



## Educational Strategies Employed by Successful SMEs in KwaZulu-Natal

Gavin A. Chapman

MANCOSA Graduate School of Business, South Africa

**Abstract:** Successful SMEs in KwaZulu-Natal do not all follow formal or ‘classical’ strategic planning methodologies taught by most business schools. While many SMEs collapse within the first year of operation, others become successful in their endeavours to firstly make a living for themselves and secondly to employ others in order to improve and uplift the economy of South Africa. In this qualitative study, four business models were selected which are taught at most business schools. All SMEs engaged in this study acknowledged the value of using business models to support strategic planning. The medium size enterprises did prepare formal strategic plans and monitored all their activities on a regular basis. Small size SMEs use a mixture of business ‘creativity’ to accommodate uncertain economic conditions and make quick decisions and have been able to succeed even during poor economic times. A new concept called ‘extremely flexible’ strategic planning was introduced to enable small size SMEs to consider an alternate method of making strategic plans in a less-structured manner.

**Keywords:** *Business models; Extremely flexible strategic planning; Small and Medium size Enterprises; Strategic planning; Business success factors.*

### Introduction

As far back as the year 2000, a variety of research studies indicate that there are benefits to strategic planning (Desai, 2000; Fraser & Stupak, 2002, Goncalves, 2009). These studies revealed that strategic planning enabled businesses to identify causes and solutions to problems, to understand the operating environment, business purpose and values, as well as available resources. Strategic planning, strategic thinking and strategic application to a unique business situation is not uncharted territory for small and medium size enterprise (SME) owners, but there is a growing pool of researched information to confirm that SMEs, in general, do not prepare formal strategic plans (Dubihlela & Sandada, 2017; Majama, Israel & Magang, 2017; Thompson, Bounds & Goldman, 2012). Rapidly changing business environments require business leaders to ‘adapt or die’ to

accommodate the changes and to engage in new business activities as fast as possible. While traditionally, large corporate enterprises seem to be slow to change their business practices, smaller companies like SMEs are quick to make any changes necessary to remain competitive (Burshan, Gibbs & Strovink, 2014). Sometimes, these decisions rely on the innovative capacity of the entrepreneur (Furawo & Scheepers, 2018). Odame (2007:10) defines strategic planning as a “method of formulating and implementing long-term plans in a broad and flexible manner in order to achieve the aspirations of the organisation”. The concept of a strategic ‘fit’ also requires attention as companies need to constantly review their external environment by checking relationships with all rivals, customers, suppliers, internal goals, capabilities and structures (Hambrick & Chen, 2007). The function of strategic management is to formulate and put into practice the major company

initiatives, provides general direction, maximizing use of available resources and setting objectives and plans to achieve the objectives (Torzhevskaja & Porasmaa, 2017). With this in mind, and for the purposes of this study, the researcher advanced with the notion that perceived success in business is achieved if an SME has been in business for three years or more in any area of business.

### **Purpose of the study**

The purpose of the study was to ascertain whether four commonly taught business models are known by successful SMEs in KwaZulu-Natal and whether they are useful to SMEs when developing a strategic plan or any other form of future planning, by discovering:

- Whether successful SMEs in KwaZulu-Natal develop a formal strategic plan;
- How successful SMEs are conducting their strategic planning;
- Whether commonly taught business models are identifiable and useful to SMEs when they do strategic planning;
- What factors lead to business success for SMEs in KwaZulu-Natal.

Adopting an educational research lens to evaluate strategic planning and business models employed, (or not), by SMEs in KwaZulu-Natal, presented an opportunity to advise on future curriculum design for business schools. The findings were utilised to introduce a new concept for strategic planning by SMEs, (especially smaller enterprises), within a variety of industries.

### **Research objectives**

To gather information on whether successful SMEs in KwaZulu-Natal adhere to the following protocols regarding strategic planning and the use of selected

business model, the following questions need to be answered:

- Do successful SMEs in KwaZulu-Natal develop and implement strategic plans?
- Do successful SMEs recognise any of the four business models and apply them?
- What guides SMEs in KwaZulu-Natal when they formulate their strategic/business/operational plans to ensure continued success?

Definitions:

- Small and Medium sized enterprises (SME) from the formal sector in Durban, KwaZulu-Natal consist of enterprises who employ staff between 5 and 50 for small and 50 to 200 for medium sized enterprises. This study does not include micro enterprises or SMEs in the informal sector.
- Successful businesses for this study are defined as all business activities which allows an SME in the Durban area of KwaZulu-Natal (KZN) to be profitable and still doing business for a minimum of three years or more.
- Business models are defined as the framework of operations and business concepts to guide managers into thinking about options and issues that may impact on the business or challenge the competitive status of the enterprise.

## **Literature review**

### **SME's link to strategic planning**

Small and Medium sized enterprises (SMEs) are characterised by the size of the company formed and generally represented as small enterprises having fewer than 50 employees and an annual turnover of R13m to R32m, up to medium size enterprises having fewer than 200 employees with an annual turnover of R51m to R64m, depending on the type of industry

(National Small Business Amendment Act, 26 of 2003).

When directing attention on why strategic planning is important for SMEs, Wang, Walker & Redmond (2008), observed that strategic planning is generally more common in better performing SMEs, and that those who engage in strategic planning are less likely to fail, more likely to be innovative and employ new process and management technologies. However, Thompson, Bounds & Goldman (2012) advise that not all SMEs agree to develop a strategic plan in the 'classical' tradition described in business management textbooks.

#### **Timeline of research on strategic planning by SMEs**

Following a developmental timeline from the year 2001 up to 2017, some SME owners question the value of strategic planning, falling back on the notion that entrepreneurs are pioneers of ideas and concepts (Sandberg et al., 2001). Mughan, Lloyd-Reason & Zimmeran (2004), argued that insufficient research-based evidence exists pertaining to the significance of strategic planning for SMEs, rather emphasising a more specific focus on strategic planning as a process. Later research conducted by Mazzarol et al., (2009) directed attention towards a formal strategic plan being likely to require the owner/manager of the SME to review the business' vision, mission and the external market conditions. Thompson, Bounds and Goldman (2012:37- 42), conducted a study in the Gauteng region of South Africa and reported that when SME owners perform poorly, there is a tendency to pursue a reactive strategy and that while the 'Porterean' thinking behind strategy and long-term planning activities are not present at SMEs, the success of many SMEs is still secured (2012:50).

There is a substantial body of empirical data available to inform that a positive relationship exists between strategic orientation and firm success and is a key factor to encourage competitive advantage (Jones & Sisay, 2014; Van Scheers & Makhitha, 2016; Majama, Israel, Magang, 2017:1). There is a need for SMEs to constantly adapt to change while noting that businesses who do develop strategic plans tend to out-rival their competitors and develop sustainability in the long-term (Torzhevskaja & Porasmaa, 2017:1). Due to increased complexity of the competitive environment, there is strong evidence to suggest that strategic planning should be followed by SMEs.

#### **The advantage of having a strong SME sector in KZN**

One of the aims of creating a vibrant small and medium size (SME) business sector in South Africa is because SMEs have the ability to improve the economic landscape by creating jobs, reducing crime and increasing the competitive environment of the local economy due to the advantages that exist in small business (Ayandibu & Houghton, 2017:134-135; SEDA Annual Report 2016/17: 8 -12).

#### **Theory of business models**

Lambert (2008:277) suggests that a business model is an abstract concept with many facets. It describes the implementation of a business concept and is used for multiple purposes by different users. A company's business model is management's story line for how the strategy will be used to generate a profit (Thompson, Strickland & Gamble, 2007:12). The value proposition can be a product, a service, or information, or a combination of any of the foregoing and may be either simple or complex (Lambert, 2008:284). A model can *inter alia* help ensure that the entrepreneur brings a fairly logical and internally consistent approach to the

design and operations of the venture (Morris et al., 2006:31). Although many definitions and approaches to business models exist, there is still no consensus on a universal definition (Amit & Zott, 2001; Casadesus-Masanell & Ricart, 2010; Fielt, 2013; Jablonski and Jablonski, 2016).

### **Business school education: An introduction to different business models**

Business management education equips and prepares students at all levels of study for entry into the world of competitive business and entrepreneurship by introducing them to, *inter alia*, general and strategic management. At the Management College of South Africa (Mancosa), for example, business models are integrated into the MBA programme (Mancosa, 2017: 69,134).

### **A selection of Four Business models for application by SMEs in strategy formulation**

To have a baseline on which to examine whether a selection of successful SMEs in the formal sector of KwaZulu-Natal make use of business models or recognise any of the four selected business models to support their strategic planning activities. The following more commonly taught business models were selected and presented to the interviewees during the data collection phase of this study. The following four models were selected:

1. **The Five Forces Model** was developed by Michael E. Porter of the Harvard Business School in the late 1970s (Porter, 1979). The Five Forces model is a simple but influential tool for the identification of where power lies in a certain business situation using the outside-in perspective (Johnson, Scholes & Whittington, 2008).

2. **The Balanced Scorecard Model** was developed by Dr Robert Kaplan and Dr David Norton

(Kaplan and Norton, 1996). The Balanced Scorecard is designed to be a strategy management framework that ‘balances’ four critical perspectives within an organisation viz. Finance, Customer, Process and Learning and Growth (Hough et al., 2008: R21).

3. **The Boston Consulting Group (BCG) Matrix** was created by Bruce Henderson in the mid-1970s for the Boston Consulting Group (Reeves, Moose & Venema, 2014). The model is helpful in brand advertising, key administration and business portfolio examination. It is commonly identified by the symbols used, cash cow, dogs, stars and question marks (Martin, 2018).

4. **The Blue Ocean Strategy** was developed by W.Chan Kim & Renée Mauborgne and their book was released in 2005. They found that companies should focus attention on generating demand in a new market space rather than competing for the same market space (Hough et al.,2008:R53; Notter, 2011).

## **Methods**

The study utilised a qualitative method of research to gain rich data from personal contact with business owners or managers within SMEs who have been successful. The researcher decided to use 3 – 5 years as a minimum threshold of business success, to try and get as wide range as possible of successful businesses in the sample. The Small Enterprise Development Agency (SEDA, 2017:13), advise that “data suggests that 5 years of operation is a key hurdle.....if an SMME survives 5 years, chances are good it will continue to do so for the following 10 – 15 years”. An interpretive research approach was applied which allows the researcher to gain an understanding of the meaning ascribed to different phenomena by the

individuals within the situation (Thompson, Bounds, Goldman, 2012:39; Du Plooy, 2009:88; Walliman (2006).

### **Sampling population**

The Bureau for Economic Research Report (2016:16) uses the term small, medium and micro enterprise (SMME) to indicate the total number of enterprises operating in all nine provinces of South Africa. Extracting only the formal enterprises, the total is 667 433. Narrowing down the search to the formal enterprises located in KwaZulu-Natal, the number is 74 976. Noteworthy is that the informal enterprises are larger in number at 1 497 860 (Bureau for Economic Research Report, 2016:16). The informal sector includes survivalist self-employed persons who do not employ many staff, while the upper end of the range in the formal sector includes medium sized enterprises which employ over 100 people. The South African upper end of the range is comparable to the small and medium sized enterprise segment found in developed countries (Bureau for Economic Research Report, 2016:5). While acknowledging the limitations of a small sample, the ability to record first-hand information through interviews from a suitably informed sample of SMEs, does provide an up-to-date account of the opinions of business practitioners in KwaZulu-Natal (Neuman 2003:196). To establish an interview protocol, the online local business listings data-base for formal companies in the Durban North, Glenhills, Glen Anil and Riverhorse Valley Industrial areas were consulted because these were in close proximity to the researcher's home base. Although fifteen companies were contacted to ask for permission to interview either the CEO or Manager of the enterprise, only six successful companies agreed to an interview while an additional two companies agreed to complete the questionnaire. Seven

companies declined to be interviewed indicating that they were too busy. As the objective of the study was to only select successful SMEs in KwaZulu-Natal, a non-probability sample method (Du Plooy, 2009: 122) was applied. The sample consisted of three owners, two business partners, one CEO, one Regional manager and one Quality Assurance manager of small and medium sized enterprises representing a variety of business types (real estate, electrical manufacturing and installation, private education, specialised plumbing services, IT sales, water purification and an importer/distributor of wholesale household products, toys and gadgets). Each interviewee had an opportunity to express his/her views during the interview which was recorded and later transcribed and coded. A conscious effort was made to limit any sample bias by only reporting what was stated by each interviewee during the interview session. The two 'questionnaire-only respondents' information was used to support the interview data.

### **Data collection methods**

The method of gathering suitable answers to the research objectives was through the use of semi-structured interviews. Du Plooy (2009:198) states that a semi-structured interview represents characteristics of both a structured questionnaire (closed-ended questions) and the characteristics of an in-depth interview. Research questions were developed into a questionnaire that was administered by the researcher to each SME owner or manager. Semi-structured questions were used to guide the interviews so that each respondent was asked the same set of questions, but the researcher allowed for other inputs that contained rich deposits of useful information to emerge during the interview sessions. Caution was taken to elicit relevant and factual information in order to answer the research questions and to be mindful of

limiting any personal bias by only reporting what was recorded during the interviews (Cameron and Price, 2009:221). Theoretical concepts about strategic planning and the four selected business models was used to create suitable questions.

### **Pilot study**

A pilot study was conducted using two SME owners for an interview that focused on the objectives of the research and the proposed interview questions. After discussion with two participants, the questionnaire was reduced from 14 questions to 10 questions, and finally after consulting a third participant, it was reduced to just 8 questions, to ensure that the important aspects were covered and that the interview would not take more than 30 minutes to complete in lieu of the difficulty of engaging a CEO's time. The three pilot study participants did not form part of the data collection phase.

### **Companies who participated in the research study**

The data collection schedule was initially planned for interview appointments with owners / managers of 10 SMEs who fitted the study business profile. After trying to get at least 10 interviews arranged, only six agreed to an interview. To try and improve on the response rate, a request to just complete the questionnaire via email was sent to five other businesses. Of these five, two questionnaires were returned in completed form but without having an interview. The total number of interviews was six and two questionnaires were completed and returned without any interview. Those SMEs who declined indicated that "we're too busy to meet with you". Interview sessions were scheduled at the premises of the six respondents at suitable times to suit their daily activities. The duration of each interview varied between 16 and 36 minutes, depending on the

engagement of the interviewee with the questions. The response to SMEs duration of successful business practice was one SME (3 – 5 years), one SME (5 – 10 years) while the remaining six SMEs were successfully engaged in business for 10 years or longer; hence the majority of the sample were mature businesses.

## **Results**

### **Qualitative analysis using themes**

A purposeful selection of SME participants allowed for an interview schedule to be compiled for the willing participants who were first contacted telephonically and then followed-up with an email to generate interest in the study and to confirm the appointments. The 8 questions of the questionnaire were a mixture of closed and open-ended questions and the same questions were presented to all six interview participants as well as to the two email participants. The idea of using thematic analysis to analyse the data emerged after both common and unique areas of importance from the interviews were identified. The goal of thematic analysis is to analyse themes, i.e. patterns in the data that are important or interesting and then to identify emerging themes using codes to describe the rich deposits of detail about the topic (Braun & Clarke, 2006:79; Tummons, 2014:155, Macguire & Delahunt, 2017). Caution was also taken to avoid selective analysis and premature closure of data analysis to prevent possible flaws in the thematic analysis process (Valsmoradl, Jones, Turunen, Snelgrove, 2016:101; Bazeley, 2009; Cresswell, 2012:236-238). The interview discussions provided a very broad 'picture' and a variety of opinions. After transcribing each interview, 117 codes of response were recorded from the six interviews and were assigned codes from respondent #1 to respondent #6.

The two email responses were identified as respondents #7 and #8 and were reported as data collected 'without an interview'. As thematic analysis is an iterative process, three sessions of refinement were necessary, consistent with the reductionist nature of the qualitative method (Polit & Beck, 2010) in order

to group the codes into what emerged as six main themes with fifteen sub-themes, called key features (Cresswell, 2012:238; McMillan and Schumacher,1993:508) and may be depicted diagrammatically as follows:

Table 1

*Themes Used to Analyse and Report the Data*

| Theme   | Key features  |
|---|---|
| Strategic planning and measurement of performance | <ul style="list-style-type: none"> <li>• Formal or less-formal strategic planning</li> <li>• Tracking planned performance against actual performance</li> </ul>                           |
| Business models                                   | <ul style="list-style-type: none"> <li>• Business models are useful 'options'</li> <li>• Business education is key to understanding the use of models</li> </ul>                          |
| Competitive advantage and quality of service      | <ul style="list-style-type: none"> <li>• Unstructured planning versus structured planning</li> <li>• Being competitive in an SME world</li> </ul>   |
| Human capital management                          | <ul style="list-style-type: none"> <li>• Being part of a successful team</li> <li>• Decentralised decision-making</li> <li>• Training and development</li> <li>• Communication</li> </ul> |
| Quality and standards                             | <ul style="list-style-type: none"> <li>• Aesthetically pleasing products</li> <li>• Quality standards of compliance</li> <li>• Customer feedback, customer service and support</li> </ul> |
| Finance and measuring performance                 | <ul style="list-style-type: none"> <li>• Managing the cash flow</li> <li>• Measuring performance against sales/income</li> </ul>  |
| Result – 6 main themes                            | Result – 15 sub-themes  |

Limitations of this study lies in the inability to generalise the findings as this type of study only enables others to anticipate, but not predict, what may occur in similar situations (Creswell, 2012).

## Discussion

### **Theme: Strategic planning and measurement of performance**

*Key feature: Formal or less-formal strategic planning*

The research questions focused attention on strategic planning and the use of four selected business models to support SME owners/managers when developing a strategic plan. In the reviewed literature, the development of a strategic plan is an important step towards becoming competitive within a business sector. All respondents agreed with such a statement, however, only five of the eight respondents developed formal strategic plans. The medium size enterprises, in particular, supported the need to have formal strategic plans and confirmed that they had strategic plans in place.

*Key feature: Tracking planned performance against actual performance*

Furthermore, measurement of daily, weekly and monthly performance targets was considered to be important. This was not mentioned as being important to smaller enterprises. The smaller enterprises (#1, #2, #4) indicated that being flexible and unstructured (within acceptable levels of business practice), allowed them to quickly adapt to changing market needs, to meet client's needs and thereby retain that client, and to reduce the risk of being too structured by only following a formal plan. They indicated that flexibility was the most important strategic aspect of their enterprises. This was sharply contrasted by the larger SMEs (#3, #6) who reported that they were very structured in their planning and monitoring of strategic plans and reviewed their plans at least once per year. Respondent (#6) also presented evidence during the interview of how the balanced scorecard model was being used to track business performance.

### **Theme: Business models**

*Key feature: Business models are useful 'options'*

Making use of business models as a means of support while preparing strategic plans, was generally well supported by all respondents. Not all models were known by the respondents and not all of the models were used by the respondents. Some managers depended on other staff to have a business diploma or degree. One of the larger enterprises (#6) showed how they applied two of the models to integrate the planning and monitoring phase of their business. This was sharply contrasted by the smaller enterprise owners (#1, #2, #4) who knew about some of the business models but did not make use of them at all. All SMEs in this study supported the use of business models to assist in the development of strategic plans.

*Key feature: Business education is key to understanding the use of models*

This intrigued me as the interviewer, so I then looked for possible reasons for this. It was evident that when there is a low-level of business education of the managers, there is an obvious non-exposure and no use of business models when developing strategic plans. Alternative methods to help with developing a formal strategic plan was to make use of consultants (#1) or the employment of staff members with business qualifications (#7). SMEs (#1, #2, #4, #8) had employees with discipline-specific diplomas with no business education and therefore were considered as not being exposed to the four selected business models before this study, although they could understand the benefit of such models to support strategic planning while being interviewed. Respondent #2 indicated that a business model 'boxed them in too much' and they preferred to be more flexible. This approach was also supported by respondent (#4). Interestingly, both (#2) and (#4) were in similar areas of business.



The general view from most respondents was that the four business models used in this study are useful and that business schools should continue to teach students about these models. However, the smaller enterprise owners/managers also advised that for actual business practice, the models did not take into account the reality of a business enterprise having to engage with customers during very difficult economic times in South Africa, which has ushered in higher risk. Whether plans were formal or informal, survival and making a profit was a real value proposition and models were considered by some respondents to be 'optional extras'. It was important to note that only respondent (#6) was actively engaged in using two of the models to monitor and make business decisions, while (#7) also considered the use of business models important but to be used as required. Respondent (#3) was very focused on business plans being scalable to allow for additional growth as they were currently in an expansion phase by expanding into new markets across borders. Both the CEO and CFO were well qualified in general business and accounting practices and so formed a significant leadership team. Consistent measurement of performance of their sales team and regular celebrations of meeting sales targets was an important aspect of their success.

**Theme: Competitive advantage and quality of service**

*Key feature: Unstructured planning versus structured planning*

Respondents (#3, #5, #6, #7, #8) all completed formal strategic planning exercises while respondents (#1, #2, #4) followed a more flexible and less structured approach to planning. This begs the question "which method works best?" All enterprises in this study were regarded as being successful using whatever method of planning they chose to implement. My observation

of the SMEs in KwaZulu-Natal was that as the enterprise increases in size, a more structured and formal approach to forward planning seemed to be the more prevalent practice.

*Key feature: Being competitive in the world of SMEs*

All enterprises interviewed were determined to be successful within their area of business, regardless of whether they had a formal strategic planning process or not. SMEs tend to be customer-centric and provide the best products or service possible. This is important to retain customers and to also attract new customers who may have experienced poor service from a competitor in the past. Reliance on a formal strategic plan or business model was a limiting factor to the smaller SMEs and the notion of 'flexibility' was repeated at a few of the interviews. Reasons for this ranged from lowering the risk, meeting and exceeding customer expectations, quickly responding to customer enquiries, and being very responsive due to the generally poor economic conditions in KwaZulu-Natal.

**Theme: Human capital management**

*Key feature: Being part of a successful team*

An important part of SME success is related to having staff engaged with the company vision and being part of a successful team according to all interviewed respondents and (#7). This aspect of business is essential for SME success. There is no place in private enterprise for persons merely arriving for a pay-cheque. To achieve success, SMEs must ensure that team members contribute effectively at all levels.

*Key feature: Decentralised decision-making*

Finally, some SMEs practise decentralised decision-making so staff remain actively engaged while being allowed to take initiatives for success of the business.

This was evident from interviews with respondents (#3, #6). Appropriate authority for decision-making at lower levels is encouraged.

*Key feature: Training and development*

Support and training was significant for respondent (#5) where one-on-one training was used to ensure that sales agents maximised their personal capacity to achieve full sales potential. Respondent (#6) also incentivises sales agents to listen to customer needs (and wants), to try and ‘upsell’ a package or solution to a client rather than a single unit or item, while (#3) focused on product knowledge and sales team agility to maximise profits. Individual achievement was recognised and rewarded, while individual flair to benefit the team was also encouraged. It was evident at the manufacturing and installation companies (#1, #2, #4) who also relied on trained staff being able to do the more technical work required in an efficient manner. This included being punctual and engaged with the company goals at all times.

*Key feature: Communication*

One of the hallmarks of SMEs is for all staff to be in-communication with everyone and to know about all relevant aspects of business activity on a daily basis. This also necessitated regular short meetings with team leaders as required (confirmed by all interviewed respondents), and very verbal decision-making. The non-interview respondent (#7), did engage with regular longer and more detailed meetings.

**Theme: Quality and standards**

*Key feature: Aesthetically pleasing products*

Respondent (#4) indicated that once products are manufactured and installed they must not only work well but must be aesthetically pleasing. This included the actual build-quality as well as during installation.

Respondent (#2) had a similar approach and added that at times, the leadership team, which consisted of a number of key individuals each having expertise in different but complementary areas of business, were allowed to firstly test a new product before expending more money than they could recover through sales and installation services. This respondent also advised that they did not like to be ‘boxed-in’ by business models and preferred the flexibility that the team decision-making allowed for individual creativity to be recognised. Conforming to a business model implied that they had to follow the model, whereas they were more inclined to follow their entrepreneurial instincts.

*Key feature: Quality standards of compliance*

Respondent (#1) was very focused on providing good quality product with a strong emphasis on rural community support through a foundation department that they established to support rural communities. They also looked at diversifying their product range as they were affected by weather and seasonal changes. Respondent (#8) was the quality manager and was most concerned about maintaining and monitoring the company services to ensure quality compliance of the work they undertook for both small and large projects.

*Key feature: Customer feedback, customer service and support*

The larger enterprises, (#3, #5, #6, #7), were also very aware of the need for good and accurate communication with their customer bases and listening to what each customer had to say about their products and services. Customer service at the smaller SMEs (#1, #2, #4) was high on their list of priorities about being successful in their respective businesses. All SMEs of this study were very concerned about meeting the expectations of customers by doing what

seemed to be the least important aspects of business correctly – all the time. A customer’s sense that the enterprise cares about them, was regarded as important: all staff needed to recognise and apply a measure of service quality on a daily basis. Respondent (#5) ensured that during the one-on-one training sessions, all sales agents were constantly reminded to listen attentively to what the customer wants before making the first offer to purchase due to a severely constrained economy in South Africa at present (Brown, 2018).

**Theme: Finance and measuring performance**

*Key feature: Managing the cash flow*

Respondent (#4) was very concerned about watching the cash flow, especially in the manufacturing sector, where risk had increased due to poor payment by some clients for services rendered. Respondent (#2) also supported this by adding that they were mindful of first being able to ‘walk’ before ‘running’, by building up a client base and reliable products and then providing excellent installation services, and finally after-sales support. This respondent also indicated that the first 3 years of start-up are the most difficult; as the business became more stable, things were much more tolerable. Managing the cash flow was important to all SMEs.

*Key feature: Measuring performance against sales/income*

The CFO of (#3) indicated that they measured everything they did on a daily basis to keep track of where their products were selling fastest. They were price-makers to some of the large retail chain stores and this was a strong business advantage for them. Meanwhile respondent (#6) used the balanced scorecard business model to measure their sales performance to ensure the business was on track. They also allowed for ‘ownership of a business sales

situation’ to be given to sales managers who agreed during their planning sessions on their respective sales targets. Collective responsibility was given to team members to achieve the sales target even if it meant renegotiating the product margins. Training was also provided to encourage sales managers to ‘bundle’ packages or provide a full business solution to meet clients’ needs.

## Conclusion

The study recorded interview data from six successful businesses in the KwaZulu-Natal area. This was supported by emailed questionnaire-only data from a CEO and a Quality Manager from two other successful enterprises because of the difficulty experienced in arranging interviews during the final part of the year. A useful cross-section of successful enterprises from a variety of business types located in the area of KwaZulu-Natal ensured that current data could be analysed by using themes and sub-themes/key features. The study focused primarily on the use of four selected business models to check if they were recognised and their usefulness when developing either strategic plans or forward-thinking business plans. The following factors are considered important for business success by SMEs in KwaZulu-Natal:

- Successful businesses in KwaZulu-Natal are in the habit of developing strategic plans and also think about their future. The smaller enterprises focused attention on being less-structured with strategic planning whereas the larger enterprises were very formal and structured in their approach to forward planning. It was not conclusive whether either way is better because the study focus was on ‘successful SMEs in KwaZulu-Natal’ so both small and large SMEs had achieved a modicum of ‘success’ using different methods.

*It was clear that in the larger the enterprise, a much higher level of co-ordination is required to ensure operational efficiency which could explain the more structured approach to strategic planning. Smaller companies did not make formal strategic plans.*

- There is a direct connection between the level of business education and the adoption of business models for strategic planning. The four business models shared through this study were considered to be useful ‘tools’ to support decision-making and forward planning for SMEs, but, in general, are not used.

*The continued teaching of these models by business schools was supported by all respondents, as they do add value when forward planning.*

- Smaller SMEs were of the opinion that they liked to be flexible and ‘keep all options open’ but did not make formal strategic plans.

*They were very responsive to the needs and wants of customers.*

- Cash flow emerged as an important factor especially for the manufacturing enterprises. This was largely due to lengthy payment periods after large installation projects had been completed as well as the exchange rate.

*If cash flow is negatively impacted for different reasons, the overall operational efficiency of the enterprise is affected.*

- Monitoring and measurement of income and sales was important to the larger SMEs who diligently followed ‘the numbers’ on a daily and weekly basis. This was part of the quality management functions performed by SMEs.

*If it cannot be measured, then there is no purpose in the activity being monitored.*

- Decentralised decision-making was possible for some of the SMEs and created a sense of ownership

for the sales managers who were given the liberty to adjust profit margins in order to secure new business. *High levels of employee engagement in achieving targets and improving the business results were noted where lower level decision-making for sales was permitted.*

- Incentives for all sales teams and members of teams was practiced by one respondent and all sales staff participated in a profit share of differing proportions based on their level of employment within the company.

*This incentivised team approach also ensured high levels of employee engagement in the operational activities.*

- Training and communication between individuals, teams and customers was emphasised by all respondents.

*Training and good communication at all levels was highly prioritised for ongoing business success.*

- “Getting the little things right and then the bigger things will take care of themselves” was the mantra from two of the SMEs.

*Paying attention to the finer details, whether in production or in service delivery, is a necessary ingredient for success.*

Consistent with the theory of business models and strategic planning, successful SMEs in KwaZulu-Natal ensure that as many of the above factors as possible, are implemented. While this study did not measure the extent to which these factors increase profits, the sentiment was that collectively, these factors enable a SME to be successful.

### **Introducing a new concept – ‘extremely flexible’ strategic planning for SMEs**

Following on the earlier research undertaken by Thompson, Bounds and Goldman (2012), who

investigated SMEs in the Gauteng area, no strong evidence for the existence of strategy formulation, or any other tasks associated with long-term planning, in the “classical” sense of the term, could be found (2012:49). Reviewing this finding now six years later (2018), and also taking a similar size small sample of successful SMEs in KwaZulu-Natal rather than Gauteng, revealed that formal strategic planning is done by medium size enterprises in the Durban area of KwaZulu-Natal. However, there is significant confirmation that small size SMEs do not prepare formal strategic plans and prefer to be flexible and rely on entrepreneurial flair to be successful. The respondents to this study were all aware of the value of strategic planning and also indicated an appreciation for making use of Business Models to help develop future plans. This led to the introduction of a new concept called ‘*extremely flexible*’ strategic planning for small size enterprises. This concept of ushers in an alternate pathway that is less restrictive and less formal than the ‘classical’ strategic planning process. The aim is to encourage the small enterprise

owners to ensure that there is some foresight and forward planning carried out as this can be beneficial for future business success. The fundamental starting point is to pose a simple question like “how will you provide a good quality product or service to all customers over the next three to six-month period?”, which could become one of the foundation questions. Other supporting questions like “do you have adequate resources?” and “what should you change to be more competitive?” could provide simple ‘prompts’ for the small enterprise owner to think about as they go about their daily tasks. This approach embraces the idea of small enterprise owners wanting to remain flexible and to continue generating business ideas in a non-formal or verbal manner. The *extremely flexible strategic planning* concept of posing simple forward-thinking types of questions to anticipate the future, could be pursued further into the development of a suitable model for SMEs in future. Encouraging ‘novice’ business owners to adopt this flexible method of strategic planning may save more start-up entrepreneurs from early closure.

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#### Corresponding Author Contact Information:

Author name: Gavin Chapman

University, Country: MANCOSA Graduate School of Business, South Africa

Email: [publications@mancosa.co.za](mailto:publications@mancosa.co.za)

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