to as haphazard sampling is a non-probability sampling technique where members of the target population chosen to participate in the study as selected based on their accessibility, geographical proximity, availability at a given time or the willingness to participate (Etikan, Musa and Alkassim, 2016). The initial selected method of sampling was systematic random sampling to obtain respondents for the study using an SME list from the Companies and Intellectual Property Commission (CIPC) or the Small Enterprise Development Agency (SEDA). However, the database from both CIPC and SEDA were inaccessible due to confidentiality issues. Therefore, convenience sampling was the technique of choice, where SMEs were selected based on their availability and accessibility. Emails were sent to respondents on the Springvale Online research services database. The study was conducted over a period of one month. From the 474 SMEs targeted, responses were received from 109 SMEs which represents a response rate of 23%.

### **3.5 DATA COLLECTION**

Data collection is the pivotal aspect of any research study, and there is two types of data collection methods; primary and secondary data collection methods. In secondary data collection, collection of data involves the sourcing of material previously gathered by other researchers in separate studies. Such data can be collected from online articles, books, journals etc (Lim and Ting, 2013). With the primary data collection, data is collected directly from the study subjects, which helps the researcher do more efficient analysis of the research through the collection of fresh information linked to the subject matter.

For the current study, data was collected through the means of a self-administered questionnaire, which was sent out to potential respondents using an online survey tool (Survey Monkey). An electronic link was sent to owners and managers of the selected SMEs. A cover letter and a consent form accompanied the survey questions. The self-administered questionnaire was selected as a means for data collection due to the convenience of respondents being able to complete the questionnaire anonymously, at their own time and pace.

In the development of the questionnaire, similar studies were identified which provided a guide on the structuring of the questions and the scales (Sandada, 2012). The questionnaire is made up of five sections, where Section A aims to collect data on the demographics of the respondents such as gender, age, position in the business, highest qualifications achieved to name a few. In Sections B to E, a five point Likert scale was used for data collection, where questions can be answered on a numeric scale of 1 to 5, which corresponds to a measure of disagreement or agreement. In the questionnaire, 1 represented strong disagreement, 2 represents disagreement, 3 represents moderate disagreement, 4 represents agreement and 5 represents strong agreement.

Section B questions are aimed at collecting data in relation to the business planning practices in the organisation. Section C questions were in relation to metric and business performance indicator practices in the business. Section D is in relation to marketing planning practices in the organisation and lastly, Section E questions are in relation to the performance of the business.

The questionnaire was pilot tested with 10 respondents in order to determine any weaknesses with the research instrument and to further refine it. Refinement of the questionnaire involved revision of the questions to ensure they were straight forward and understandable, and also determine whether they captured the required information for the study objectives.

### **3.6 DATA ANALYSIS**

Data analysis is a process entailing the examination, categorizing, tabulating or recombining the gathered data (Berglund, 2012). The data was captured and analysed on Microsoft excel 2013 software. This tool was selected for data analysis purposes due to the researcher's familiarity with the software as well as ease of access to the tool. Descriptive statistics, correlation coefficient and regression analysis were applied for data analysis purposes. The regression analysis of the data provided a "best fit" linear equation for the data, and correlation analysis determined the strength of the linear relationship (Weiers, 2011).

#### **3.6.1 Generalization, Validity and Reliability**

External validity is the extent to which findings of a study can be generalized to other studies and contexts (Struwig and Stead, 2001). In this study, the sample is made up entrepreneurs and managers from SMEs across different sectors in Gauteng. For reliability purposes, it is important that the investigator follows the same procedure when repeating the same study. In this current study, the findings cannot be generalized to the whole population of SMEs in South Gauteng because of the sampling method used.

The Cronbach alpha is the most widely used objective measure of the reliability of a research instrument. The alpha is used as a measure to determine the internal consistency of a test or scale. The value can range from 0.00 if no variance is consistent, to 1.00 if all variance is consistent (Brown, 2002). Previous studies indicate that a threshold coefficient alpha score above 0.70 is considered acceptable to confirm the reliability of the research (Mungule and Vuuren, 2016). Cronbach alpha was used

in this study to establish the reliability of the three business planning constructs and the business performance construct.

Validity is deemed as the most important requirement on a measuring instrument. There are three types of validity that need to be considered in a study, these are; content, criterion and construct validity (Berglund, 2012). Content validity can be determined by either statistically by subject experts and by reference to extensive literature (Toni and Tonchia, 2001; Sondada, 2012). Criterion validity is concerned with the establishment of the correct operational measurements for the concepts being studied (Berglund, 2012). The content validity in this study was established through the consultation of a number of previous research studies in the field.

### **3.6.2 Descriptive Statistics**

The composition of the sample selected for the research was assessed using descriptive statistics. Descriptive frequencies and pie charts were used to assess the gender, age of respondents, whether or not they own businesses, their positions in the business, revenues achieved by the business, number of years spent in the business, education levels achieved, number of employees in the business. The results of the descriptive statistics analyses are discussed in chapter 4.

### **3.6.3 Correlation Coefficient**

Correlation is a statistical tool used to assess the possible linear relationship between two variables. The correlation coefficient represents the strength and direction of the supposed linear relationship between the variables in question. A correlation coefficient of zero indicates that there is no relationship between the variables, while a correlation coefficient of -1 or +1 indicate that a perfect linear relationship exists between the variables. The strength of the relationship between the variables is dependent on the position of the value between -1 and +1, a value closer to -1 or +1 indicates a strong correlation between the variables. A positive value indicates that the variables are directly related while a negative value indicates that the variables are inversely related (Mukaka, 2012).

### **3.6.4 Regression Analysis**

The linear regression model in excel was used to determine whether there is a relationship between business planning and business performance. The accuracy of the regression model was tested using the R squared. R squared measures the percentage of the variance of the output variable as explained by the input variable. A high percentage obtained from the calculation indicates that there is a high chance that the variance of the output is linked to the input variable.

Furthermore, significance and p-values were used to determine whether the probability of the relationship between the input variable and output variable was not by chance. With the F significance value, the smaller the value the lower the chance that the relationship determined was by chance. The p-value also indicates whether the relationship between the variables is by chance or not. The smaller the p-value, the higher the probability that the relationship determined is not by chance.

### **3.7 SUMMARY**

This chapter describes the methodology followed to undertake the study. The research purpose and design, data collection and analysis methods were discussed. A description of the population from which the sample was taken was also described, followed by the sampling procedure used for data collection. The statistical methods used for data analysis include, descriptive statistics, correlation and regression analysis. To determine the quality of the research study, validity and reliability tests were applied. The results of the study are discussed in the following chapter 4, the discussions and conclusions are presented in chapter 5.

## **CHAPTER 4: RESULTS**

### **4.1 INTRODUCTION**

This chapter presents the results of the study. MS Excel software was used for the analysis of the data. This chapter begins with the presentation of the demographic profile of the SMEs used in the study. These include, the gender of the respondents, their role in the business, the amount of time they have been with the business, the number of years the business has been operational, the number of employees in the business and the latest turnover values for the business. The second part of this chapter includes the analyses and presentation of the independent and dependent variables through descriptive statistics measures such as mean, median, Cronbach's coefficient, correlation and regression analysis.

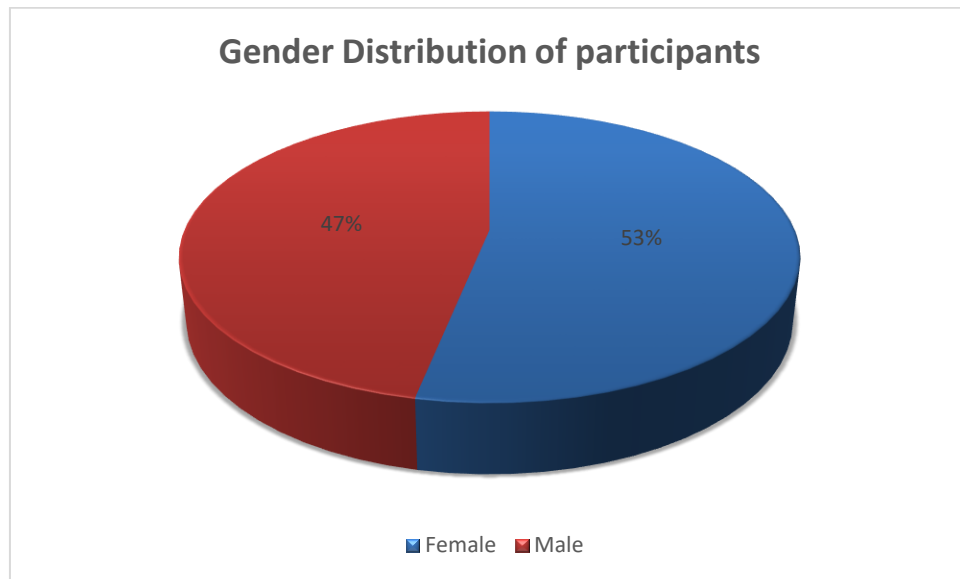
To test the hypotheses presented in the study, the three independent variables were analysed using a regression analysis model simultaneously to determine the significance of the combined planning variables on business performance. A regression analysis was conducted on the individual planning variables to determine the significance of each on the business performance variable.

### **4.2 DEMOGRAPHIC PROFILE OF RESPONDENTS**

To determine the demographic characteristics of the participants, questions were asked in section A of the questionnaire with the aim to collect such data. The questions asked were in relation to the gender of the respondents; the age of the respondents; their highest qualification obtained; number of years the business has been operational; the number of years they have been with the business, number of employees in the business; the type of industry in which the business operate; and the annual revenues of the business.

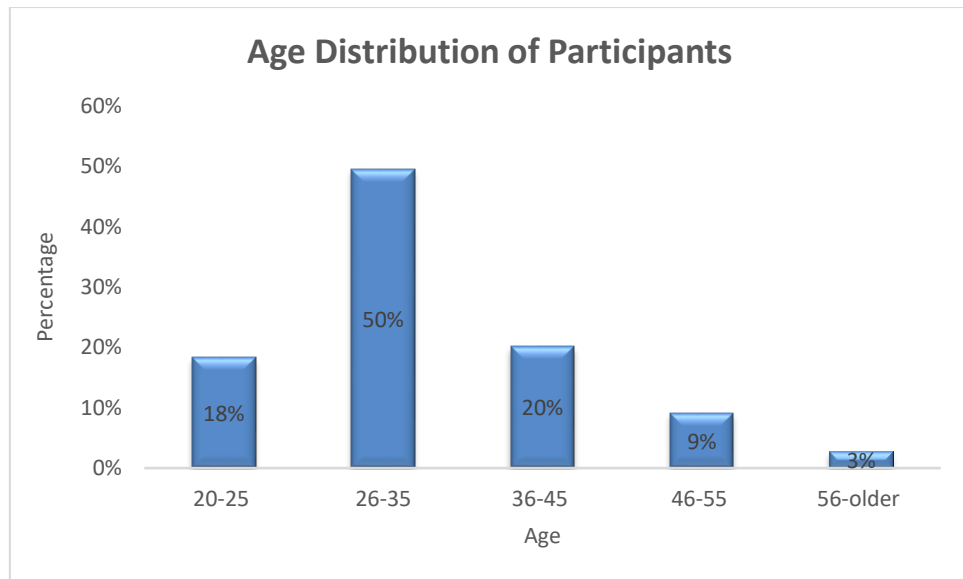
### 4.2.1 Gender of Respondents

A hundred and nine responses were received from participants in the SME sector in the Gauteng region. Of the 109 respondents, males accounted for 47% (51) of the sample population, while females accounted for 53% (58) as shown in Figure 4.1 below.



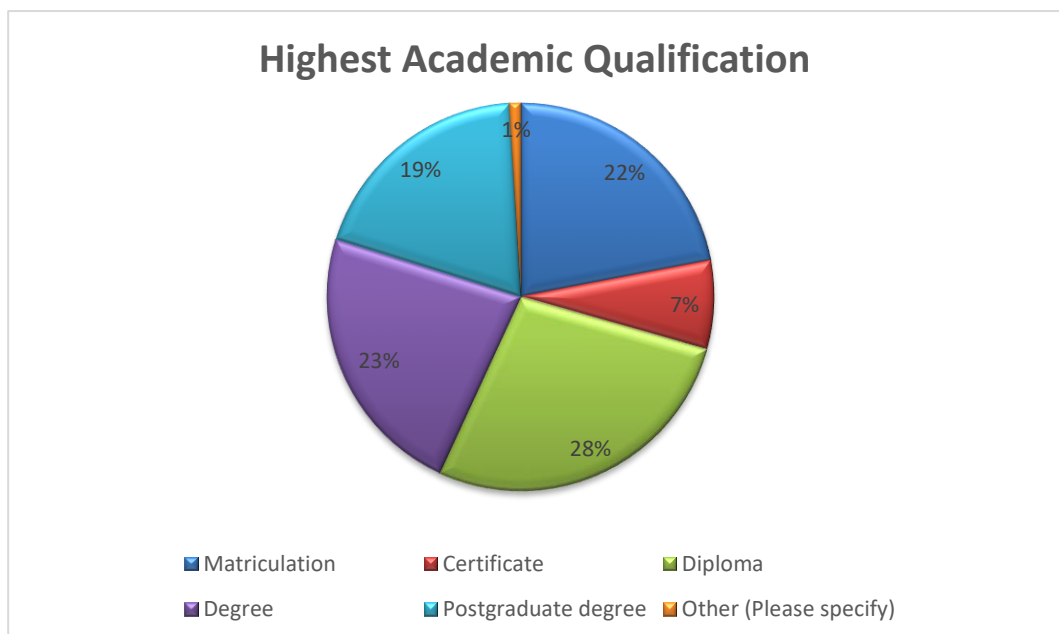
**Figure 4:1** Gender distribution of respondent

Figure 4.2 below shows the distribution of the age range of the respondents. The majority of the respondents are middle aged, with an age range of between 26 and 35 years old.



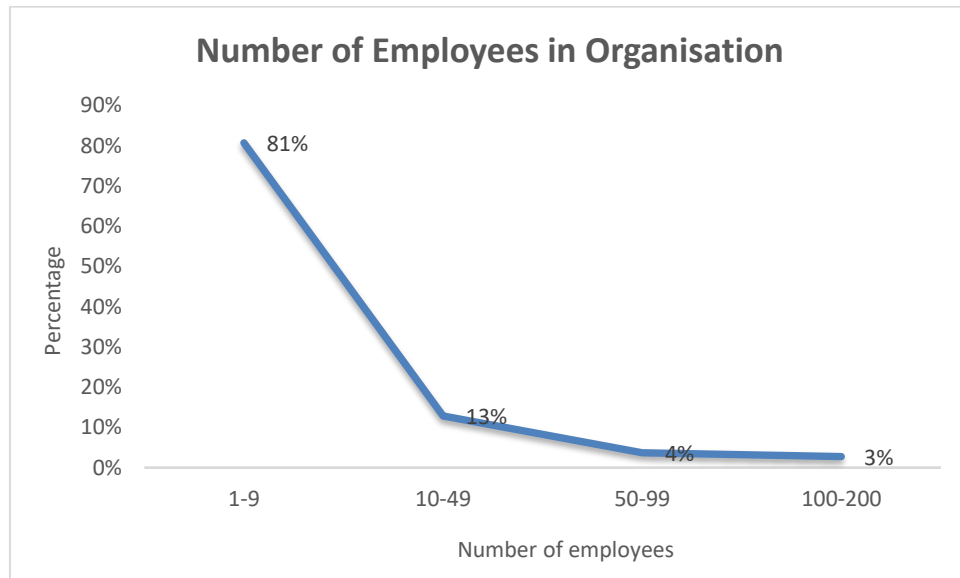
**Figure 4:2** Age distribution of respondents

In relation to the highest qualification obtained by the business owners, the majority of the participants hold a diploma at 28%, as shown in Figure 4.3 below. The 1% of respondents that falls under the “other” category indicated their highest qualifications as Grade 8.



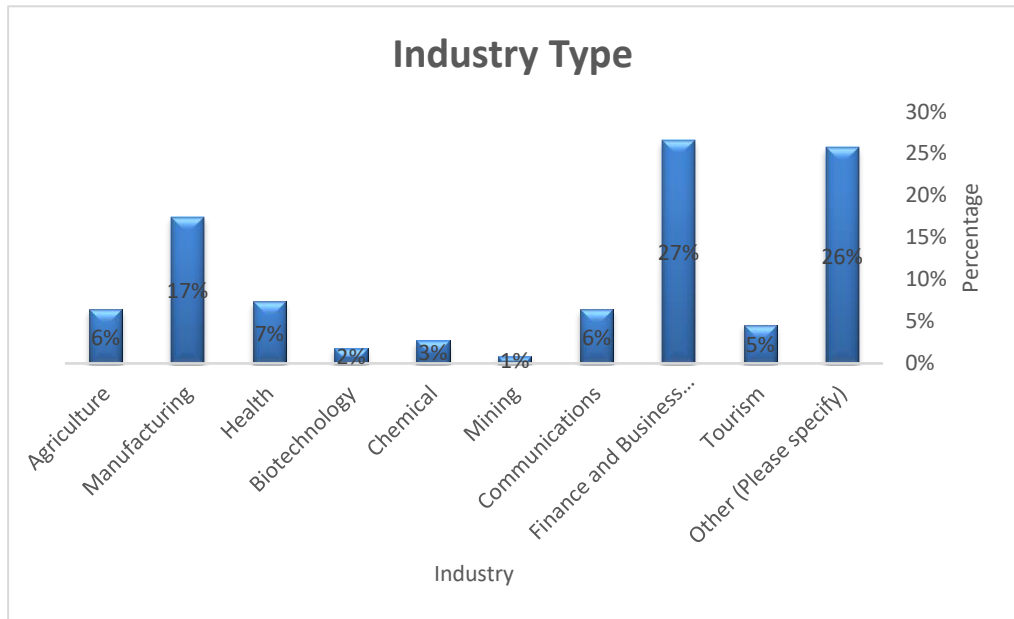
**Figure 4:3** Highest academic qualification of respondents

One of the factors used to classify SMEs is the number of employees employed by the business in addition to the business' turnover. As shown in figure 4.4, the majority of the businesses at 81% (88) employ between 1-9 employees, with only 3% employing more than 100 employees.



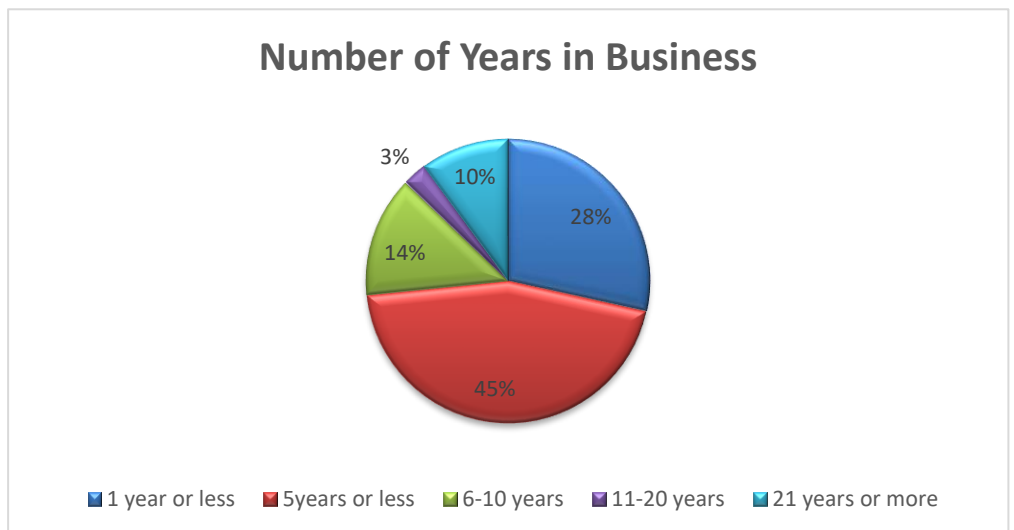
**Figure 4:4** Number of employees on the business

The sector categories in which the participating SMEs fall under is presented in figure 4.5 below. The majority of the participating SMEs at 27% fall in the finance and business services sector. The least represented sector is mining at 1%. The 26% of respondents that responded as "other" operate in a variety of sectors such as retail, property and hospitality.



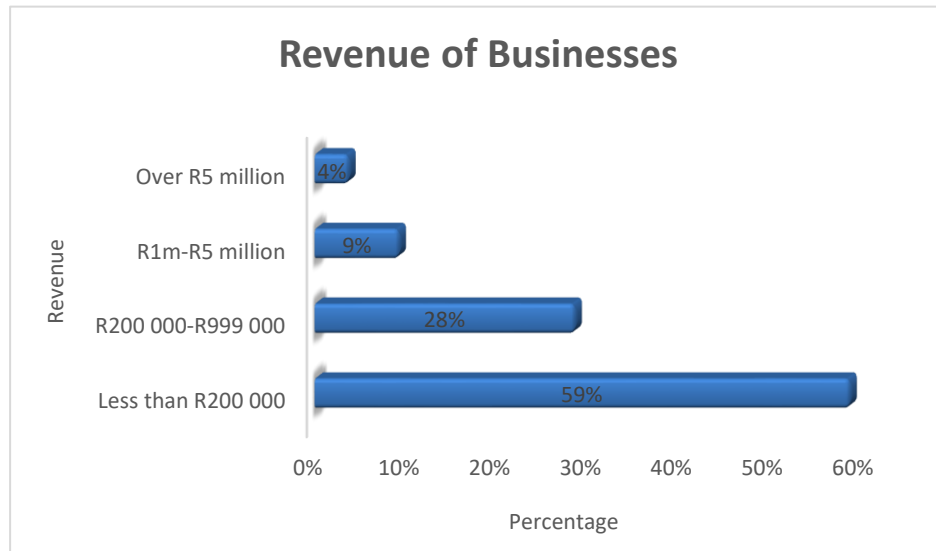
**Figure 4:5** Industry sector of business

The number of years the participating SMEs have been operational are shown in figure 4.6. The majority of the participating SMEs have been in business for 5 years or less (45%). Only 10% of the firms have been operational for more than 21 years or more.



**Figure 4:6** Number of years business has been operational

The results of the study further show that the majority of the SMEs at 59% have turnover of less than R200 000 per annum. Only 4% of the SMEs have turnovers of over R5 million, as shown in figure 4.7 below.



**Figure 4:7** Annual turnover of business

### 4.3 DATA ANALYSIS

#### 4.3.1 Reliability of measurement instrument

Reliability test was conducted to examine the internal consistency of the research instrument. Cronbach's alpha is a reliability coefficient that indicates the extent to which the factors in a set are positively correlated to one another. The coefficient can hold any values between 0 and 1. In research, generally a coefficient value of 0.8 or higher is accepted, while other studies indicate that coefficient values above 0.70 are also acceptable. Table 4.1 below presents the Cronbach's coefficients of the study variables.

**Table 4:1** Reliability analysis

Variable	Number of items	Cronbach's alpha
Inspiring vision	16	0.92
System of metrics	10	0.87
Marketing Plan	8	0.92
Business Performance	11	0.92

As depicted in Table 4.1 above, an inspiring vision had a coefficient value of 0.92, the coefficient for a system of metrics and marketing plan were 0.87 and 0.92 respectively. Lastly, business performance had a coefficient value of 0.92. The coefficients of the variables have achieved acceptable levels of reliability (Falshaw and Tatoglu, 2006; Aziz and Mahmood, 2011).

#### 4.3.2 Descriptive Statistics

The mean and standard deviations for the independent and dependent variables were determined and are summarised in Tables 4.2 and 4.3 below. The results are interpreted based on measurement scales: 1 being Strongly Disagree; 2 being Disagree; 3 being Moderately Agree; 4 being Agree; 5 being Strongly Agree.

**Table 4:2** Means and Standard Deviations of business planning practices

Variable	N	Mean	Median	Standard Deviation	Strongly Agree	Agree	Moderately Agree	Disagree	Strongly Disagree
Inspiring vision	109	3.79	3.88	0.73	44	39	20	3	3
System of metrics	109	3.45	3.6	0.80	17	46	25	9	12
Marketing Plan	108	3.70	4	0.90	38	29	24	12	5

Based on Table 4.2, the results indicate that the SMEs do practice some form of business planning. Of the three dimensions of business planning, an inspiring vision had the highest mean of 3.79, with the majority of the respondents (100) generally agreeing that their businesses have an inspiring vision. On the marketing plan factor, the majority of the respondents (91) agree that their businesses have marketing plans in place, with the second highest mean of 3.70. For a system of metrics factor, the majority of the respondents (88) agree that they have implemented such a system, with the lowest mean of 3.45. This means that business owners believe that having an inspiring vision is the most important aspect of business planning, followed by a formal marketing plan and lastly, a system of metrics for performance measurement.

The results for business performance are based on the measurement scales: 1 being Strongly Disagree; 2 being Disagree; 3 being Moderately Agree; 4 being Agree; 5 being Strongly Agree. Based on the average mean (3.73) and standard deviation (1.06), the SMEs generally perform above average as seen from the eleven measures of business performance as shown in Table 4.3 below.

**Table 4:3** Means and Standard Deviations of business performance measures

<b>Variable</b>	<b>N</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Moderately Agree</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>Sales Volumes</b>	108	3.94	1.03	40	33	29	5	1
<b>Revenue</b>	108	3.72	0.93	20	51	29	7	1
<b>Customer Base</b>	109	3.99	0.88	30	56	18	2	3
<b>Market Share</b>	109	3.67	1.05	26	38	32	9	4
<b>Product offerings</b>	109	3.82	1.04	29	47	22	6	5
<b>Product Innovation</b>	108	3.78	1.08	30	44	20	12	2
<b>Number of Employees</b>	109	3.42	1.15	20	37	28	17	7
<b>Employee Satisfaction</b>	109	3.79	0.91	21	56	23	6	3
<b>Employee Productivity</b>	108	3.86	1.03	31	46	23	5	3
<b>Employee Retention</b>	109	3.69	1.07	28	37	30	10	4
<b>Securing Loans</b>	107	3.39	1.30	26	29	26	19	7

Table 4.3 shows that the majority of the respondents generally agree that their businesses perform quite well in terms of customer base (frequency=104, mean=3.99), followed by sales volumes (frequency=102, mean=3.94) and performance is modest with regards to securing loans for the business (frequency=81, mean=3.39).

### 4.3.3 Correlation Analysis

Correlation analysis was performed to determine if there was any correlation between business planning dimensions, namely inspiring vision, system of metrics and marketing plan, and the dependent variable, namely business performance. To determine the magnitude and direction of the relationship, the Pearson correlation coefficient ( $r$ ) was used. The value of  $r$  can range anywhere between -1 and +1, with a -1 indicating a negative relationship, 0 indicating no relationship and a +1 indicating a positive relationship (Welman et al. 2005). The correlation coefficients for the variables used in this study, determining the level of association between the business planning factors and business performance are presented in Table 4.4 below. The results indicate that the correlations between business performance and the business planning factors namely; inspiring vision (0.60), system of metrics (0.70) and marketing plan (0.67) are significant. This indicates that business planning is significantly correlated to business performance.

**H1: There is a positive relationship between having an inspiring business vision and business performance**

The results confirm the significant positive relationship between having an inspiring vision and business performance ( $r=0.60$ ) ( $p<0.05$ ) (Table 4.4). The relation is positive, which indicates that having an inspiring vision Impacts positively on business performance.

**H2: There is a positive relationship between having a system of metrics and performance indicators, and business performance**

The results confirm the significant relationship between having a system of metrics and business indicators, and business performance ( $r=0.70$ ). The relation is positive, which indicates that having a system of metrics Impacts positively on business performance.

**H3: There is a positive relationship between a developed marketing plan and business performance**

The results confirm the significant relationship between having a marketing plan and business performance ( $r=0.67$ ). The relation is positive, which indicates that having a marketing plan impacts positively on business performance.

**Table 4:4** Correlation analysis of the variables

	Inspiring vision	System metrics of	Marketing plan	Business performance
Inspiring vision	1.00			
System metrics of	0.69	1.00		
Marketing plan	0.67	0.64	1.00	
Business performance	0.60*	0.70*	0.67*	1.00

\*correlation is significant at the 0.01 level

**4.3.4 Regression Analysis between business planning factors and business performance**

The correlation analysis establishes the strength of correlation between the variables only and does not indicate the causal relationship between the variables. Therefore, regression analysis was carried out to determine the predictive relationship between variables, i.e. does a set of predictor variables do a good job at predicting the outcome variable? In this case, regression analysis was carried out to determine the predictive relationship between two variables, which are business planning factors and business performance. The three business planning factors are the independent variables, whilst business performance is the dependent variable. Table 4.5 presents the results from the regression analysis for the variables, which shows the predictive power of the independent variables (business planning factors) on the dependent variable (business performance).

**H1: There is a positive relationship between having an inspiring business vision and business performance**

**Table 4:5** Impact of an Inspiring vision on business growth

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	24.29217599	24.292176	60.15822881	5.44532E-12
Residual	107	43.20710371	0.40380471		
Total	108	67.4992797			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.2821821	0.321911177	3.98303069	0.000124388	0.644030735	1.920333463	0.644030735	1.920333463
Inspiring vision	0.64746736	0.083477677	7.75617359	5.44532E-12	0.481982597	0.812952115	0.481982597	0.812952115

$R^2 = 0.36$ , adjusted  $R^2 = 0.35$ ,  $F=60.16$ ,  $p<0.001$

The results of the analysis indicate that an inspiring vision ( $\beta=0.65$ ,  $p<0.01$ ) has a significant impact on the overall business performance. The F-value of 60.16 indicates a significant association between the business planning factors and business performance at  $p<0.001$ . The adjusted  $R^2$  value of 0.35 indicates that an inspiring vision accounts for 35% of the variation in overall business performance. The findings of the study indicate that there is a significant, positive relationship between an inspiring vision and overall business performance for SMEs in South Africa.

**H2: There is a positive relationship between having a system of metrics and performance indicators, and business performance**

**Table 4:6** Impact of a system of metrics on business growth

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	33.0526	33.0526	102.669615	2.55331E-17
Residual	107	34.44668	0.321932		
Total	108	67.49928			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.35995147	0.240513034	5.65437744	1.313E-07	0.88316244	1.83674051	0.88316244	1.83674051
System of metrics	0.68857182	0.067956074	10.1326016	2.553E-17	0.55385683	0.82328681	0.55385683	0.82328681

$R^2 = 0.49$ , adjusted  $R^2 = 0.48$ ,  $F=102.67$ ,  $p<0.001$

Table 4.6 above indicates that having a system of metrics ( $\beta=0.69$ ,  $p<0.01$ ) has a significant impact on the overall business performance. The F-value of 102.67 indicates a significant association between a system of metrics and business performance at  $p<0.001$ . The adjusted  $R^2$  value of 0.48 indicates that a system of metrics accounts for 48% of the variation in overall business performance. The findings of the study indicate that there is a significant, positive relationship between a system of metrics and overall business performance for SMEs in South Africa.

**H3: There is a positive relationship between a developed marketing plan and business performance**

**Table 4:7** Impact of a marketing plan on business growth

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	30.45465	30.454647	87.96544	1.29908E-15
Residual	107	37.04463	0.34621152		
Total	108	67.49928			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.534733929	0.241160542	6.3639512	5E-09	1.05666128	2.01280658	1.05666128	2.01280658
Marketing	0.59371889	0.06330308	9.378989	1.3E-15	0.46822792	0.71920986	0.46822792	0.71920986

$R^2 = 0.45$ , adjusted  $R^2 = 0.45$ ,  $F=87.97$ ,  $p<0.001$

The results on Table 4.7 above of the analysis indicate that a marketing plan ( $\beta=0.59$ ,  $p<0.01$ ) has a significant impact on the overall business performance. The F-value of 87.97 indicates a significant association between the marketing plan and business performance at  $p<0.001$ . The adjusted  $R^2$  value of 0.45 indicates that a marketing plan accounts for 45% of the variation in overall business performance. The findings of the study indicate that there is a significant, positive relationship between marketing plan and overall business performance for SMEs in South Africa.

**H4: There is a positive relationship between business planning and business performance**

**Table 4:8** Impact of business planning on business growth

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	38.85824	12.95275	47.48566	1.78803E-19
Residual	105	28.64104	0.272772		
Total	108	67.49928			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	0.847832729	0.271170232	3.12657	0.002288	0.31015225	1.3855132	0.31015225	1.385513207
Inspiring vision	0.0815033	0.103477101	0.78765	0.432678	-0.123672677	0.2866793	-0.12367268	0.286679277
System of metric	0.416384341	0.091782916	4.53662	1.53E-05	0.234395774	0.5983729	0.234395774	0.598372908
Marketing plan	0.30828114	0.080303811	3.83894	0.000212	0.149053517	0.4675088	0.149053517	0.467508763

R<sup>2</sup>=0.58, adjusted R<sup>2</sup>=0.56, F=47.49, \*significant at p<0.01

Table 4.8 shows that all the business planning factors have a positive relationship with overall business performance measures as shown by their beta values where, inspiring vision (0.08), system of metrics (0.42) and marketing plan (0.31). The beta coefficients also show which of the factors make a significant contribution to business planning. The most significant contributor is a system of metrics ( $\beta=0.42$ ,  $p<0.01$ ) followed by a marketing plan ( $\beta=0.31$ ,  $p<0.01$ ). However, an inspiring vision ( $\beta=0.08$ ,  $p>0.01$ ) showed insignificant contribution to the business performance. Although an inspiring vision showed an insignificant relationship with business performance, it however, did not show a negative relationship. The adjusted R<sup>2</sup> value of 0.56 suggests that 56% of the variance in business performance can be explained by business planning factors.

**4.4 SUMMARY**

The results obtained from the empirical study are presented in this chapter. The first section of this chapter reports results obtained from the analysis of the biographical data of the responding SMEs, which included the gender, age and educational background of the responding business owners. From an SME perspective, the results

presented include information on the industry the businesses operate in, the number of years the business has been operational, the number of employees employed by the business and the turnover of the business. Descriptive statistics were used to analyse the data and the results summarised in the form of pie charts and bar graphs. In the second section of the chapter, results describing the relationship between the business planning constructs and business performance were presented. These relationships were establishing through correlation analysis and regression analysis. Testing of the hypotheses were performed at this stage. Detailed discussions of the results as well as the conclusion are presented in the following chapter.

## **CHAPTER 5: DISCUSSION**

### **5.1 INTRODUCTION**

In the previous chapter, analysed study results were presented and summarised. The current chapter will discuss those results in detail. The results of the demographic profile of the study participants are discussed in the beginning of the chapter and those pertaining to the business planning factors in relation to business performance are discussed subsequently. These results are compared to the theoretical assertions presented in the relevant literature.

### **5.2 DEMOGRAPHIC PROFILE OF RESPONDENTS**

The study indicates that out of 109 participants in the study, the majority were females at 53%. The males accounted for 47% of the population sample. In most studies conducted, a larger portion of the participants is usually made up of males (Magableh, 2011; Williams, 2013). However, in this study, the proportion of females was large than that of males. Although this contradicts a large cohort of studies, however, it is supported by the Global Entrepreneurship Monitor (2017) report which indicates that over the years the gap between male and female entrepreneurs has decreased substantially. The results reveal that in 2016, more than seven women were engaged in entrepreneurship activities for every ten male entrepreneurs, which is in line with both the African and the efficiency driven economies. Nyangona (2012) also supports this data in her study to determine the access to finance by SMEs in Kampala, where the results she obtained showed a larger percentage of women respondents compared to males.

The results obtained are consistent with the Global Entrepreneurship Monitor report (2017) which indicates that the entrepreneurial activity tends to be low on the 18-24 years cohort, with the highest prevalence amongst 25-34 year olds and 35-44 year olds (Nyangona, 2012). The study reveals that participation in entrepreneurial activity tends to decline as age increases, with the sharpest decline after the age of 54.

In terms of the business sectors, the results are in agreement with the SMME report by SEDA (2016) where finance and business services, manufacturing and transport

and communications sectors with high numbers of SMMEs. The study also showed that the least represented sectors include biotechnology, chemicals and mining, which is in agreement with the SEDA (2016) study where the mining sector had the least number of SMME representation. The report further indicates that the majority of the SMMEs in the mining industry are found in the informal trade sector.

The data obtained on the number of employees that the SMEs employ are supported by the data from the Trade and Industrial Policy Strategies (2002), which indicated that SMMEs employed between 1 and 80 employees and only large businesses employed above 200 people. The high percentage of SMEs that employ 1-9 employees implies that the majority of the businesses were small sized enterprises (Nyangona, 2012).

On the aspect of education, the results obtained in this study are in line with those in a study by Nyangoma (2012), where she shows that the majority of the owners or managers of SMEs have diplomas. Only 19% of the business owners held a postgraduate degree. These results are further supported by the data from the SEDA study, which reveals that the majority of business owners have completed some of secondary schooling (60%) and tertiary education (19%). In addition, the study showed that only 4% of the business owners had no schooling. As expected, business owners with a tertiary education operate mostly in the formal sector and those with an incomplete high school operate mostly in the informal sector.

### **5.3 DISCUSSION PERTAINING TO HYPOTHESIS 1**

**H1: There is a positive relationship between having an inspiring business vision and business performance**

#### **5.3.1 Correlation Analysis**

Results of the correlation analysis reveal the existence of a positive relationship between an inspiring vision and business performance with a Pearson coefficient of 0.60. This value indicates that an inspiring vision is significantly correlated to business

performance. This finding provides empirical support to hypothesis 1, the hypothesis is therefore accepted. The findings of this study are supported by the results from a study by Carver, 2013 which showed a significant correlation between organizational vision and organizational effectiveness.

### **5.3.2 Regression Analysis**

Following the establishment of the strength of the relationship between an inspiring vision and business performance, regression analysis was further conducted to infer the causal relationship between the two variables. The hypothesis was tested by assessing the significance of the regression of having an inspiring vision on the performance of the business. The ANOVA results presented in Table 4.8, reveal that the overall model is significant ( $F=47.48$ ;  $p<0.01$ ). The results of the regression model of the first factor indicate that an inspiring vision has a significant effect on the performance of the business (adjusted  $R^2=0.560$ ;  $F=47.500$ ;  $p<0.001$ ). These results provide empirical support for hypothesis 1. As the analysis report on Table 4.5 demonstrates, an inspiring vision contributes 65% to the overall growth of the business. These results are in line with those obtained by (Osievskyy et al. 2013), where an inspiring vision contributed 34% to the growth of the business. A number of studies have been undertaken, which show that forming and expressing of visions in businesses positively affects a number of areas within the business. The studies show that an applicable vision strengthens human beings and focused them on their objectives, which renders the business open to innovation and changes (Baum, Locke and Kirkpatrick, 1998).

Research by Kotter and Heskett (1992) suggests that visionary businesses experience growth with regards to revenue, job creating capacities, share price and profit. Additional studies have shown that a positive relationship does exist between a vision and business performance (Bart and Baetz, 1995a; Bart and Baetz, 1998b). It is thought that for a vision and mission statements to have a positive effect on business performance, the vision and mission statement must not only be known by the employees, but they must be accepted as well (Orhan, Erdogan and Durmaz, 2014). Osievskyy et al (2013) show in their study that businesses which engaged in

developing an inspiring vision reported significantly higher growth rates than their counterparts who did not have an inspiring vision (+34% vs +17%).

## **5.4 DISCUSSION PERTAINING TO HYPOTHESIS 2**

**H2: There is a positive relationship between having a system of metrics and performance indicators, and business performance**

### **5.4.1 Correlation Analysis**

Results of the correlation analysis reveal the existence of a positive relationship between a system of metrics and business performance, with a Pearson coefficient of 0.70. This finding provides empirical support to hypothesis 2.

### **5.4.2 Regression Analysis**

The second hypothesis was tested by assessing the significance of the regression of having a system of metrics on the performance of the business. The results of the regression model of the second factor indicate that a system of metrics has a significant effect on the performance of the business (adjusted  $R^2=0.485$ ;  $F=102.66$ ;  $p<0.001$ ). These results provide empirical support for hypothesis 2. As the analysis report on Table 4.6 demonstrates, a system of metrics contributes 69% to the overall growth of the business. In a study aiming to determine the impact of a business performance management system on the performance of a businesses, the results obtained indicated that 18.9% change in the business's performance is explained by the performance management area, while the rest is influenced by other factors. These results are consistent with the results obtained in the current study where a positive relationship between a system of metrics and business performance is established, with 69% of the changes in business performance attributed to a system of metrics.

Another study by Chau (2008) further iterates the positive relationship between performance management impacts on business performance and effectiveness. A similar study by McDonald and Smith (1995) provides additional prove for the positive relationship between business management and business performance, by showing that performance management can improve business performance through the level of sales, productivity levels, as well higher profits than before running performance management. Other studies which support this hypothesis is a study by Selden and Sowa (2011), which provides that the performance management through performance assessment followed by provision of feedback on performance will give a positive result to the businesses (Listiani and Kartini, 2015). Another study conducted at the Standard Chartered Bank of Kenya also found that the bank adopted performance management system and that it also sets high-performance goals and coaches staff to improve performance. Profitability of the bank was found to have increased to a greater extent with the performance management system, followed by productivity of the employee within the bank. From this study it was concluded that that the performance management system that has been set in place serves to improve the organizational performance (Waka, 2010). The study further recommends that organizations should adopt the performance management systems as it will help them gain competitive advantage over their competitors (Waka, 2010).

Other studies have shown that numerous organizations that has implemented performance management systems and have been using them for approximately three years have experienced average dollar value increases equalling \$750000 for the three year period. Improvements were also seen in employee productivity, customer satisfaction, employee job satisfaction, quality of products and services, degree of innovation and financial performance (Waka, 2010; Davis and Rogers, 2006). A similar study conducted on a local company in Indonesia also found that performance management is responsible for 19% of the changes in the company's performance, confirming that performance management systems do have a positive effect on the performance of businesses (Listiani and Kartini, 2015).

## **5.5 DISCUSSION PERTAINING TO HYPOTHESIS 3**

**H3: There is a positive relationship between a developed marketing plan and business performance**

### **5.5.1 Correlation Analysis**

Results of the correlation analysis reveal the existence of a positive relationship between a marketing plan and business performance with a Pearson coefficient of 0.67. This finding provides empirical support to hypothesis 3.

### **5.5.2 Regression Analysis**

The third hypothesis was tested by assessing the significance of the regression of having an inspiring vision on the performance of the business. The results of the regression model of the third factor of business planning indicate that a marketing plan has a significant effect on the performance of the business (adjusted  $R^2=0.45$ ;  $F=87.97$ ;  $p<0.001$ ). These results provide empirical support for hypothesis 3. As the analysis report on Table 4.7 demonstrates, a marketing plan contributes 59% to the overall growth of the business.

Tables 4.6, 4.5 and 4.7 shows the beta results of the independent variables. Based on these results, a system of metrics has the most significant impact on the performance of businesses (beta=0.69), followed by an inspiring vision (beta=0.65) and lastly a market plan (beta=0.59) respectively. A number studies have provided empirical support for the relationship between the marketing strategies and financial performance of businesses (Owomoyela, Oyeniyi and Ola,2013; Shohom, 2002; Theodosiou and Leonidou, 2003; Faria and Wellington, 2005; Kyle, 2004). In other studies by Shim, Eastlickand Lotz (2004) and O'Neill et al. (2002: cited in Chiliya, Herbst and Roberts-Lombard, 2009), it has been shown that overall business performance is positively linked marketing strategy. In a study conducted in Nigeria to determine the impact of marketing strategy on small and medium enterprises, it was shown that the different factors of marketing were significant joint predictors of

business performance. This study further confirms the positive impact of marketing on business performance (Adewale, Adesola and Oyewale,2013). Ebitu (2016) in his study on SMEs in Nigeria and the effects of a marketing plan on their performance, further reveals that there is a significant impact of marketing (product quality and relationship marketing) on the profitability and increased market share of the SMEs. In another study conducted on SMEs in Kenya, the results obtained provide additional empirical evidence that marketing strategies do influence the performance of small and medium enterprises. The study further recommends that SMEs should adopt effective policies on marketing since marketing is one of the major determinants of SMEs performance (Njoroge, 2015). A number of studies undertaken to determine the impact of marketing strategy and planning on business performance have shown that a positive relationship does exist between the two variables (Akinyele, 2011; Adewale Adesola and Oyewale, 2013; Saif, 2015).

## **5.6 SUMMARY**

This chapter deals with the overall findings of the research study. The demographic results from the study are generally in line and supported by the literature reviewed, concerning the description of business owners in terms of age, gender, educational levels. To test the means of the difference and significance levels, ANOVA analysis was used. Results obtained from the correlation analysis and regression analysis strongly support the argument that business planning is positively related to business performance. All three constructs of business planning explored in this study which are, an inspiring vision, a system of metrics and performance and a marketing plan, do influence business performance positively although to varying degrees. Implementing a system of metrics and performance in the business has been shown to have the highest impact on business performance, followed by having a marketing plan and with an inspiring vision having the lowest impact of the three on business planning.

## **CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 INTRODUCTION**

The previous chapter provided detailed discussion of the results obtained from this study and also provides theoretical and empirical support for the study data. This chapter presents the summary of the findings of this study. The recommendations to SME representatives and business owners are presented herein, which business owners could take heed of in order to improve on the performance of their businesses and hence their survival rate. Lastly, suggestions for future research and the study limitations are also discussed.

### **6.2 CONCLUSION**

The primary objective of this study was to determine whether a relationship existed between business planning performance in the Gauteng province. Several conclusions can be drawn from this research. Firstly, it can be concluded that most of the SMEs in Gauteng do implement some business planning activities, as they understand the importance of these in the performance of their businesses. The study has shown that businesses that have an inspiring vision experienced positive business performance, as revealed through the correlation analysis where a positive relationship between the two variables is observed. This outcome is further supported by similar studies where it has been shown that an inspiring vision improves business performance as it gives employees a sense of direction and purpose (Oghojafor et al. 2012). This outcome is therefore in support of hypothesis 1. Secondly, it can be concluded from the study that businesses that have a system of metric and performance measurement also experience positive business performance. Several studies have demonstrated the impact of implementing such systems on the performance of the business (Waal and Coevert, 2007; Said, HassabElnaby and Wier, 2003). Lastly, the study has demonstrated that a positive relationship exists between marketing planning and business performance. This positive relationship is linked to the fact that marketing planning guides the business to create and maintain a competitive advantage against competitors, which may lead to an increase in market

share and hence the performance of the business (Morgan, 2012). In concluding, the study has shown that business planning activities do have a positive effect on the performance of SMEs.

Based on these findings, it is evident that SMEs should invest their resources to develop and implement these business planning factors as part of their operational plans in order to enhance their performance. From this study, entrepreneurs and business owners can draw relevant information to carry out their strategic planning processes, which will increase their survival rates in the turbulent and highly competitive business environment.

### **6.3 IMPLICATIONS OF THE STUDY**

The findings of the study could be of value to CEOs and managers of SMEs as it imparts knowledge on the importance of business planning practices and their implications on the performance and hence growth of the businesses. Furthermore, the findings provide an understanding of the specific business planning practices and tools to focus on, in order to maximise business performance, in order for the business to obtain competitive advantage in the marketplace. This research in conjunction to other similar studies could be used by businesses as a guideline for the implementation of such business planning activities within the businesses.

### **6.4 RECOMMENDATIONS**

Based on the findings obtained in this study, we recommend that small and medium enterprises should develop and implement business planning activities since business planning has a significant impact on the performance of the businesses.

The first point to consider is that a system of metrics and performance indicators as a factor of business planning plays a significant role in the performance of businesses. Performance management is described as a means of achieving better results from the organization by aligning the organizational goals with that of employees where each individual takes responsibility of attaining these objectives or goals. Performance management systems not only play a role in ensuring that the organization survives the harsh business environment, but it also assists the organization to excel in its

performance by leveraging the employees' efforts. Therefore, businesses should ensure that they implement performance measurement systems in their organisations to monitor the performance of the business. Measuring performance will indicate to management whether the business is achieving its objective, and if not, what changes are required to ensure that these objectives are met. A business that meets and exceeds its objectives has a higher chance of survival than one that does not.

The second point to consider is that businesses need to put in place an inspiring vision, which will guide the businesses in the direction it should take. A vision is often seen as a transformative tool by which leaders in organizations can use as a starting point to transform these organizations. Visions of organizations are typically ambitious, push boundaries and relay expectations of high performance while instilling confidence in the participants that they are able to achieve that particular vision. Employee motivation has been observed to improve from knowing and understanding the organization's vision, as a result of one's knowledge of where they are headed, which makes the journey much easier. Given that vision statements result in better management and improved organization performance. It is therefore recommended that management in organizations should formulate vision statements based on the environmental realities and consult with employees within the organization.

Last point to consider is that of the importance of marketing in the performance of organizations. Companies need to plan and implement their marketing strategies in order to be successful in comparison to their competitors. Marketing strategies have become an important tool in organizations globally, in order for these organizations to remain competitive in the business environment. Therefore, SMEs should plan and implement their marketing strategies in order to remain competitive and to enhance their survival.

## **6.5 LIMITATIONS OF THE STUDY**

This study aimed to explore the impact of business planning on the performance of SMEs in the Gauteng province, therefore, the findings are only limited to SMEs in Gauteng and may not be generalized to other provinces in South Africa. It is suggested that for future studies, larger samples of SMEs across the different provinces be

studied to be able to generalise the study findings to the general SME population in South Africa.

Secondly, with business performance, the impact of the individual business planning factors were measured against business performance in general and not linked to the different financial and non-financial business performance measures. Future studies investigating the relationship between business planning and business performance should aim to link the impact of each of the business planning factors to a specific business performance measure. The perception on business performance was subjective as it was based on performance as perceived by the respondents, rather than being based on comparison of actual figures.

Thirdly, the use of a questionnaire for data collection purposes poses a limitation on the depth of information that could be obtained from participants.

## **6.6 AREAS FOR FUTURE STUDIES**

This current study was purely quantitative with the use of a questionnaire to obtain data from participants. For future studies, research to determine the impact of business planning on business performance, could be both quantitative and qualitative where quantitative and qualitative data could be gathered. Qualitative data would substantiate the quantitative data.

Further studies to determine whether a relationship exists between business planning and business performance could be undertaken on a larger scale, to include SMEs from other provinces. This would enable the research to determine whether the findings are consistent across the different provinces.

Another prospect for future research would be to conduct the determine the impact of business planning on business performance using a longitudinal study method, by studying the same respondents over a longer period of time.

## **6.7 SUMMARY OF THE CHAPTER**

Based on the findings of this study, the results concur with the findings of numerous studies on the importance of business planning strategies on the performance of SMEs. The findings strongly support the concept of business planning being positively related to business performance. From the three aspects of business planning studied, a system of metrics and performance indicators stands out as the most important aspect of business planning. The results further confirm that business planning plays a major role in the success of businesses, therefore, it can be emphasized that businesses should be encouraged to invest resources in planning and adopting formal business planning activities in their management agenda. This practice will be in anticipation that such endeavours would improve the performance of the SME and to help the companies survive in the highly competitive and harsh business environment. Business data shows that the majority of SMEs fail in the first five years of their existence due to many factors, therefore, to build their competitive advantage and stay in the game, SMEs need to plan and be flexible enough to react to any external factors that may be detrimental to their existence.

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## **APPENDIX A**

### **Information Sheet and Consent to Participate in Research**

Date: 24 August 2017

Dear Respondents

My name is Anne Gabathuse, I am currently enrolled for a Master of Business Administration at the Graduate School of Business and leadership at the University of KwaZulu-Natal.

This letter serves as an invite to you, to consider participating in a study that involves research on The Impact of Business Planning on the performance of Small and Medium businesses (SMEs). The aim and purpose of this research is to determine whether any business planning activities undertaken by small and medium businesses affect the performance of the businesses.

The questionnaire is enclosed with this letter. The questions are straightforward and should take you about 10 minutes to complete. We hope that the study will be of benefit to SMEs by assisting them to focus on value adding activities to maximise their growth and sustainability.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee, Ethical approval reference HSS/1586/016M. Kindly note that this research is voluntary and you may withdraw from participation at any point without incurring any penalties.

In the event of any problems or concerns/questions you may contact the researcher on the details provided below, or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

## **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Yours Sincerely

**Anne Gabathuse**

**0726345043**

**agabathuse@gmail.com**

## CONSENT

I (Name) \_\_\_\_\_ have been informed about the study entitled (**"The Impact of Business Planning on the performance of Small and Medium businesses (SMEs)"**) by (Anne Gabathuse).

I understand the purpose and procedures of the study (**"The Impact of Business Planning on the performance of Small and Medium businesses (SMEs)"**).

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at ([agabathuse@gmail.com](mailto:agabathuse@gmail.com) or 0726345043).

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

### **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

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4000

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Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

\_\_\_\_\_

**Signature of Participant**

\_\_\_\_\_

**Date**

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**Signature of Witness**

(Where applicable)

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**Date**

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**Signature of Translator**

(Where applicable)

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**Date**

## APPENDIX B

### Questionnaire

#### **The relationship between business planning and the performance of small and medium enterprises (SMEs)**

The purpose of this study is to determine the relationship between business planning and the performance of small and medium enterprises in South Africa.

#### **SECTION A: GENERAL INFORMATION**

Questions in this section are based on your background information. Please tick the box with your selected answer.

What is your gender?

Female	<input type="checkbox"/>
Male	<input type="checkbox"/>

Please indicate your age category

20-25	26-35	36-45	46-55	56-older
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you own a business?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

In which province is your business based?

Gauteng	<input type="checkbox"/>
North West	<input type="checkbox"/>
Limpopo	<input type="checkbox"/>
Free State	<input type="checkbox"/>
Mpumalanga	<input type="checkbox"/>
Eastern Cape	<input type="checkbox"/>
Northern Cape	<input type="checkbox"/>
Western Cape	<input type="checkbox"/>
KwaZulu Natal	<input type="checkbox"/>

Please indicate your current position in the business

Owner	
CEO	
Director	
Senior Management	
Middle Management	
Junior Management	
Other (Please specify)	

Please indicate the number of years you have been with the business

<1 year	
2-4 years	
5-7 years	
8-10 years	
>10 years	

Please indicate your highest qualification

Matriculation	
Certificate	
Diploma	
Degree	
Postgraduate degree	
Other (Please specify)	

Are you involved in the strategic planning process of the business?

Yes	
No	

Please indicate the number of employees in the business

1-9		10-49		50-99		100-200		200+	
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Please indicate the type of industry your business belongs to

Agriculture	
Manufacturing	
Health	
Biotechnology	
Chemical	
Mining	
Communications	

Finance and Business services	
Tourism	
Other (Please specify)	

Please indicate the number of years the business has been operational

1 year or less	5years or less	6-10 years	11-20 years	21 years or more

What was the gross sales revenue or turnover in your most recent financial year?

Less than R200 000		R1m-R5 million	
R200 000-R999 000		Over R5 million	

## **SECTION B: BUSINESS PLANNING PRACTICES**

The statements below relate to business planning practices in your business. Kindly indicate the extent to which you agree or disagree with the statement by ticking the appropriate number according to the following scale:

**1=Strongly disagree 2=Disagree 3=Moderately agree 4=Agree 5=Strongly agree**

**Kindly tick only one box per statement**

1	2	3	4	5
Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree

1	The business has a written vision	Strongly disagree	1	2	3	4	5	Strongly agree
2	The vision is clear about the future direction of the business	Strongly disagree	1	2	3	4	5	Strongly agree
3	All employees are aware of the vision of the business	Strongly disagree	1	2	3	4	5	Strongly agree
4	The business has objectives that it follows	Strongly disagree	1	2	3	4	5	Strongly agree
5	The business activities are driven by the vision	Strongly disagree	1	2	3	4	5	Strongly agree
6	Directors are responsible for driving the vision	Strongly disagree	1	2	3	4	5	Strongly agree

7	Employees are responsible for driving the vision	Strongly disagree	1	2	3	4	5	Strongly agree
8	The business has a 3 year business plan	Strongly disagree	1	2	3	4	5	Strongly agree
9	The business has a 5 year business plan	Strongly disagree	1	2	3	4	5	Strongly agree
10	Employees are involved in the business planning process	Strongly disagree	1	2	3	4	5	Strongly agree
11	The business uses the business plan for strategic guidance	Strongly disagree	1	2	3	4	5	Strongly agree
12	The business uses the business plan to raise capital	Strongly disagree	1	2	3	4	5	Strongly agree
13	The business uses the business plan to introduce new products/services	Strongly disagree	1	2	3	4	5	Strongly agree
14	The business uses the business plan to induct new employees	Strongly disagree	1	2	3	4	5	Strongly agree
15	The business plan can be adjusted when the need arises	Strongly disagree	1	2	3	4	5	Strongly agree
16	The business scans the business environment to update the business plan	Strongly disagree	1	2	3	4	5	Strongly agree

### **SECTION C: METRIC AND BUSINESS PERFORMANCE INDICATOR SYSTEM**

The statements below relate to business performance practices and measurement in your business. Kindly indicate the extent to which you agree or disagree with the statement by ticking the appropriate number according to the following scale:

**1=Strongly disagree 2=Disagree 3=Moderately agree 4=Agree 5=Strongly agree**

**Kindly tick only one box per statement**

1	2	3	4	5
Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree

1	There is a business performance indicator system in place	Strongly disagree	1	2	3	4	5	Strongly agree
2	There is an employee performance indicator system in place	Strongly disagree	1	2	3	4	5	Strongly agree
3	The business benchmarks activities against objectives to check performance	Strongly disagree	1	2	3	4	5	Strongly agree
4	The business benchmarks against previous years performance to determine current performance	Strongly disagree	1	2	3	4	5	Strongly agree
5	Progress is reviewed once a year	Strongly disagree	1	2	3	4	5	Strongly agree
6	Progress is reviewed twice per year	Strongly disagree	1	2	3	4	5	Strongly agree
7	Progress is reviewed on a quarterly basis	Strongly disagree	1	2	3	4	5	Strongly agree
8	Feedback about business performance is made to employees	Strongly disagree	1	2	3	4	5	Strongly agree
9	Feedback on business performance to employees is done through meetings	Strongly disagree	1	2	3	4	5	Strongly agree
10	Performance of the business is measured against similar businesses	Strongly disagree	1	2	3	4	5	Strongly agree

#### **SECTION D: MARKETING PLANNING**

The statements below relate to marketing planning practices in your business. Kindly indicate the extent to which you agree or disagree with the statement by ticking the appropriate number according to the following scale:

**1=Strongly disagree 2=Disagree 3=Moderately agree 4=Agree 5=Strongly agree**

**Kindly tick only one box per statement**

1	2	3	4	5
Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree

1	There is a formal marketing plan in place	Strongly disagree	1	2	3	4	5	Strongly agree
2	The marketing plan is implemented by the business	Strongly disagree	1	2	3	4	5	Strongly agree
3	Progress on the marketing activities is monitored formally	Strongly disagree	1	2	3	4	5	Strongly agree
4	Feedback on the marketing activities is communicated to employees	Strongly disagree	1	2	3	4	5	Strongly agree
5	The marketing activities increases sales volumes	Strongly disagree	1	2	3	4	5	Strongly agree
6	The marketing activities increases market share	Strongly disagree	1	2	3	4	5	Strongly agree
7	The marketing plan promotes product innovation	Strongly disagree	1	2	3	4	5	Strongly agree
8	The marketing plan improves the business image	Strongly disagree	1	2	3	4	5	Strongly agree

**SECTION E: BUSINESS PERFORMANCE**

The statements below reflect the effect of business planning activities on the performance of your business. Please indicate the extent to which you agree or disagree with the statement by ticking the appropriate number.

**1=Strongly disagree 2=Disagree 3=Moderately agree 4=Agree 5=Strongly agree**

Kindly tick only one box per statement.

1	2	3	4	5
Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree

1	The sales volumes have increased	Strongly disagree	1	2	3	4	5	Strongly agree
2	The business revenue has increased	Strongly disagree	1	2	3	4	5	Strongly agree
3	The customer base has grown	Strongly disagree	1	2	3	4	5	Strongly agree
4	The business market share has grown	Strongly disagree	1	2	3	4	5	Strongly agree
5	The number of products offered has grown	Strongly disagree	1	2	3	4	5	Strongly agree
6	Product innovation has increased	Strongly disagree	1	2	3	4	5	Strongly agree
7	The number of employees has grown	Strongly disagree	1	2	3	4	5	Strongly agree
8	Employee satisfaction has grown	Strongly disagree	1	2	3	4	5	Strongly agree
9	Employee productivity has increased	Strongly disagree	1	2	3	4	5	Strongly agree
10	The company is able to attract and keep qualified employees	Strongly disagree	1	2	3	4	5	Strongly agree
11	The business is able to secure loans	Strongly disagree	1	2	3	4	5	Strongly agree