

**Strategic Management Practices and Challenges: The Case of Small and Medium Scale
Enterprises in Harare.**

by

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Dedication

This thesis is dedicated to my wife Bessie and our four sons, Jacques, Dieudonné, Aimé and Volonté.

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Abstract

This research was carried out with the objective of establishing the challenges faced by small and medium scale entrepreneurs in their efforts to adopt strategic management in their value chains. A review of relevant literature revealed that strategic management is a very important approach that all businesses need, no matter their size, in order to enhance effectiveness. It is known to support professionalism, profitability and sustainable value addition when applied according to best practice.

Quantitative and qualitative approaches to data gathering were applied to enable the researcher to establish a richer picture of the exact situation on the ground. Quantitative data were collected from a sample of 292 respondents while qualitative data were obtained from a sample of 127 key informants and stakeholders. Drawing inspiration from the survival strategies of the chameleon, the researcher postulated the Chameleon Survival Strategy Model for small and medium-scale enterprises. The model was then used as a benchmark in the analysis of quantitative data, which were treated using the statistical package for the social sciences (SPSS) and qualitative data, which were content analysed. The chameleon survival strategy was used as the standard to assess the extent to which small and medium scale enterprises were compliant with the fundamentals of strategic management as exhibited by the chameleon in its environment.

The key findings were that SMEs failed the Chameleon Survival Strategy Model test, based on the overall value of the model's index obtained after data analysis. It was observed that SMEs did not practice strategic management and were therefore not consistent with the chameleon survival strategies, outlined in the model's seven attributes.

The conclusions drawn, recommendations and implications of the study on Government policy, the work of stakeholders and entrepreneurs, are presented in this document. The conclusions point to the need for Government and stakeholders to revisit their interventions and support programmes targeting entrepreneurs, to include strategic management capacity development. The lack of knowledge and exposure was found to be the key reason for entrepreneurs' failure to embrace strategic management in their operations. It is also recommended that Government and

stakeholders carry out constant needs assessment to establish the exact needs of entrepreneurs, which tend to be quite dynamic. The participatory involvement of entrepreneurs in policy formulation and review is also recommended. Entrepreneurs are encouraged to review their operations and mainstream professionalism and the establishment of sustainable business structures.

List of Abbreviations

ICSS	The standardized SME Chameleon Survival Strategy Index
I _{SM}	The unstandardized SME Chameleon Survival Strategy Index
NSSA	National Social Security Authority
SBU	Strategic Business Unit
SEDCO	Small Enterprises Development Corporation
SME	Small and Medium-scale Enterprise
SMEAZ	Small and Medium-Scale Enterprises Association of Zimbabwe
SMM	Strategic Market Management
ZIMRA	Zimbabwe Revenue Authority

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CHAPTER 1

1.0 Introduction

The small and medium scale enterprises (SME) sector in Zimbabwe has been a very important entity of the economy since the country's attainment of independence in 1980. It has been known for employing a significant percentage of the country's working population, a characteristic which inspired the establishment of a Government Ministry, specifically targeting its interests (World Bank, 2013). Government recognises the importance of the SME sector as an integral component of the country's economy, which significantly supports livelihoods at different levels. The sector currently employs at least 3.7 million people across the country, a figure that is not comparable to employment statistics in the formal sector, which at the time of this research was at 900 000 (Ndiweni et al, 2014). In view of this, the SME sector is therefore the major source of employment in Zimbabwe. It is a fact that the sector can only effectively contribute to national development if it is managed and administered in a professional manner, following business management fundamentals (Maphosa, 1998). For this to occur, there is need to start from the grassroots, that is, in the business itself where effective planning, strategy formulation and implementation should be incorporated in the day-to-day activities of the business. Due to their origins and other circumstances under which they are founded, small and medium scale enterprises often run without following any plan or framework and sometimes without organisational structures (RBZ, 2009). In the majority of businesses, owners do not know when to introduce structures and strategic planning as the business grows, while in some, the owners just refuse to let go and keep running the business from their pocket and even when it has grown big enough for structures to be introduced.

The researcher sought to establish the challenges and obstacles entrepreneurs face in their efforts to introduce and sustain strategic management in their operations. The research also sought to establish strategies that entrepreneurs have been implementing to circumvent the identified challenges and obstacles.

1.1 Background to the study

The need for small and medium scale businesses to appreciate the importance of strategic management has become quite pertinent in light of the ever-changing global economic environment. It is even more important for businesses operating in Zimbabwe, given the dynamic nature of the country's economic environment. If implemented properly, strategic management improves the management of a company's resources, effectively reducing weaknesses and possibilities of business failure. Proper strategic management enables business owners to separate business transactions from personal transactions, thus improving financial management. Entrepreneurs generally tend not to apply strategic management programmes in their businesses, while some do not even value the strategic planning process. Some SME business persons use the company account as their personal account or vice-versa. A significant percentage of SMEs in Zimbabwe operates without any laid down business plans to guide business activities (Maphosa, 1998).

Some SMEs hardly have growth strategies or prospects of diversifying and increasing competitiveness. A sizeable number of SMEs are managed in an unprofessional manner without following business ethics and even statutory requirements such as paying tax and engaging in appropriate labour practices. In view of these and other characteristics, the researcher hoped to establish the challenges and obstacles faced by SMEs, hindering them from fully implementing strategic management in their operations. The researcher hoped to produce recommendations that would inspire the adoption of strategic management in SMEs, helping them graduate into mainstream businesses that offer competitive products and services.

The Zimbabwean economy, at the time of the study, was characterised by considerable economic stability owing to the Government's adoption of more stable foreign currencies in 2009. This move came about at a time when economic instability and hyper-inflation had led to the degeneration of formal business processes across all sectors (RBZ, 2009). The era which lasted almost a decade led to the development of a wide range of small and medium scale businesses, both formal and informal as people devised all sorts of survival strategies. What this meant was that almost every formally employed Zimbabwean got involved in some form of entrepreneurial

activity to supplement the poor salaries. The adoption of the multi-currency approach saw the gradual re-establishment of sanity in the economy, (Noko, 2011), and it was at this point that the need for effective strategic planning and business structuring became a necessity for all businesses, SMEs included. Lack of appreciation of this approach to management and the short-term advantages enjoyed through informal business practices kept a significant percentage of entrepreneurs reluctant to follow proper business management paradigms.

The Zimbabwean Government confirmed its appreciation of the fact that SMEs were a vehicle for economic growth and employment generation across all sectors of the economy (RBZ, 2012). It was, therefore, found by the researcher to be of great importance to identify and understand, through research, the challenges faced by SMEs in their development from quasi-informal operations to formal businesses that make full economic sense to the country. This is inspired by the fact that SMEs are a significant component of the Zimbabwean economy just as it is in many other economies in the world (Goriwondo, 2012; RBZ, ; Manyani, 2014). SMEs need to be nurtured and supported to ensure their survival, growth and development (RBZ, 2006; Zindiye et al, 2012).

1.1.1 Possible Barriers to SME development in Zimbabwe

Due to a wide range of problems and key amongst them, failure to formalise operations and to apply strategic management in their businesses, SMEs in Zimbabwe face a number of adversities in their efforts to grow and graduate into the mainstream economy (Manyani, 2014; Nyanga, 2013). Amongst the challenges they face are:

- limited access to finance;
- limited access to infrastructure;
- limited knowledge and skills in marketing;
- limited entrepreneurial and business management skills;
- lack of meaningful access to real estate;
- unavailability of supportive information;
- failure to cope with the regulatory and policy environment.

Some SMEs find it difficult to access finance from banks and even from specific funds that have been established for their benefit. Due to SMEs' lack of the required collateral security and

failure to articulate their visions and futuristic developments, financial institutions are sceptical and highly careful when choosing businesses to support (Gangata, 2013). More than 80% of SMEs in Zimbabwe are born out of necessity and the need to sustain one's livelihood in face of unemployment and a hostile economic environment (ILO, 2008). Due to this fact, a lot of business persons suddenly find themselves in business without having done any careful planning prior to implementation. Planning is done following developments on the ground which creates challenges when it is time to formalise and grow accordingly. A significant percentage of SMEs bask in the comfort of tax evasion, profiteering and improper financial management and accounting practices (Hove et al, 2013). The lack of logical frameworks to guide their operations often makes them high-risk businesses without clear decision support systems. For those SMEs that get popular enough to attract the attention of Government authorities, their collapse comes the moment they are served with papers detailing their income tax and other statutory obligations. This could be significantly reduced if entrepreneurs are empowered with the fundamentals of strategic management at an early stage as their businesses grow (Msipah, 2013; Maseko et al, 2011). It is with these clear facts in mind that the researcher sought to engage entrepreneurs and help devise ways and means to contribute to the formalisation efforts that the Government of Zimbabwe has put in place towards the enhancement of the SME sector, into the vibrant economic development prong that it should be.

1.1.2 Government and Stakeholder Efforts

The Government and other stakeholders have over the years sought to encourage SMEs at different levels to formalise their operations and mainstream strategic management in their value chains. Amongst the functions and objectives of the Ministry of Small and Medium Scale Enterprises and cooperatives as outlined on the Government website (<http://www.zim.gov.zw>, 20/12/2012) are to:

- formulate and implement policies for micro, small and medium enterprises (SMEs) and cooperative development;
- develop legal and regulatory framework for micro, small and medium enterprises and cooperative development;

- promote, coordinate and monitor innovative financing schemes for micro, small and medium enterprises and cooperative development;
- provide skill and management training that support entrepreneurship and growth of small business as well as cooperatives;
- facilitate linkages between large enterprises, SMEs and cooperatives;
- provide business consultancy services to SMEs and cooperatives;
- ensure that infrastructural facilities are provided for SMEs and cooperatives;
- research into investment and marketing opportunities for SMEs and cooperatives;
- develop and maintain a data bank of SMEs and Cooperatives;
- administer the Micro, Small and Medium Enterprises Development Fund;
- liaise with and coordinate sector Ministries involved in the promotion of SMEs and cooperatives;
- provide technical designing and production services to SMEs and Cooperatives;
- provide legal advice;
- provide human Resources Management & Development services; and
- provide Financial and Administrative Services

These roles provide numerous opportunities for the Ministry to ensure that businesses are run in an orderly manner across the country. The researcher continues to follow the activities of the Ministry, sharing ideas during conferences and workshops on the importance of logical structuring and futuristic planning in SMEs. Government through other arms such as the Zimbabwe Revenue Authority, the National Social Security Authority and the Ministry of Labour and Social Welfare has also encouraged entrepreneurs to adhere to good corporate governance guidelines. The question that remains arises from the fact that despite all these efforts by Government, a significant percentage of SMEs continues to operate informally.

1.1.3 Non-Governmental Initiatives: The SMEs Association of Zimbabwe

The Association was formed in December 2011 and then got registered as a non-profit making Trust in 2012. At the time of the research, its membership exceeded 600 entrepreneurs from around the country and was still growing as more entrepreneurs got familiar with its mandate. It

defines a business as a small enterprise if it has turnover of less than US\$240 000 or if its assets are valued below US\$100 000. A medium scale business is one that has a turnover and assets above the thresholds for small enterprises but less than US\$1 million turnover and assets value.

Its objectives as outlined on the web site (SMEAZ, 2014) are:

- advocating for the rights of SMEs at all relevant national fora, which include engagement with Government, quasi government organisations, non-governmental organisations, municipal councils and any other relevant local and international stakeholders;
- advancing the cause of SMEs through activities such as: promotion and development of markets, sourcing and channelling of capital and technical assistance to SMEs, education, training and encouraging the development of infrastructure, e.g factory shells and incubation units; and
- interactions with other national associations and groupings in order to ensure that SMEs' interactions with their members are mutually beneficial.

This initiative has been able to bring together entrepreneurs from different sectors under one roof, creating opportunities for effective lobbying and advocacy. The Association needs to spread its wings around the country to increase its membership and coverage. The researcher views it as an important stakeholder together with other non-governmental organisations which are training and developing entrepreneurs to enhance their business management skills. This shows that quite a lot of work is being done to encourage SMEs to run in a professional manner and that the outcome of this research will help enhance the efforts that have been put in place by different stakeholders.

1.2 Statement of the problem

Although the small and medium scale business sector is viewed as an important component of the economy and a significant generator of employment, the sector is known to have a wide range of weaknesses and shortcomings. Due to the fact that most SMEs grow organically and following the vision of the founding entrepreneur, a lot of businesses in this sector are administered in a haphazard manner. Some businesses lack proper structures and management systems, while in some cases, the founding director is the one in charge of everything, from receipting cash, banking and withdrawals to more complicated entrepreneurial duties (Muranda,

2003). Such challenges tend to be the obvious result of poor planning and lack of futuristic thinking among entrepreneurs. Small businesses tend to believe that strategic management is only important and appropriate in big organisations that have well-structured management systems. Few of them realise the importance of strategic management in helping the organisation establish structures and systems following the business' needs, as it grows into the formal entity that it should be. For a significant number of entrepreneurs who have not gone through formal management training, ignorance and misconceptions about strategic management, make it difficult for them to adopt it in their work. It is in light of these and other factors that the study sought to establish the challenges and obstacles that SMEs face in their efforts to introduce and apply strategic management in their business operations. The research also sought to establish the perceptions and knowledge levels about strategic management amongst small and medium scale businesses in Zimbabwe, with the objective of bridging the knowledge gaps to make the average entrepreneur see the importance of well-defined strategic planning.

1.3 Objectives of study

- To determine the extent to which small and medium size enterprises practise strategic management in running their businesses.
- To establish the range of challenges and obstacles SMEs experience in their efforts to incorporate strategic management in their businesses.
- To establish entrepreneurs' appreciation of the importance of strategic management.
- To establish the training needs of entrepreneurs, with regards to the application of strategic management
- To assess the extent to which legal and policy frameworks governing the operations of SMEs encourage the application of strategic management.

1.4 Questions

- Do entrepreneurs practise strategic management in their businesses?
- What challenges and obstacles do SMEs face in their efforts to incorporate strategic management in their operations?
- To what extent do entrepreneurs appreciate the importance of strategic management?

- What are the training needs of SMEs with regards to strategic management?
- Do legal and policy frameworks targeting SMEs in Zimbabwe encourage the application of strategic management?

1.5 Significance of the Study

The continued increase in the number of small and medium scale businesses in Zimbabwe and undoubtedly the Southern Africa Region, has necessitated the need for research in this area. It is a fact that although some countries have high unemployment rates, a good percentage of the unemployed in such economies are involved in a variety of economic activities, which help them earn a living (ILO, 2008). In view of the size of the population involved in SMEs in Zimbabwe, the researcher feels that this sector needs to be promoted from a mere subsistence and economically insignificant sector to a vibrant one, that contributes to the national economy (RBZ, 2012; Goriwondo, 2010). One major way in which this could be achieved is by making sure that strategic management and planning are applied, taking all aspects of business management, financial management and quality management into consideration. The research should inspire small and medium scale businesses to:

- introduce strategic management and planning in their businesses and thereby enjoy the benefits of this approach to business management;
- maximise profitability by instituting measures that ensure efficient financial management, marketing and service or product quality; and
- maximise the use of strategic partnerships and synergistic linkages in business management and planning.

Researchers and stakeholders would also greatly benefit from the study since it would enable different interested parties to compare and contrast their management programmes and review them accordingly. Some players in the SME sector tend to view strategic management and planning as a waste of time and resources as well as a very challenging process. The products of the research will provide a simplified approach to strategic management and planning by clearly articulating the benefits it brings to the business. The study will therefore attempt to clear misconceptions so that entrepreneurs and stakeholders view strategic management positively. Furthermore, the study will be of benefit to the Zimbabwean government which has committed

a large amount of resources towards the establishment of SMEs, even though their failure rate has been quite disappointing (RBZ, 2009).

1.6 Data analysis

Quantitative data were analysed using the Statistical Package for the Social Sciences (SPSS), while qualitative data were content-analysed using trend and factor analysis.

1.7 Limitations

The only limitation, though not significant was the unavailability of funds to travel around and meet entrepreneurs extensively and the failure to have had enough time with respondents, due to the nature of their work. Some entrepreneurs tended to be always in a hurry and could at times not spare enough time to go through questionnaires and the interviews.

1.8 Conclusion

In light of the objectives of the research, the researcher envisaged the generation of new interest and knowledge in strategic management at grassroots level, which would help steer small businesses into the mainstream economy. The research involved mixing and exchanging views with small-scale business persons who used little or no business models and those that believed planning was not important in the running of their business. It is the researcher's hope that the process and its outcomes will help demystify strategic management for the modest business person operating at the lowest levels of the economy.

1.9 Research plan

- Chapter one contains amongst other components the background to the study, the statement of the problem, the objectives of the study and its significance.
- Chapter two establishes the research's theoretical framework through a critical review of related literature and researches linked to the subject under review.
- Chapter three deals with the research model.
- In chapter four, the research methods and approaches used to gather primary and secondary data are fully dealt with.
- Chapter five presents the empirical evidence and findings of the research.
- Chapter six analyses and discusses the research findings.

- Chapter seven presents a summative conclusion of the research, holistically considering the research objectives and findings. The chapter ends with recommendations and an outline of areas recommended for further research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

With the objective of enhancing the research's theoretical framework and informing judgement and analysis, various authors and researchers in small and medium scale business development and management were consulted. The activities of Small and Medium Scale Enterprises (SMEs) generally come in different forms and orientations, in light of their origins and the dynamic nature of management and leadership systems associated with these businesses. The size and scope of SMEs tend to depend on the vision of their founders and the environment in which the business operates. SMEs that develop in healthy economies tend to be better structured and to have strategic direction compared to those developing in unstable economic environments. In this chapter, the range and nature of SMEs in Zimbabwe and Harare, are explored considering the management and leadership styles. Strategic management and entrepreneurship are defined followed by a review of literature on the importance and application of strategic management in SMEs. Challenges and pitfalls in the application of strategic management are also reviewed leading to an analysis of some of the best practices cited in the literature.

2.1 Nature and Structure of Small and Medium Scale Businesses in Zimbabwe

Small and medium scale businesses have been classified in a wide range of ways by the World Bank (World Bank, 2013), and different authors and researchers such as Lisenda (1997) and Bolden (2000), with the objective of devising formulae for their analysis. In Zimbabwe SMEs are classified by nature of business, by size and market share in the economy (SMEAZ, 2013). For the purposes of supporting this research, SMEs are classified in the following way:

2.1.1 SMEs with well-structured management systems

Such businesses have at least a strategic planning framework and their activities follow a systematic pattern. They have reporting systems and they carry out research and follow up their findings. They make use of any findings they get to improve operations and to refocus their vision and activities. SMEs of this nature have the potential of graduating into the mainstream economy, fully complying with statutory obligations. They have marketing plans and they

engage in futuristic planning following their growth needs. Their human resources management systems are well organised and their employees have some form of job security. Their businesses are viable and profitable and have a bright future (Pasanen, 2003) (MacNabb, 1995).

2.1.2 SMEs with semi-structured management systems

This group of SMEs formalises operations following the whims of the owner. Operations involve a mixture of haphazard business activities and well organised fulfilment of contractual obligations at times. The owners from time to time choose to act professionally or to completely disregard the principles of business ethics (Pelham, 1999). Contracts entered into with such enterprises are unpredictable and risky, given that goal posts can be shifted at any time. All the activities and systems of the business from human resources management and marketing to financial management are semi-formal and highly dynamic sometimes in the negative sense (Poutziouris et al, 1999). The business sometimes operates from hand to mouth with an uncertain future. This makes employee job security and motivation to be close to non-existent in such businesses (Storeuy, 1994).

2.1.3 SMES without defined management systems

SMEs in this cluster are often run by opportunists who focus on making money, without futuristic thinking. Business owners see no value in establishing effective management systems due to the limited scope of their vision. The business is not run following any kind of rationality as business transactions are events, which come and pass without proper recording. There is a deliberate disregard of the need to manage finances professionally (Wiklund, 1998). In some cases, the owner is the cashier, the accountant and the banker, so all company funds are received and kept by one person. Such businesses are characterised by low employee morale, lack of job security and sometimes even inexistence of employment contracts (Vesalainen, 1995) (Vinnell and Hamilton, 1999).

2.2 Management Styles and Systems in Small and Medium Scale Business in Africa

Small and medium scale businesses in Africa are known to apply a wide range of management styles as their businesses develop from humble beginnings to meaningful income generating ventures. According to Vesalainen (1995), every management system should be driven by the

logic of the managerial functions of planning, leading, organising and controlling. A system that lacks any of these functions risks encountering challenges, which may jeopardize the success of its operations and the achievement of envisaged goals. Researchers concur that small and medium scale businesses tend to be run without well-structured management systems and without following any laid down guidelines. Entrepreneurs in this sector tend to make use of any kind of style for as long as it satisfies short-term needs which do not necessarily fit into the long-term plans of the business. Researchers in African entrepreneurship such as, Gyekye, (1988), Mbiti(1969) and Mbigi(1997) concur that family background and socio-cultural factors have a bearing on the way small and medium scale businesses are run. This scenario explains the general disregard of logic and order that characterises some businesses. Cultural and religious background also inspires a wide range of characteristics among businesses, given that they come with all sorts of belief systems and intuitions.

Religious beliefs and ideologies have seen business practitioners turning to all kinds of unorthodox ways of enhancing and improving their businesses. There are those that are superstitious, those who believe that one can only succeed when one has charms or when one respects certain rituals (Gelfand, 1956). This, in some cases, leads to the loss of money and time as the business owner pursues ceremonies and rituals at the expense of working hard. Instead of planning for the future and mapping out strategic direction for the businesses, entrepreneurs of this nature believe that there is a force somewhere that determines their success, no matter how much effort they apply. Such beliefs in some countries, as in the case of ‘Dipheko’ in Botswana, lead to ritual murders and other occult practices which do not practically assist the business (Burke, 2000) and (Hadzizi, 2011).

Families play a very important role in the development of the child into adulthood across Africa. In some cases family principles shape one’s personality and leadership qualities to a large extent. The family can have both positive and negative influence on the way entrepreneurs run their businesses (Andre de Waal and Chipeta, 2013). In Zimbabwe, the concept of the extended family cements people together that there might be no difference between the way one interacts with immediate family members and distant cousins. The average adult in Zimbabwean societies is considered successful when he or she is capable and is willing to support his people or community. The strong family relationship tends to affect the way one does business with

relatives or in some cases people from one's own community (Chen Li Yuen, 2004). Entrepreneurs with such a background are known to spend money recklessly at the expense of the business, when visited by friends and relatives at the workplace. Although they might be aware of the dangers, the ego and pride that come with the fact that one is capable of helping people from his community, sometimes outweigh all logic, leading to acts that cause serious cash flow problems. This tendency is also known to be motivated by religious beliefs and principles (Gyekye, 1988). As an example, a businessman whose religion emphasises the need to give blindly may be tempted to offer foodstuffs and drinks to visitors who are members of his church without considering the cash flow problems this might cause. This has, in some cases, also influenced recruitment policies, where people are employed by the organisation on the basis of their religious or cultural background rather than their competencies (Nyasani, 1997).

2.3 Leadership Styles in SMEs

Small and medium-scale business practitioners around the world, apply a wide range of leadership styles in their organisations. This is done either unknowingly, by those who have not received any business management training or consciously by those who have an understanding of the dynamics of leadership styles. It is a fact that no single leadership style is best for all situations in the business's value chain (Gumbe, 2010). The study of the range of leadership styles helps entrepreneurs learn to always align their leadership styles with the requirements of the business. In their celebrated book "*The Leadership Challenge*," Kouzes and Posner (2012) present the leadership role as one of mobilizing others to have the desire to achieve and accomplish extraordinary things for the organisation. They argue that leadership is generally about leaders' practices towards the transformation of values into action plans, dreams into reality and challenges into innovative outcomes as the organisation carries out its mandate. In their understanding, leadership is about creating a climate in which people turn challenging opportunities into remarkable success.

In light of these responsibilities for the leader in the organisation, there is need for entrepreneurs to appreciate the range of leadership styles and those situations and circumstances under which they would work best (Thompson A.A, Strickland A.J., Gamble J.E and Jain AK, 2006).

2.3.1 The Autocratic Style

According to Gumbe (2010), under this style, managers centralise authority in every respect and specifically in decision making. There is little or insignificant consultation with other members of the organisation and the leader's decision is final (Osborne, 2008; Williams, 2005). Subordinates are expected to follow and obey orders without questions. Though this style could be the most effective in times of crisis and when the leader is the only one with the relevant expertise, it tends to have some serious shortcomings when applied in their situations. This style, if not properly applied, could lead to the development of autocratic leaders who are all powerful and who run the business according to their own whims (Cadwell, 2004; Osborne, 2008). This tendency is quite common in small and medium-scale businesses, especially in view of their origins and orientation (Goriwondo, 2013).

2.3.2 The Bureaucratic Style

This style involves the management of the business according to the laid down rules and regulations. All business activities are done according to policy and procedure with very little or no flexibility (Penney, 2010; Sidle, 2005). In cases where issues in question are not covered by regulations and policy, they get referred to a different level of authority and this can be time consuming and cumbersome (Osborne, 2008). This style is best used in cases involving routine and repetitive tasks and where funds and confidential information are involved. It also works in high security business environments involving confidential information and activities (Topping, 2002). Among its shortcomings, there is the stalling of progress due to red-tape and abuse of office, where people spend time waiting for decisions to be made by a chain of people (Cadwell, 2004).

2.3.3 Democratic leadership style

This style is also known as the participative style and is driven by the need to involve staff in all aspects of the business decision making, from planning to implementation and review of processes (Gumbe, 2010). It introduces the sense of ownership and belonging amongst staff, enhancing unity of purpose and harmony across the organisation's value chain (Wooden et al, 2007; Williams, 2005; Cadwell, 2004). Although the leader has the final say he or she consults

and gathers information from staff members first. The trust and recognition shown to staff by this approach inspires cooperation, team spirit and a positive approach to work. This style is best used when solving problems involving individuals or groups and when coordinating tasks that are dependent on the cooperation of teams and groups of employees (Thomas, 2004; Wooden, et al, 2007). This approach would not be appropriate in cases where time is limited and where large groups of people are involved as consultation might take too long a time for the logical conclusion of tasks. It is also important for the leader to keep monitoring and evaluating the effectiveness of this approach given that it can easily be abused and blamed for slow decision making (Topping, 2002)..

2.3.4 Laissez faire leadership style

This style is also referred to as the “free rein” or “hands off” style. The manager in this case provides very little or no direction as to the course of action, allowing staff to explore their innovation and creativity as much as possible (Gumbe, 2010).The staff set goals, formulate strategies and work out the relevant implementation plans without the direct influence of the leader. When used effectively, this approach inspires innovation and the development of leaders from among the members of staff (Sidle, 2005; Penney, 2010). This style works well when members of staff are highly skilled, educated and full of experience. Members also need to be well motivated and focused on the goals and objectives of the organisation. Leaders need to note that the laissez faire does not mean the toleration of disorder and loss of focus in the organisation (Cadwell, 2004; Siddle, 2005). If it is to be used, it should be done for the purposes of enhancing creativity and freedom of professional growth amongst staff rather than a way for the manager to find other things to do, away from the working environment (Goodnight, 2011; Williams, 2005; Thomas, 2004). Entrepreneurs who sometimes claim to use it leave the organisation in the hands of employees as they have fun or go in pursuit of unproductive ventures which end up draining all the capital from their businesses. If not properly applied, this style can lead to insecurity amongst staff as feedback from the leader may not be available when it is needed..

2.3.5 The people-oriented leader

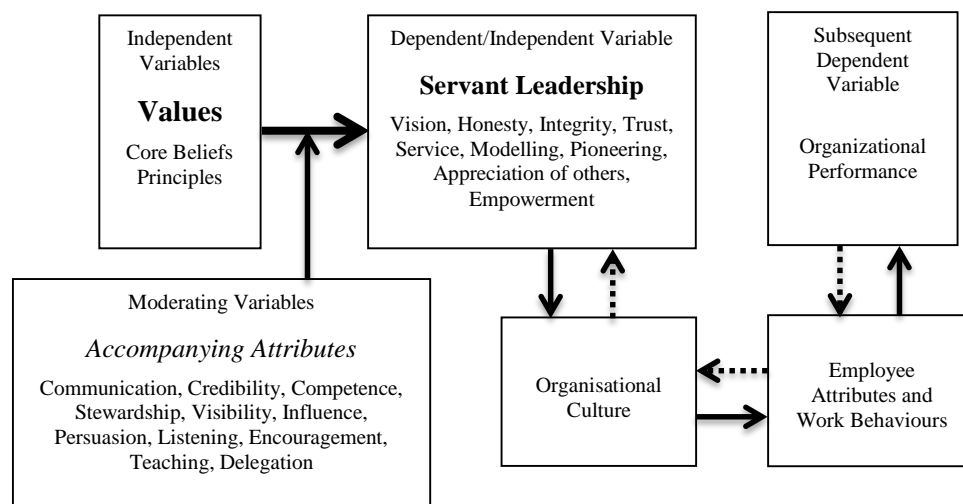
This leader is supportive of staff, focusing on capacity development and enhancement to ensure professional growth. According to Fiedler (1967), under such a leader, job satisfaction is enhanced and employees love their work and the organisation is like their family.

2.3.6 The task-oriented leader

This leader focuses on the work to be done and the tasks to be carried out by each employee for the accomplishment of organisational goals. The danger with this approach tends to be that the needs of staff in aspects not related to work, may be ignored leading to demotivation and low staff morale (Fiedler, 1967). This approach can only be effective when used in conjunction with other approaches such as the democratic or participative style.

2.3.7 The servant Leader

This leader practically gives himself or herself to the service of the organisation and the people that make it up. Employees can use the leader as an instrument for enhanced productivity and professional growth. The leader follows the needs of staff and endeavours to meet them as much as possible. This approach is characteristic of leaders who exercise humility considering themselves as part of the organisation's team, with a role to play in the enrichment of other people's roles (Yukl, 2002). The illustration in Figure 1 demonstrates the value of servant leadership in a business.



Source: <http://www.coywire.com> 20/03/2013)

Figure 1: The Value of Servant leadership

2.3.8 Transformational leader

This leader motivates the team to enhance effectiveness and efficiency (Penney, 2010). Using a wide range of communication channel the leader ensures that the job is done according to expectations (Burns, 1978). The leader strives to devise innovative ways to ensure the achievement of organisational objectives and goals.

Small and medium-scale business leaders need to apply all the leadership styles accordingly, taking into consideration their shortcomings and possible pitfalls.

2.4 What is Strategic Management?

According to Wheelen and Hunger (1988), strategic management is the bundle of managerial decisions and actions that help determine the long-run performance of an organisation. David (1999), defines strategic management as the art and science associated with the formulation, implementation, and evaluation of wide-ranging decisions that enable a firm to attain its goals. Harvey (1982) defines strategic management as the process of formulating, implementing and evaluating business strategies to achieve future goals. Strategic management is also defined as a continuous and iterative process aimed at keeping the organisation as a whole appropriately matched to its environment (Certo and Peter, 1999).

Harvey (1982) says strategic management is about the strategic systems approach which is about seeing the organisation as one whole that has interdependent parts. It is also about long-range planning that involves a longer time frame and competitive analysis that addresses such questions as:

- What business are we in?
- Who are our customers?
- Who are our competitors?

It is about developing a comprehensive vision of the future that provides a sense of purpose and direction for the organisation. It also is about developing a corporate culture that identifies and develops a sense of belonging, motivation and shared values, to accomplish the future goals. Thompson and Strickland (2006) say strategic management is about managerial decisions and skills that impact directly upon the organisation's capacity to survive and adapt to market and

environmental changes. It also enables the organisation to grow profitably, to move in a new direction and alter its mix of business interests in a significant way.

The Strategic Management Process consists of three major activities which are strategy formulation, strategy implementation and strategy evaluation as illustrated in Figure 2 below:

2.4.1 The Strategic Management Process illustrated



(adapted from Wheelen and Hunger, (1988) and Thompson and Strickland (2006))

Figure 2: The strategic management process

2.4.2 Importance and Benefits of Strategic Management in SMEs

Strategic Management allows an organisation to be more proactive than reactive in shaping its own future. It allows an organisation to initiate and influence activities. One major advantage is the capacity it gives to organisations to motivate and empower the people who make up its human capital (David, 2001). David further defines empowerment as the act of strengthening employees' sense of effectiveness by encouraging and rewarding them to participate in decision making and exercise initiative and imagination.

Strategic management is useful to every organisation because it provides long-term direction in planning (Kotler, 1991). It also helps the organisation adapt to changes in its operating environment and maintain competitive advantage. The strategic management process helps the organisation and its members establish its current status, mission and vision as well as objectives

(Meek et al, 2001). This process maps the organisation's future development, specifying the range of strategies and action plans that lead to its success.

2.4.3 Characteristics of an effective strategy

Every business, no matter how big or small, needs effective strategies that meaningfully respond to the needs of its value chain. Effective strategies have clear, specific, measurable, attainable, realistic and time bound objectives which are relevant to the needs of the organisation. According to Sadler, (2003), good strategies encourage workers to grow and be innovative and creative. The strategy must also concentrate on specific areas of improvement and focus as directed by the organisation's vision. Flexibility of strategy enhances the possibility of relevant review and refocusing as the organisation progresses (Ritson, 2008; Morden, 2007). All the departments of the organisation should work together in harmony and unity of purpose. To gain competitive advantage over competitors, the organisation's strategy should be executed with speed, diligence and secrecy so as to outwit unprepared competitors and opponents. (Hitt, et al, (2007); Alkhafaj, (2003); Macmillan et al, (2000); Hussey (1998). .

2.4.4 Possible Tests of a Winning Strategy

According to McMurray (2001), one test that is often used is called the "Goodness of fit Test". In this test, the logic is that a good strategy should be well matched to the organisation's internal and external circumstances. The extent to which there is strategic alignment between the strategy and the organisation's current status and future plans, the more effective such a strategy is.

The Competitive Advantage Test ensures that a good strategy leads to sustainable competitive advantage in the organisation's market. A strategy that does not come with any form of competitive advantage is as good as having no strategy at all (Porter, 1998). Strategies are meant to position the organisation in a special way that surpasses the efforts of its competitors.

The Performance Test is another test which the average business practitioner needs to consider. This is because a good strategy needs to enhance the organisation's performance and thus increasing profitability (Thompson et al, 2013; Kuzmicki, 1998)

2.5 The strategic management process in practice

2.5.1 Strategy Formulation

Strategy formulation is the problem-solving process (often called strategic planning) of setting the firm's vision and mission, analysing the environment, establishing long-term objectives, choosing the tools for achieving the objectives (strategies) and action plans that achieve those objectives and implementing them (Chaneta I, 2011; Morden, 2007). In the process of strategy formulation, top management has to develop a concept of what business the organisation is in and thereby establishing the purpose of its existence (Valdez, 2000; Sadler, 2003; Ritson, 2008).

2.5.2 What is a Vision?

A vision is a statement of hopes, aspirations, and/or wishes of the organisation's future, that is, where the leadership would like the organisation to be in the future. It is a clear and challenging statement that serves as a beacon and control of the organisation (Valdez, 2000; Hussey, 1998). It prepares for the future while honouring the past. It empowers organisational members first and then the clients as they can all see where the organisation is going (Thompson et al, 2013).

2.5.3 Vision Formulation

This entails asking and answering such questions as:

- What do we want to be in five, ten or twenty years' time?
- What do our capabilities lead us to be? and
- What does our market want us to be?

2.5.4 The Corporate Vision

A positive vision of the future is essential for providing meaning and direction to the present. Meaningful vision empowers organisations to solve problems and accomplish goals (Sadler, 2003; Hitt et al, 2007). Vision is a compelling image of the future that is offered by corporate leaders to share with the corporate community who should agree to support it (Thompson et al, 2013). For an organisation's vision to be sound it should be:

- leader initiated;
- shared and supported;
- comprehensive and detailed; and
- positive and inspiring.

2.5.5 Mission Statement

A mission statement is a statement of purpose that distinguishes an organisation from other similar organisations in the same industry. (Thompson et al, 2013; Afuah, 2009). It identifies the scope of the organisation's operations in product, service and market terms. In coming up with the mission statement, the strategists should answer the following questions:

- What is our business?
- What will it be?
- What should it be?

If these questions are answered, the organisation would have been given its identity, character and make-up (Thompson et al, 2013). During that exercise of coming up with the mission statement, top management should bear in mind the fact that the mission statement should depict the organisation's character, image and scope of activities in ways that are detailed enough to distinguish it from other organisations. The shaping of an organisation's future begins with clarity of the organisation's purpose of existence. According to Peter Drucker(1980), a business is defined by the need the customer satisfies when he/she buys a product or service. So the satisfaction of a customer should be the starting point of the mission statement of every business. Derek Abel (1980) expanded on Peter Drucker's idea and said business should be defined in terms of:

- customer needs or what is being satisfied;
- customer groups or who is being satisfied;
- technologies or how customer needs are being satisfied; and
- changing technology.

Answering what will our business be, is the most important and necessary step in setting the direction for the organisation (Thompson et al, 2013). This requires the strategist to look ahead and try to anticipate the impact of:

- changing custom;
- changing customer markets; and
- the impact of all these changes on the business.

Answering what will our business be will help the organisation to identify the customer's unsatisfied wants and then modify, extend and develop its existing business concepts. What our business should be is an equally important question to ask. By taking that dimension, the organisation is addressing such issues as:

- How can innovations be converted into new businesses?
- What technologies are opening up or can be created to the advantage of the customer?
- Which things should the organisation continue doing and which should it plan to discontinue?

2.6 Importance of a Mission statement in the SME

According to IFAC (2006) and Sadler (2003) having a mission statement is very important in SMEs because it:

- Promotes and encourages unanimity within the organisation;
- Provides a basis, or standard, for allocating organisational resources;
- Establishes a general tone or organisational climate/culture;
- Serves as a focal point for individuals to identify with the organisation's purpose and direction and deters those who cannot, from participating further in the organisation's activities;
- Facilitates the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organisation (Olson, P. & D. Bokor, 1995);
- Specifies organisation purposes, translating them into key result areas which enable the assessment and control of cost, time and performance parameters;
- Provides the general framework for the establishment of organisational policies;
- Provides perspective on economic and/or organisational growth (Vesalainen, 1995);

2.6.1 Components of a mission statement

The major components include the following:

- *Products/Services* – What are the organisation’s major products/services?
- *Markets* – Where does the organisation operate/compete?
- *Technology* – Is technology a primary concern of the organisation?
- Concern for survival, growth, and fiscal viability – Is the organisation committed to economic objectives?
- *Self-concept* – What are the distinctive competencies of the company or company’s major competitive advantage?
- *Concern for public image* – To what extent is the public image a major concern of the organisation?
- *Concern for people* – What is the organisation’s attitude toward management and staff?

In coming up with a mission statement, the strategist should establish specific objectives that will help the organisation to keep focused (Thompson and Strickland, 2007). The objectives, which need to be specific, measurable, achievable, time-bound and challenging, play a very important role in the strategic management process. They provide direction for organisational efforts, for providing a means for setting priorities and resolving conflicts across the organisation. They also inspire motivation and the measures for organisational performance (Valdez, 2000).

2.7 Business level strategy

This relates to how a Strategic Business Unit (SBU) intends to do its business focusing on a:

- Particular product;
- Product line or;
- Group of related products.

Business level strategies focus on how to compete effectively and profitably in a distinct, identifiable and strategically relevant line of business. (Levy M. and Powell P. 2005)

2.7.1 The Functional level Strategy

The functional level strategy is designed for the functional areas of the SBU; such areas as the production and marketing. The primary focus of the functional strategy is on maximizing the achievement of targeted objectives (Thompson et al. 2006).

2.8 Challenges and Pitfalls in the Application of Strategic Management

Small and medium scale business practitioners tend to shun strategic management even in light of its benefits to the organisation. In Africa, strategic management is viewed as an exercise for the big organisation due to psychological and socio cultural obstacles which overshadow the objective assessment of the importance of futuristic planning (Gyekye, Kwame, 1988). In some cultures there is a belief that everything about life is predetermined by God or a superior being, so planning is not important. Following this notion, some entrepreneurs just work with what is available, grabbing opportunities as they come. This approach poses challenges when the business meets obstacles or problems. Entrepreneurs have a tendency to seek solutions from their gods or other supernatural powers leading to a wide range of complications. In some communities, rather than go back to the drawing board and establish the real cause of problems in the organisation's value chain, business persons consult oracles and fortune tellers who often mislead them and shift one's focus away from the real causes of failure. In The Holy Bible, Job who was a business man with a lot of assets experienced problems which destroyed his wealth and threatened even his own life. Job remained steadfast on his faith and knew who to ask and where to go for solutions. As the story in the Bible reveals, through his faith and the wise counsel from God, his wealth and legacy were restored (Job 1 Vs. 1-4). This would not have happened had Job followed the counsel of the devil or if he had sought solutions from the wrong persons. This Biblical story is a good example of the influence that religious and sociocultural beliefs and practices can positively or negatively affect the performance of a business and the way it is managed. The entrepreneur's background his or her beliefs and cultural upbringing tend to influence the structure of the business, the organisation's culture and the choice of strategies (MacNabb, 1995).

2.8.1 Technical and capacity related obstacles

Due to the lack of capacity to understand the benefits of strategic management, some managers just shun it and choose to use the methods they are used to. The fact that a sizeable percentage of entrepreneurs do not have any formal management training, strategic management becomes a highly technical process not useful to the average person.

2.9 Characteristics of Best Run Companies

Harvey (1982) divided companies into two major groups, the winners and the losers. The winners are anticipative and future oriented as they have a strategic plan and their culture fits well with their plans. They also value strategy flexibility and are responsive to developments in the environment around them. The losers are those that stick to one strategy and only act when prompted by circumstances or developments in the environment. They hardly have a plan to guide them and their culture does not support competitiveness and growth. They tend to be slow in adapting to changes around them.

The development of an effective and objective strategic plan helps to clarify the organisation's plans and ensures that key leaders are all "on the same script". Far more important than the strategic plan document, is the strategic planning process itself (Sutherland and Canwell, 2004). It is important to involve all stakeholders within the company and also the necessary outsiders in the planning process. No stones should be left unturned in the process, which should incorporate results from a business evaluation process as well as an environmental and competitor analysis. It is important for institutions to realise that a plan is no good for the organisation if it is not properly implemented (Katsioloudes, 2002). Some organisations hire consultants to draw very good plans which are either implemented wrongly or not implemented at all.

Strategic management is defined by Certo and Peter (1999) as a continuous and iterative process aimed at keeping the organisation as a whole appropriately matched to its environment. This helps keep the business in tune with management and marketing forces both outside and inside the firm. It also gives overall vision and direction to the business upon which all efforts can be directed (Certo and Peter, 1999). In entrepreneurship, it is imperative for practitioners to focus

on strategic alignment or consistency between the organisation and its environment. Strategic consistency exists when the actions of an organisation are consistent with the expectations of management, the market and the business' context. Strategic management should involve all the levels of the organisation including the Board of Directors and other managerial levels, depending on the organisational structure.

As a process, strategic management needs to be on-going, evaluating and controlling the business in relation to the environment around it. Through it, organisations carry out competitor analysis, setting goals and strategies annually, or as required to ensure survival and sustainability. Strategies are then reviewed to check if they are consistent with the changing circumstances, new technology and other dynamics of the operating environment (Lamb, 1984; Thompson et al, 2006).

Due to either ignorance or lack of interest, small and medium scale business persons have often ignored the need for strategic management in their enterprises. Strategic management or just planning has been viewed as a complicated and difficult process, which is a waste of time. Research has however shown that all this is not true and that strategic planning actually makes business management easier and more interesting. It is a fact that the word "strategic" often brings to mind images of management geniuses and experts sitting in sophisticated corporate boardrooms thinking deep, profound, visionary thoughts (Aggarwal P. and Rajiv V., 2003). Many small business owners cannot identify with these "large corporation" visions and unfortunately ignore the importance of strategic management and planning. Strategic planning is important for businesses, no matter how small (Mintzberg, H. Ahlstrand, B. and Lampel, J, 1998). Strategic planning is not so much a complex technical task as it is a way of thinking (Thompson et al, 2006). Evaluating the business strengths and weaknesses, setting long-term goals, and adjusting paths based on successes and failures along the way, translates into strategic planning. This can be equated to personal situations, which often demand that we sit down and plan ahead in view of our strengths and weaknesses and the experiences of life we have had. This helps the individual avoid wasting time and energy on strategies that do not work and avoid repeating mistakes. In the same way, businesses should learn from past experiences and plan for the future strategically, to increase competitive advantage and profitability.

Strategic Market Management (SMM) is based on the assumption that the rapidly changing business environment cannot be dealt with using a planning cycle (Kotler, 1991). Although the process starts by setting long-term business goals, strategic decisions are made as and when needed in order to cope with market surprises and to take advantage of opportunities that may be open for only a short period of time. While ensuring that the decisions are consistent with the long-term goals of the company, strategic market planning allows businesses to respond quickly to critical changes in the marketplace, that provide windows of opportunity presented by the changing environment (Burns and Derhurst, 1990).

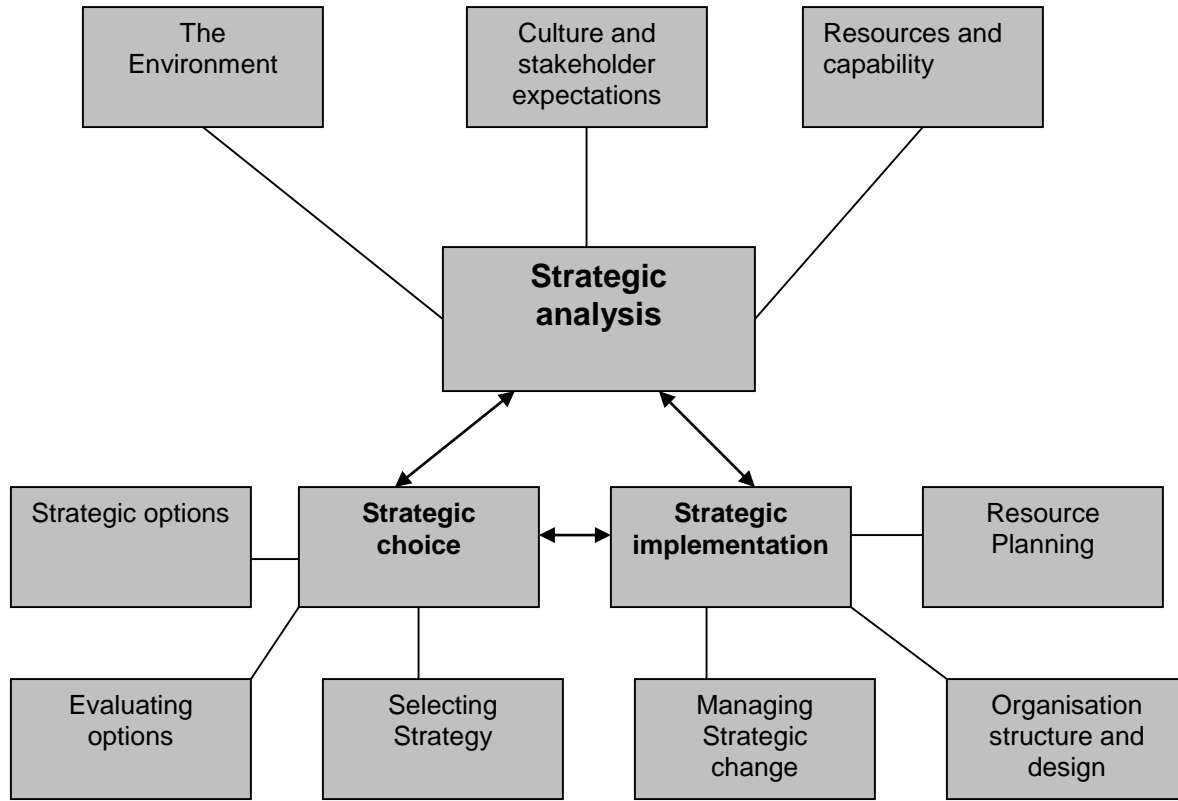
SMM keeps its sights on the business's long-term goals while allowing the business to quickly respond to market changes. This definitely helps the business to keep its head above the water, readjusting and adapting to the dynamics of the market.

In general, strategic planning determines where an organisation is going over the next year or more, how it is going to get there (Drummond and Ensor, 2001). The focus of a strategic plan is usually on the entire organisation, while the focus of a business plan is usually on a particular product, service or programme.

There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organisation's leadership, culture, complexity and expertise of planners (Liebeskind, 1996).

Quite often, an organisation's strategist already knows much of what will constitute the strategic plan. However, the process of developing the strategic plan greatly helps to clarify the organisation's current and future plans and ensure that key leaders are all on the same script (Johnson and Scholes, 2008). Of more importance than the strategic plan document, is the strategic planning process itself. It is important to make the process as participatory as possible for every level of the organisation to fully understand it and therefore own it during implementation. A strategic plan that is imposed on the people without considering their views, aspirations and intuitions can be very difficult to implement (Katsioloudes, 2002).

Elements of Strategic Management



Source: Johnson and Scholes, 1999

Figure 3: Elements of Strategic Management

According to the illustration in Figure 3, strategic management consists of three elements namely, strategic analysis, strategic choice and strategic implementation. If properly implemented, the process can make the organisation strategically positioned to meet the challenges confronting it internally and externally.

SMEs can choose the right strategy to take depending on circumstances and after taking into consideration their aims and objectives.

Literature presents a wide range of business management strategies some of which are not appropriate for SMEs. Amongst the most important strategies for the average SME growth strategies are of paramount importance as entrepreneurs seek to earn more and increase their influence in the market. The management of growth in the SME is by no means an easy task (Arbaugh and Camp, 2000) given that growth is heavily dependent on strategy (Weinzimmer,

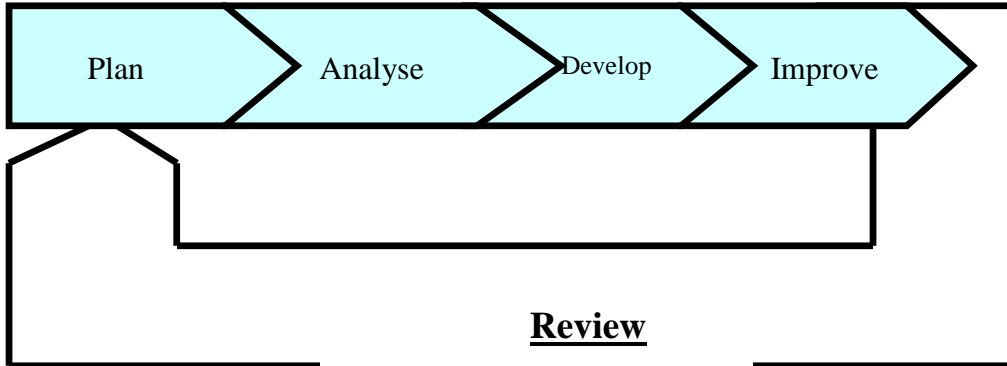
2000). Thompson (2001) identifies four types of growth strategies namely: organic growth, acquisition, strategic alliance and joint venture. SMEs can choose from these depending on their needs and aspirations.

A look at the range of strategies that focus on the products' performance in the market, separates four possible strategies that organisations can adopt. One approach is that of market penetration strategy which aims at establishing a market base for a new or rejuvenated product (Burns, 1989). Other strategies could involve product development, new market development and venturing into new markets. For all these endeavours the business needs to formulate specific strategies to ensure effectiveness and success (Pistrui et al., 1997).

After selecting the right strategy, it is important for the whole organisation to get geared up for the implementation process, which should be supported by a monitoring and evaluation programme to avoid loss of focus.

Strategic management processes of this nature can further be enhanced by a process called benchmarking. There are basically four types of benchmarking: internal, competitive, functional and generic. According to Oakland J. (2001), benchmarking is one of the best ways to institute and promote effective change in an organisation. This is achieved by drawing lessons from others' successes and failures and integrating all this to develop appropriate strategies and best practices. Benchmarking can help the organisation review internal and external aspects of its business without losing focus.

The concept of benchmarking is based on the ancient Japanese quotation, which goes 'If you know your enemy and know yourself, you need not fear the result of a hundred battles' (Sun Tzu, *The Art of War*, 500BC cited in Oakland, 2002) The process of benchmarking is illustrated in Figure 4 below:



Source: (Oakland J. 2002)

Figure 4: The five main stages of benchmarking

The major objectives of benchmarking according to Oakland (2002) are to:

- change the perspectives of executives and managers;
- compare business practices with those of world class organisations;
- challenge current practices and processes; and
- create improved goals and practices for the organisation.

2.10 Control

Amongst the most important functions of management is the controlling of business processes and activities. Controlling involves determining what is being accomplished, evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans. Lack of control systems and procedures often hinders effectiveness in SMEs around the world. (Clark, D. & N. Berkeley & N. Steuer 2001).

2.10.1 Types of controls

- Pre-controls – input control
- Concurrent – process control
- Feedback controls – output control

The control Process

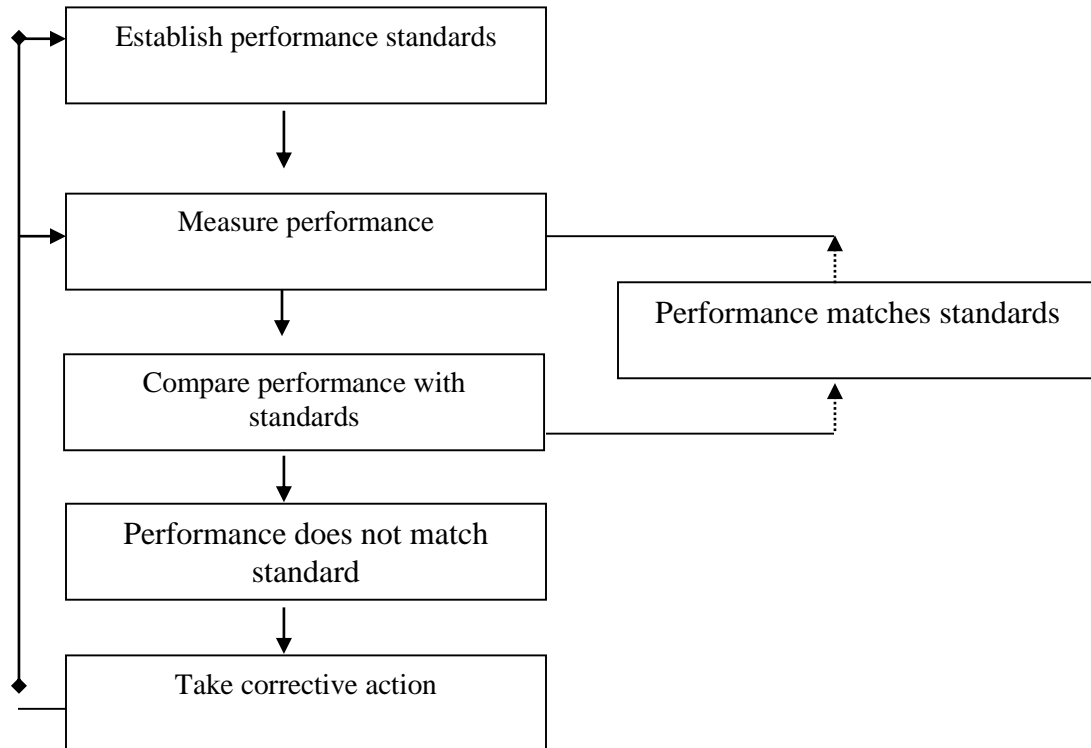


Figure 5: The Control Process

2.10.2 Fundamentals of effective controls for successful SME management

In order to achieve sustainable success and to strategically position the business in its operating environment, entrepreneurs need to ensure that their control systems have the following characteristics:

- responsiveness to changing environmental factors;
- based on objective standards;
- sensitive to detect and report any deviations from the standards in time;
- Capable of forecasting future changes or trends that may create gaps in performance;
- pinpoint deviation set critical points during the company's operations;
- understandable to all executives at all levels of the organisation;
- payoff should outweigh the cost; and
- indicate the nature of corrective action to be adopted when deviations occur.

The strategic management process helps ensure sustainable organisational profitability informing the business on which areas to concentrate on and which ones to avoid. Strategic control is one task that helps the entrepreneur correct activities in the organisation's value chain and tying any loose ends that might exist.

2.11 Conclusion

Various researchers and authors in management from around the world, agree that every business, no matter how big or small, requires some form of planning for it to progress in a healthy manner. SMEs tend to arise from dynamic situations and origins, some of which are very informal and haphazard in nature. Due to this fact, a lot of them are not really products of strategic planning. To begin to introduce this approach to management at a later stage is generally quite difficult due to a number of reasons. Amongst the reasons there is the lack of formal training amongst SME owners, psychological and socio-cultural barriers as well as economic obstacles. The literature review has enabled the researcher to establish the best practices in strategic management and how SMEs could benefit from this approach to management.

The next chapter deals with the research model which guides the treatment and analysis of information gathered during the findings.

CHAPTER 3

CHAMELEON SURVIVAL STRATEGY MODEL

3.0 Introduction

In order to effectively study the challenges faced by Small and Medium-Scale Enterprises in the application of strategic management, the research is modelled following the logic of the systems theory. This theory was proposed in the 1940's by the biologist Ludwig von Bertalanffy, and furthered by Ross Ashby (1956). Von Bertalanffy (1969) emphasized that real systems are open to, and interact with, their environments, and that they can qualitatively acquire new properties through adaptation, resulting in continual evolution. In an attempt to understand the world, the systems theory considers the individual or the living entity as a collection of interactive processes, which collectively form a system. The system's identity and nature is directly and indirectly influenced by its environment, which helps determine its orientation. This approach to the interpretation of the world, introduces a dimension which likens systems to biological organisms with interdependent interactions within them.

The researcher approaches the study of small and medium scale enterprises with the assumption that these businesses are like organisms that need to be able to survive in their environment. For them to achieve this, their internal systems need to be strategically oriented to deal with the dynamic conditions of their environment. Following the logic of the open systems paradigm of the general systems theory, an organism can only survive when the systems that constitute its structure are capable of dealing with the challenges emanating from the environment around it. In the same light, the small and medium scale business needs to be structured in a way that prepares it to deal with any challenges from its environment. Its internal systems also need to be working in harmony and there should be synergy between the operations of its internal systems and what it needs to deal with in its operating environment. A closer look at the systems theory would help clarify this approach to the study of SMEs.

3.1 The Open Systems Thinking

This theory originated from biological studies inspired by the work of Charles Darwin on the evolution of species. Further refinement of the theory is contained in the work of Ludwig von Bertalanffy (1969) who made reference to the open systems theory which enabled the comprehensive study of biological phenomena. This was inspired by the acceptance of the fact that biological systems do not operate independently and that they interact with their environment for growth and survival.

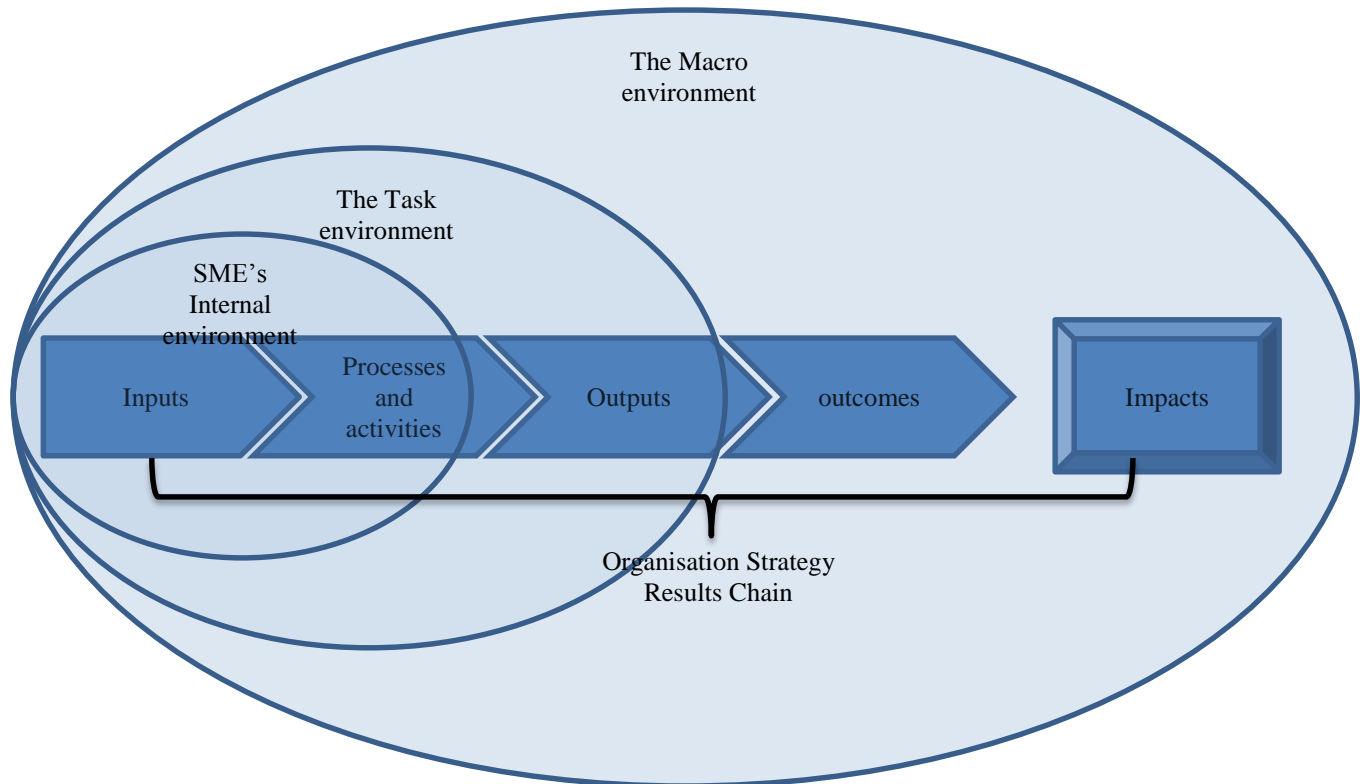
Open systems have four specific characteristics which make the open systems theory most appropriate for the study of SMEs. The first characteristic is the interchange between the system and its environment which is a key issue in this theory. Just as biological organisms, the SME interacts with its environment, constantly evolving and adapting to the conditions around it. The activities of the SME tend to be inspired by the threats and opportunities in the environment in which they exist. Secondly, an open system is made up of a wide range of variables and a complex network of interrelationships. Though the internal environment strives to achieve quality and cost effectiveness, such variables tend to be externally driven hence the need for the organisation to effectively understand its environment.

Thirdly, for control and regulation purposes, open systems use anticipatory management which involves the anticipation of errors and problems before they occur (Laszlo, 1996). This enables the business to take corrective measures and put in place precautionary mechanisms. Fourthly, open systems are flexible and dynamic in nature for they move away from prescribed and rigid standards. They seek continuous improvement rather than mere stability, which results in the achievement of dynamic equilibrium. Like organisms, SMEs operate in constant interaction and interchange with their environment, resulting in a relationship of interdependence or symbiosis.

In light of these characteristics, the open systems theory becomes an appropriate approach to the study of organisational phenomena, which includes the design of management, monitoring and control systems as well as futuristic planning (Montuori, 1989).

3.2 Key tenets of the general systems theory

The following are key tenets of the General systems theory, which also enhances its appropriateness in the study of SMEs:



Source: Adapted from Kusek and Rist 2004

Figure 6: The Business Value addition chain

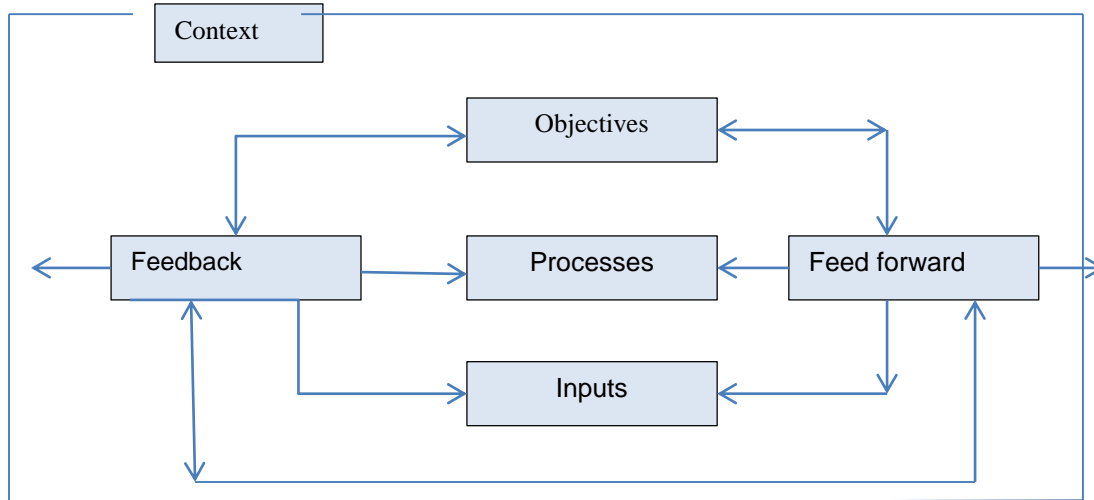
- **Open to environment:** Open systems are capable of importing energy from their environment giving them the ability to grow and change over time (Kast and Rosenzweig, 1972). Growth can be directly or indirectly influenced by the environment but always linked to the developmental needs of the organism. To survive effectively, SMEs need to have such abilities in view of the dynamic nature of the environment around them.
- **Teleology or purpose:** The general systems theory assumes that every system has a goal or a purpose to achieve. Darwin Online (2013) ascribes the goal of survival to the species he studied and concluded that the primary goal of every organism is survival and that all its actions can be traced back to that goal. A similar scenario exists in the operations of

SMEs. The basic concept driving the efforts of the business is maintaining profitability and the realisation of returns from resources invested. A business that does not break-even cannot logically survive for long in a normal economic environment.

- **Value addition** (inputs to inputs): This tenet describes the work of a system as a process of transforming inputs acquired from the environment into outputs which go back to the environment. The SME draws inputs from its environment and processes them into useful products that meet the needs of stakeholders in its environment as illustrated in Figure 6.

The internal environment is within the full control of the SME and this is made up of organisational systems and policies. This is where inputs acquired from the macro environment are subjected to some logical processing which leads to the production of outputs in the task environment. In the task environment there is interface between the organisation and clients, as well as stakeholders. Here the SME is not in total control. The forces of the operating environment and the macro environment have an influence on the activities of the business. Once the outputs are complete and ready for the market, they are released into the macro environment, to compete with other products of the same nature. The consumption of these products by clients in the macro environment results in outcomes and impacts which are attributable to the business. The higher the quality of outputs, the significance of outcomes and relevance and depth of the impacts, the more competitive the business is. The value chain shows how the effectiveness of the business depends on its relationship with the environment around it and the value it adds to inputs acquired from the same environment to produce useful outputs.

- **The notion of feedback:** Feedback enables the system to adjust so as to attain the state that strategically positions it in its environment. The organism uses two forms of feedback systems, negative or error control feedback and feed forward control. Negative feedback comes about when errors occur and the system needs to adjust or take corrective action while feed forward control is anticipatory, where the system prepares itself for what might occur, taking precautionary actions (Kast and Rosenzweig, 1972). The SME needs to have a system that responds to feedback from its environment as it focuses on its goals as illustrated in Figure 7.



Source: Robert H. Giles, 2013)

Figure 7: A general system

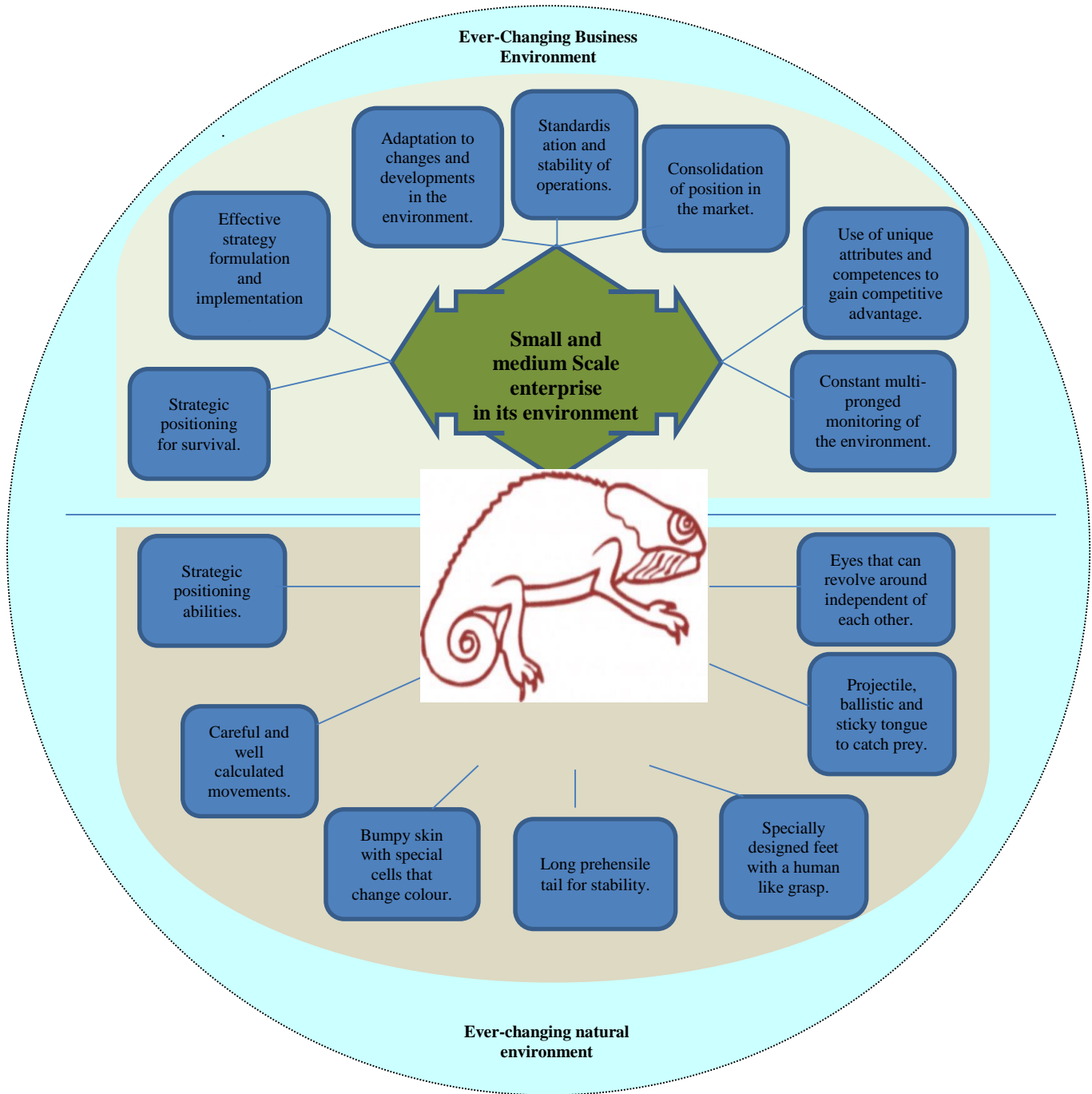
- **Homeostasis:** This tenet refers to the system's ability to achieve dynamic equilibrium which maximises its prospects of survival and sustainability. Dynamic equilibrium does not only point to a standard state but the state that is best suited to the environment, leading to some form of evolutionary development. An SME that operates in a hyperinflationary economy for example, needs to seek to achieve dynamic equilibrium that ensures competitiveness and survival in its environment (Kast and Rosenzweig, 1972).
- **Equi-finality:** This points to the ability to achieve required results from a wide range of efforts and initiatives. Though the system might apply a variety of strategies and devices all its efforts must culminate in the achievement of the same result as guided by its vision (Kast and Rosenzweig, 1972). For the purposes of survival and responding to the requirements of the environment, the SME can engage in different activities and approaches. What is important is for it to maintain focus on its vision and eventually achieve the same result as intended in its blue print (Gresov and Drazin, 1997).

3.3 The SME as a system

Following the logic of the systems theory, the researcher views the SME as a system, an approach which is supported by Robins and Barnwell (2006), who state that such a view point provides insights into the make-up of organisations. The SME is made up of interdependent parts, which work together to form a unified system that is called the company. This system should be capable of adjusting and evolving in response to developments in the environment. One example of interest in this study is the system of the Chameleon, a lizard that developed special abilities that enable it to survive in harmony with its environment (Le Berre and Bartlett, 2009). An organisation that is capable of living in harmony with its environment, surviving, developing and effectively achieving its goals, can be described as an efficient system. In such an organisation or organism, the internal systems would be structured in such a way that they respond accordingly to stimuli and dictates from the surrounding environment, leading to the achievement of a state of dynamic equilibrium.

3.4 Chameleon Survival Strategy Model

Although the chameleon's characteristics can easily be associated with negativity when likened to the behaviour of humans, this research takes a positive approach to the study of the chameleon as a biological system. One way of interpreting a business that acts like a chameleon could be that it is bound to be unreliable, with the tendency to change and to deceive those it deals with. In this study the researcher looks at the chameleon as a biological system that has sought to guarantee its survival and success over the years through the adoption of a wide range of adaptations to its environment. For sustainable survival, the SME should, therefore, be a system that is open to and interacts with its environment, evolving positively and negatively in response to developments in its environment. In light of this fact, the model exhibited in Figure. 8 below and the explanation in Table 1 on the next page, show the analogy between the chameleon and the SME.



(Strategic Positioning and Effective Resource Utilisation)

Figure 8: Lessons for SMEs from the Survival Strategies of the Chameleon

3.4.1 Interpretation of the Model

The Chameleon's Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
Eyes that can revolve around independently of each other	Constant multi-pronged monitoring of the environment: This enables the enterprise to adjust to the requirements of the operating environment but focusing on its needs. Environmental monitoring should not only focus on one aspect at a time but multi-pronged to ensure effectiveness of response mechanisms and adjustments.
Projectile, ballistic and sticky tongue to catch prey	Use of unique attributes and competences to gain competitive advantage: The SME needs to be able to use the tools and skills at its disposal to gain and enhance competitive advantage in its environment. Focus should be on maximising the use of those competences and abilities the business has, which competitors lack and take full advantage.
Specially designed feet with a human like grasp.	Consolidation of position in the market: For the purposes of survival and building a viable customer base, the SME needs to consolidate its position effectively each time it makes a move. It needs to establish a firm and unshakeable grip in its area of specialisation to deal with challenges of vulnerability and loss of focus.
Long prehensile tail for stability: The tail of the chameleon acts as the fifth limb, which helps enhance stability as it manoeuvres among the branches of trees I search for its prey (Le Berre and Bartlett, 2009).	Standardisation and stability of operations: Every successful business needs to be stable and capable of offering standardised products and services. Such attributes help the business establish its identity in the market.
Bumpy skin with special cells that change colour.	Adaptation to changes and developments in the environment: The business needs to be able to positively respond to changes and developments in its operating environment. Its adaptation should focus on survival, maintenance of strategic vision and profitability among other factors.
Careful and well calculated movements	Effective strategy formulation and implementation: The business should effectively formulate and implement strategies that are relevant to the needs of the organisation and the dynamics of its operating environment. Strategies need to be carefully selected to ensure future success.
Strategic positioning abilities.	Strategic positioning for survival: The SME needs to be strategically positioned all the time, for it to circumvent and overcome adversities in its operating environment. Following the idea that the system cannot operate effectively without its environment, strategic positioning becomes very important to the business.

Table 1: The Chameleon Survival Strategies

Surviving in a dynamic, hostile and dangerous business environment requires the adoption of a wide range of strategies and techniques. The small and medium scale business in Zimbabwe finds itself in an environment that is not only unpredictable but also quite harsh and highly dynamic. Following the systems theory, every entrepreneur needs to imagine the enterprise as a sustainable and self-correcting system that strives to survive in the macro environment around it. In today's globalised business environment, one needs to be tactful and strategic enough to keep pace with the ever-changing environment. For one to progress to the next level and grow into a bigger business, there is need for careful planning as well as tactful strategy execution. What is important is for the business to remain focused on survival, while planning future growth and development, as this is best achieved by making use of the resources and capabilities that one has to inspire and kick-start sustainable growth. The survival strategies of the chameleon, though seemingly too modest, offer a very good practical example of how the contemporary business in Zimbabwe could survive effectively in an unpredictable economy.

The simplest lesson to learn from the chameleon is that for survival, the business needs to move with the times and ensure that it is strategically positioned following trends in the economy around it. SME proprietors need to appreciate that focus should be on what matters most (that is survival) and from there one can think about growth, diversification and progression. As a way to camouflage itself from enemies and its prey, the chameleon changes colour in response to the conditions in its surroundings. It also makes full use of the resources it is endowed with; the eyes which can focus in different directions at the same time, a ballistic tongue that can flash out to catch its prey from a distance twice its length away, without the whole body moving, the ability to walk on the ground, climb trees and conceal itself without being noticed (Herrel et. al. 2001). The chameleon also appreciates its capabilities and weaknesses very well. It does not try to do what it cannot do, and as it walks, all its moves are diligently calculated. By establishing the range of obstacles that hinder the full application of strategic management in SMEs, the researcher seeks to encourage entrepreneurs to adopt strategic management and make the best use of their capabilities and resources at their disposal just as the chameleon does.

3.5 Significance of the Model

The research is modelled around the open systems theory, likening the SME to the chameleon and establishing how SMEs could be designed and managed following the logic of the animal's characteristics and survival strategies. The key issue to be highlighted is the need for the business to establish a synergistic relationship with its environment without losing focus on its goals. Development and evolution should be guided by the needs of the organisation as it interacts with its environment, moving only when it is necessary and when one is sure it is the right time, conserving energy for use at the right time and making maximum use of the resources and skills at one's disposal. As illustrated in Figure 9, the SME can only survive and develop accordingly if it is run as a system that interacts and responds positively to developments in its environment.

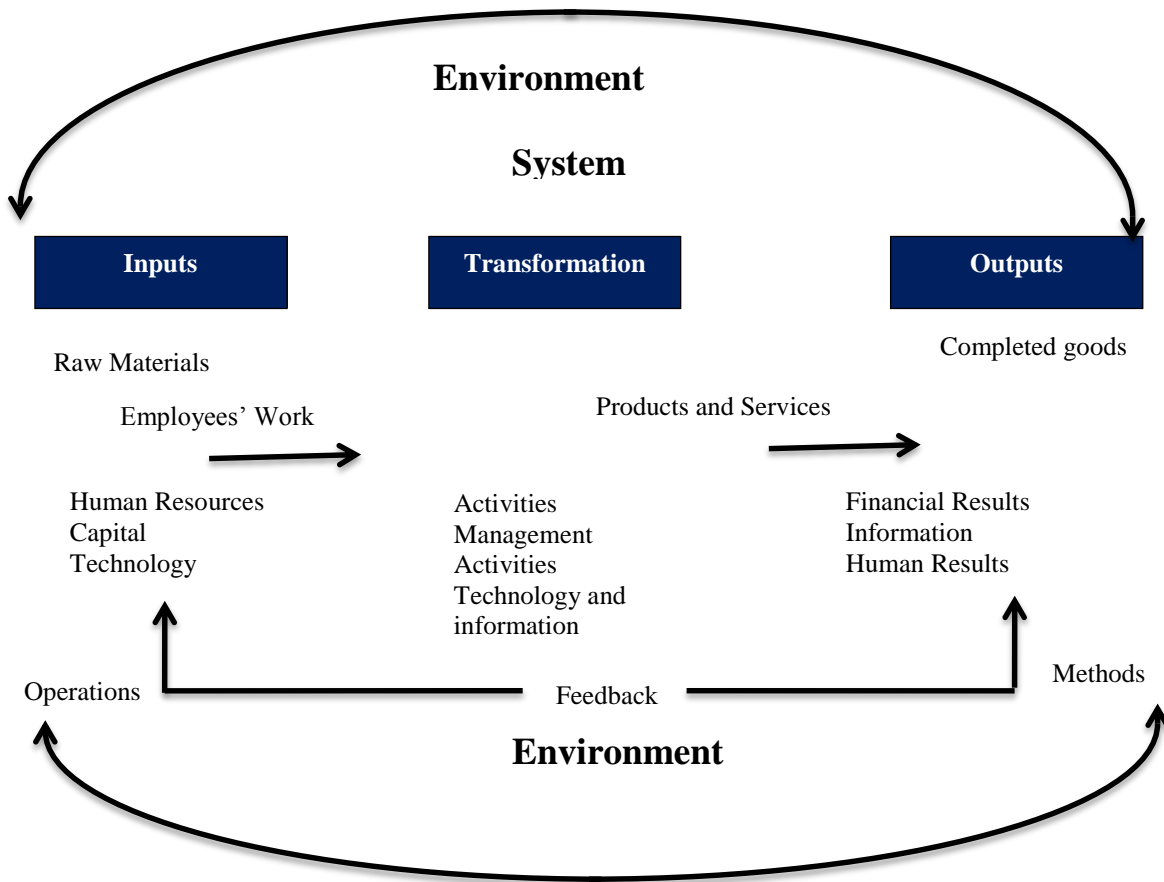


Figure 9: The organisation as an open system

What results from this model is the concept of survival of the fittest (the chameleon way). This model helps demystify strategic management and make entrepreneurs appreciate that strategic

management models are everywhere around us and that nature is the best teacher. Various studies of the natural environment show that a number of animals and plants have learnt to survive within their environments, evolving accordingly to achieve effective competitive advantage. The key lesson to be drawn from this model is that strategic management for the SME should not be a complex and technical process that only the educated and trained can do, but a simple way of life focusing on the fundamentals of survival and successes in one's environment.

3.6 Conclusion

The research sought to reveal the problems faced by SMEs in Harare in adopting strategic management, following the tenets of the open systems theory as does the chameleon in its natural environment. Research questions focused on the interrogation of the way businesses conduct their work in relation to developments in the environment around them. The researcher believes that the adoption of this model by small and medium scale businesses will enable them to achieve competitive advantage in their environment, no matter how small they might be. The chameleon, though quite a relatively small organism when compared to bigger animals like buffalos, hippopotamuses and elephants, is capable of enjoying its life to the fullest by responding positively and adapting to the environment around it, using the resources it is endowed with. In a nutshell, following the world view of the systems theory paradigm, the research is conducted comparing the SME and its environment to a biological system, represented by the chameleon and the natural environment around it. The next chapter focuses on research methodology.

CHAPTER 4

RESEARCH METHODOLOGY

4.0 Introduction

Research methodology is an approach to the systematic resolution of a research problem. It is the science of establishing how research is scientifically done. It presents the various steps to be followed by the researcher in studying the identified research problem. It is of paramount importance for every researcher to be clear about the research methods to be applied and the methodology to be adopted. The assumptions underlying the different techniques are also of importance to the researcher when deciding on the approaches to use.

In this study, the research design is modelled following the principles of ethnography, which is defined as a qualitative method aimed to learn and understand cultural phenomena which reflect the knowledge and system of meanings guiding the life of a cultural group. It is often employed for gathering empirical data on human societies and cultures. It is an approach that seeks to develop an understanding of the day to day activities of people in local settings. Data collection is often done through participant observation, interviews and questionnaires. Ethnography aims to describe the nature of those who are studied (i.e. to describe people, an *ethnos*) through writing. Data analysis is framed following the systems theory, which advocates for the in-depth study of systems with the objective of developing best practices that enhance sustainability.

4.1 Research design

According to Saunders et al (2003) researchers can use three distinct research designs and these are exploratory, descriptive and explanatory. According to Sarantakos (1998), research design is the overall strategic direction that the research process takes, starting from the theoretical framework determination to data collection and analysis. It is a framework for the collection, measurement and analysis of the research data (Cooper and Schindler, 2003). The researcher used exploratory study which sought to establish the way Small and Medium Scale Enterprises (SMEs) operate to find out the practical scenarios on the ground. The researcher sought new insight into the way SMEs operate, asking questions and assessing phenomena following

standard research guidelines (Robson, 2002). The research was conducted in three ways: a review of relevant literature, gathering data from stakeholders, key informants and conducting primary research in the targeted sample. Exploratory research was chosen because of its flexibility and adaptability to changes in the research environment (Schvaneveldt, 1991).

4.2 Theoretical perspectives and methodologies

Theoretical perspectives tend to influence the orientation, process and the path followed by the researcher. Three distinct theoretical perspectives or paradigms can influence the researcher's choice of methodologies applied in the implementation of the research process, namely, positivism, interpretive social science and critical theory (Terre Blanche & Durrheim, 1999). The positivism or quantitative and interpretive or qualitative approaches are discussed here-under.

4.2.1 Qualitative approach

This type of research depends mainly on direct observations and descriptive analysis of interactions and outcomes. In some cases it can rely on the researcher's intuitive skills and capabilities. Qualitative research studies objects as they are, without making statistical inferences, finding percentages or converting figures to numerical data. Data takes the form of attitudes, impressions and viewpoints rather than numbers and percentages as in the case of quantitative research (Meville & Goddard, 1996). Its emphasis is on the empathetic understanding of human behaviour and phenomena. Reality in this case is in the people's minds and is best understood through those experiencing it, becoming subjective rather than objective. It seeks to understand the world on the basis of the interpretations of those living in it rather than from a specialist's point of view or on the basis of a pre-set formula. Outlined below are the advantages of this approach to enquiry, according to Sarantakos (1998):

- it involves researching people in natural settings making findings closer to reality;
- it endeavours to capture reality in interaction with the context and surrounding environment without using preconceived ideas or pre-structured models and formulae;
- It attempts to present the information gathered verbally in a detailed and complete form as obtained from the respondents;
- this approach stresses interpretations and meanings, which result in a richer understanding of the phenomena under study;

- through this approach, the researcher achieves deeper understanding of the respondent's world;
- this approach emphasises the need to humanise the research process by raising the role of the researched;
- it allows higher flexibility on the choice of research instruments and procedures;
- it presents a more realistic view of the world by incorporating the concept of reflexivity of object and analysis. Every symbol or meaning is considered to be a reflection of the context in which they were developed; and
- it takes a holistic approach by perceiving the researcher and the researched as two equally important elements of the same situation, avoiding the tendency to reduce respondents to variables or hypotheses.

In spite of the above advantages, this approach also has its own disadvantages and these are:

- problems of reliability arising from the extreme subjectivity of data obtained;
- the risk of collecting a lot of meaningless and useless information;
- the researcher needs to be ready to invest a lot of time when using this approach as it can be very time consuming;
- in some cases inappropriate to generalise findings or to consider data collected to be representative of the views of the overall population;
- problems of objectivity and detachment; and
- That this approach sometimes calls for the need to encroach into the personal sphere of respondents to gather the information required, resulting in some ethical dilemmas.

4.2.2 Quantitative approach

The quantitative approach is mainly based on statistical measures to evaluate differences in the variables under study. Responses are collected, collated, measured and tabulated in order to carry out the necessary calculations. Using this approach, researchers can make projections and estimations, converting findings to numerical data and calculating the means, variances and percentages. It defines reality as all that can be perceived through the senses without taking human consciousness into consideration and strictly following natural and rigid laws. The general view of this approach is that the world is best studied through the use of logical

calculations based on set formulae. Reality is perceived as objective and metaphysics, philosophical reasoning and speculation as mere subjective judgements, which cannot offer reliable and verifiable information (Sarantakos, 1998). This approach gave rise to the development of contemporary statistical techniques and computer software which are widely used in research around the world. One good example is the Statistical Package for the Social Sciences (SPSS).

The quantitative approach's advantages are:

- its objectivity enhances reliability;
- that it is more systematic and specific;
- that its results are objectively verifiable;
- that the results can easily be generalised following the logic of the research;
- that it is easy to respect ethical guidelines given by the standardised approaches; and
- that replicability and homogeneity of processes are possible through the use of standardised and structured tools.

However, it also has its disadvantages and these are that:

- the quest for objectivity tends to lead to technocratic and bureaucratic dehumanisation of the research process;
- quantification often results in meanings that are closer to the beliefs of the researchers or experts rather than those of respondents;
- goal displacement can be a problem resulting in the forcing in of opinions and views not expressed by respondents;
- it is generally superficial, focusing on appearance rather than the essence of life. It fails to distinguish between appearance and essence of social events and assumes appearance is reality, without looking deeper;
- more importance is attached to methods rather than research objects;
- it separates the research object from its context which may lead to flawed conclusions;
- standardisation results in the conversion of the social world under study into an artificial world, which is not related to the real world; and
- the use of hypotheses tends to determine the course of the study at the outset, restricting options and questions that may arise in the process of implementation.

4.3 Comparison of qualitative and quantitative approaches

Table 2 below presents a comparative analysis of the qualitative and quantitative approaches.

Qualitative	Quantitative
<ul style="list-style-type: none"> • Focus on questioning; Using a series of related and unrelated questions, the researcher finds out more about the subject under review. • Open questions: Questions allow respondents to explain their views and the researcher probes for more information. • About learning: The qualitative approach is a learning process for the researcher and the respondent, a journey involving discovery and improved understanding. • Hard to aggregate: Due to diversity and dynamism, qualitative data can be difficult to aggregate. • Inductive: Conclusions are drawn from the analysis of observations and findings on the ground, developing into a more structured theoretical analysis. In other words, starting from the bottom going up. • Dynamic: Qualitative research can easily shift its focus and 	<ul style="list-style-type: none"> • Focus on measurement: Using pre-set formulae and methods of measurement, the researcher establishes the meaning of results obtained from the study. • Closed questions: Questions require a specific answer without further explanations. • About ‘proving’: Quantitative approach seeks to prove a point or to invalidate a preconceived view regarding the issues under study. • Easy to aggregate: Quantitative data can easily be aggregated in light of the systematic and structured way in which information is gathered. • Deductive: Research takes a top-down approach, starting with a theory or hypothesis then carrying out research to approve or disapprove the widely believed facts. • Static: Quantitative research is rigid and static, following specific

<p>methodologies within the research framework, following developments on the ground.</p> <ul style="list-style-type: none"> • Goal displacement is not a problem: Findings are analysed as they are, to draw conclusions without any hindrance from prejudgments or pre-conceived ideas. • Is nomothetic – interested in establishing law-like statements, causes, consequences, etc. 	<p>guidelines and dictates.</p> <ul style="list-style-type: none"> • Goal displacement can be a problem: Prior knowledge or pre conceived views can affect the way findings are analysed given that research is carried out with the expected answers in mind. • Is Idiographic – describes reality as it is.
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(adapted from Dart, 2013) and Sarantakos, 1998)

Table 2: Qualitative vs. Quantitative

Although one might consider the two approaches to be contradictory or in conflict with each other, it can be concluded that they are extreme positions of the same continuum, that is, two ideal types that are employed only in exceptional circumstances (Sarantakos, 1998). Depending on the nature of the study, some researchers tend to apply the two methodologies jointly. In such cases, the researcher can predominantly use one of the approaches, while applying some aspects of the other, where appropriate and necessary (Denzin, 1989, Sarantakos, 1998).

4.4 Approaches applied in this study

The researcher opted to predominantly use the qualitative approach in view of the need to study the targeted population in the context of its environment and to establish a richer and meaningful picture of the true situations on the ground.

To ensure a holistic approach to the study and cater for the gaps associated with the sole use of the qualitative approach, quantitative methods were applied in cases where numerical data were involved. The advantage of this approach is that the weaknesses of each of the approaches get

catered for by the other, resulting in the plugging of any possible gaps and loopholes (Sarantakos, 1998). This has the advantage of strengthening the research design, enhancing the validity and reliability of results and addressing any threats to internal validity. This approach is referred to as methodological triangulation (Denzin, 1989). Triangulation leads to the establishment of a richer picture of what is exactly happening on the ground, ensuring a broad minded approach to the research problem (Olsen, 2003). As methods are determined by the approach applied, case study, survey, interview etc. were used on the qualitative side, while on the quantitative side discovery, survey, statistical methods etc. were applied.

4.5 Population

A population is defined by Ary et al. (1996) as all members of any well-defined class of people, events or objects to which the researcher wishes to generalize the results of the research. The total population of targeted SMEs in Harare was estimated at 3000, on the basis of statistics and estimates from stakeholders supporting SMEs in a variety of ways. The figures used to come up with the estimated population were obtained from the Ministry of Small and Medium Scale Enterprises and Cooperatives, SEDCO, SMEAZ and two financial institutions.

4.6 Sample

A sample can be defined as a finite subset selected from a population with the objective of studying its properties (Shajahan, 2004). Sampling is a technique concerned with the selection of a subset from the population to estimate characteristics of the whole population (Singh, 2006). It involves the selection of units (e.g. organisations or people) from an identified population so that the results obtained can then be generalised back to the population from which they were extracted. Sampling can be done in two distinct ways, probability and non-probability sampling. In this research probability sampling was applied. It was achieved by using stratified random sampling.

4.6.1 Drawing the sample

Probability sampling, which was applied in this study, involved the subdivision of the population into mutually exclusive groups followed by the drawing of random samples from each group. The researcher followed six major steps as detailed by Churchill and Lacobucci (2002):

- Defining the target population
- Identifying the sampling frame
- Selecting a sampling procedure
- Determining sample size
- Selecting sample elements
- Collecting the data from the designated elements

Stratified random sampling of the whole population was applied after dividing it into three different Strata i.e. SMEs in the manufacturing sector, those in the retail sector and those in the tourism and hospitality sector as detailed in Figure 10 below. Manageable numbers from each sample were chosen to obtain information that was representative enough of the population.

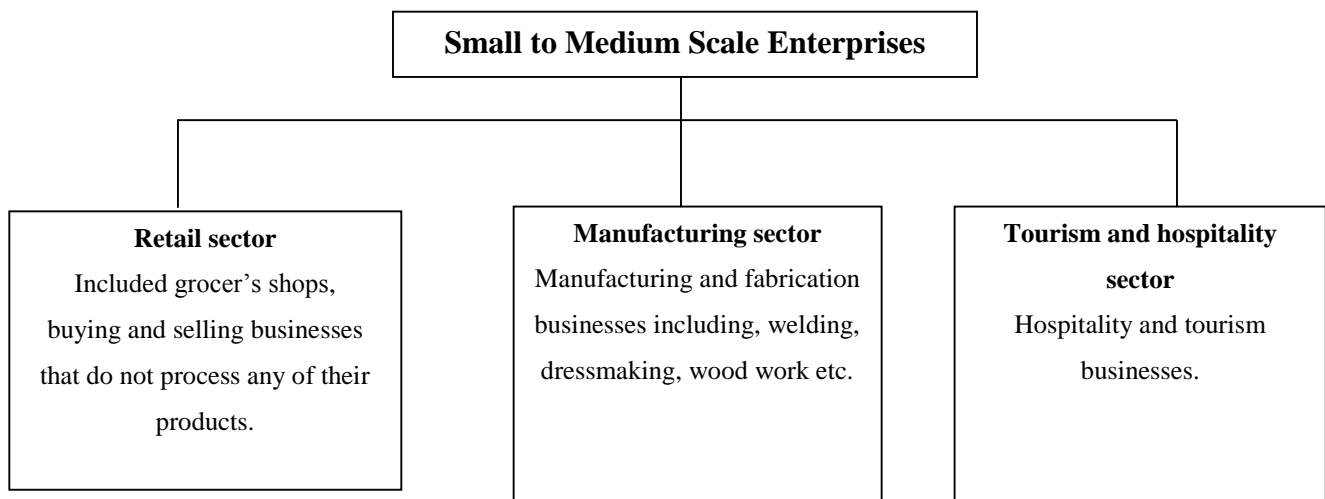


Figure 10: Sampling framework

After consulting documents from SMEAZ, SEDCO, EMPRETEC Zimbabwe and the relevant Government Ministry, the researcher collected the names of registered SMEs from the three different clusters and put them into three hats labelled Retail, Manufacturing and Tourism and hospitality. The samples were randomly drawn from each hat to produce the manageable groups of respondents. In order to draw up a representative sample, the researcher made use of

Yamane's (1967) formula which is widely recommended for stratified random samples (Israel, 2002). Using the formula the sample was drawn as follows:

$$\begin{aligned}
 n_0 &= \frac{N}{1 + N(e)^2} \\
 \therefore n &= \frac{n_0}{1 + \left(\frac{n_0 - 1}{N}\right)} \\
 n_0 &= \frac{3000}{1 + 3000(0.05)^2} \\
 &= 352.94 \\
 \therefore n &= \frac{352.94}{1 + \left(\frac{352.94 - 1}{3000}\right)} \\
 &= \frac{352.94}{1 + (0.1173)} \\
 &= \frac{352}{1.1173} \\
 &= 315
 \end{aligned}$$

The calculated sample amounted to 315 respondents, distributed at 105 per business cluster. In addition a total of 127 respondents made up of entrepreneurs, key informants from stakeholders supporting SMEs and employees of SMEs were interviewed using an interview guide modelled along the same lines as the questionnaire. Where live interviews were not conclusive telephone interviews were applied to get more information.

4.7 Instruments of data collection

Newman, Chansarker and Turner (1999) proposed three ways of collecting information. The first one is through documentation or reading relevant material for information that helps one to reach conclusions. The second type entails observation where one listens, watches and in the process notes what is happening and eventually draws conclusions. The last one is the use of questionnaires or data gathering forms and interviews, which enables the researcher to seek information from individuals or groups that one considers significant in the research process. This is called the survey method. The researcher mainly dwelt on the last method, which he felt was the most appropriate for the kind of research in question. Live interviews as well as

telephone interviews were used in addition to the questionnaires. This enabled the researcher to effectively obtain data from the three different clusters of respondents.

4.7.1 Questionnaires

The researcher devised the appropriate questionnaire design, according to the requirements of the research. According to Gillham (2000), the questionnaire is popular for being one of the most effective and cheapest ways of gathering data in an exploratory research survey. It is most favourable for, amongst other advantages:

- low cost in time and money involved in its administration;
- easy and quick access to information from a lot of people;
- the fact that respondents can complete it when it suits them;
- it puts less pressure for an immediate response on the respondent;
- the security in respondent anonymity; and
- lack of interviewer bias.

The questionnaire also has its own disadvantages, which make it ineffective if not properly administered and formulated. In some cases the response rate can be poor, leading to the acquisition of little or no significant information. The other problem is that probing and rephrasing of questions is not possible such that the information required is not provided. In some cases the response rate may be good but the responses could have been half done. In view of these arguments, the researcher put in place various strategies to make the questionnaires yield the required results. The researcher got engaged in a questionnaire design process taking the requirements of the research and the research design into consideration. Pre-testing the questionnaire helped the researcher in the rectification and rephrasing of potential problem areas in terms of comprehension and clarity of questions (Churchill & Dawn, 2002). In addition to the questionnaires, the researcher also interviewed strategic stakeholders such as finance houses, funding institutions and government departments.

4.7.2 Interviews

Interviews tend to yield more qualitative data than the questionnaires since respondents give examples and explain scenarios they are familiar with (Stake, 1995). Live and telephone interviews were conducted with the objective of ensuring proper, unbiased data collection from all the respondents interviewed. Public relations, negotiation and professional communication skills were applied throughout this process to ensure that unbiased and accurate information was obtained (Robson, 1993).

4.8 Data analysis

4.8.1 Qualitative data

Qualitative data were analysed using content analysis, a technique which involves making inferences by objectively and systematically identifying specified characteristics of messages. This technique according to Marshall & Rossman (2006), allows the researcher to obtain an objective and qualitative description of the content of the data collected.

4.8.2 Quantitative data

Quantitative data were analysed using the statistical packages such as SPSS, which enable the researcher to test the validity of responses and frequency amongst other forms of analysis. For all data that are quantitative in nature, the researcher used this software for effective analysis and to draw conclusions.

4.9 Limitations

Language barriers: The researcher had to constantly translate questions into vernacular languages as well as take time to fully explain some concepts for respondents who were either illiterate or not comfortable with the English language. Though this slowed down the research process slightly, it was however not a significant problem given that all respondents spoke Shona, which is the researcher's mother tongue.

4.10 Delimitations

The study focused on small and medium scale enterprises in Harare, the capital city of Zimbabwe which employing 30 persons and below.

4.11 Conclusion

The research process involved field visits for the distribution and administration of research instruments. Research was conducted following ethical guidelines and using techniques that enhanced successful extraction of data from the respondents. No major problems were experienced by the researcher and the data gathering process went smoothly. The data gathered were consistent with the expectations of the researcher making the whole process relevant and value adding. The next chapter presents the primary data obtained from the field using the questionnaire and live interviews.

CHAPTER 5

RESEARCH FINDINGS

5.0 Introduction

This chapter presents the findings of the research as extracted from the structured questionnaires and the interviews which were used to collect primary data from the targeted sample. Out of the 315 questionnaires distributed, a total of 297 questionnaires were fully and logically completed and therefore were selected for analysis. 18 questionnaires were either incomplete or not properly completed in accordance with the checks and balances used by the researcher. Questionnaires which looked like they had been completed without the respondents establishing the meaning of questions were discarded during the data cleaning process. Using a tool with similar questions and thematic areas to the questionnaires, interviews were also conducted on three groups of 127 respondents. The findings from the two data gathering processes are jointly presented in a comparative style where necessary, in order to have both quantitative and qualitative dimensions of the situation on the ground.

5.2 Demographic information

The figures presented in this component represent the demographic data associated with the sample used in this research. These data helped to establish relationships and cross relationships, across respondents at different demographic categories. They also helped to contextualise the research findings for the benefit of future researches and comparative analyses.

5.2.1 Gender

Figure 5.1 presents the distribution of respondents according to gender. The overall distribution of respondents in the sample showed that there were more men (75.08%) than women (24.92%) involved in small and medium scale businesses. Although this was the case in this sample, it may not necessarily mean that women were not involved in entrepreneurship as much as men. The reality in most African economies is that women are more enterprising than men and that their businesses tend to be more sustainable. The common challenges with women-run businesses, is that a lot of them are of a subsistence nature and therefore sometimes not well defined, with an organisational structure and employees. In many cases the owner's children act as employees and

therefore do the work so as to sustain the family rather than earn a salary. Because of this scenario women-run SMEs had a very low questionnaire return rate and in some cases, the women denied that they were in business, stating that they were just whiling up time to get food on the table.

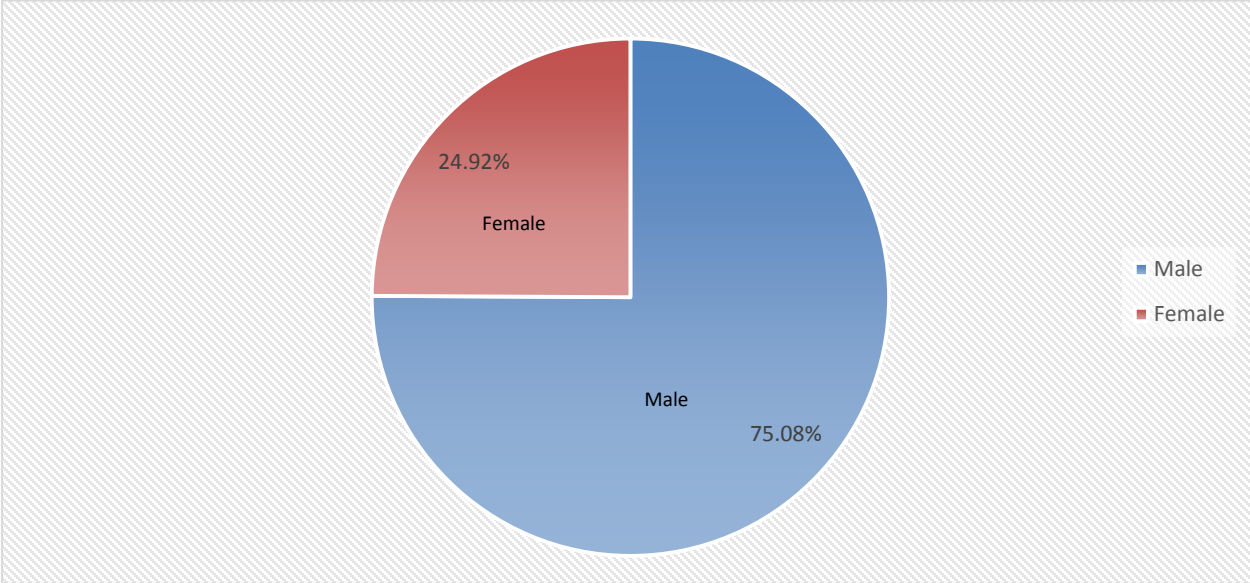


Figure 11: Responents' Gender

5.3.2 Age

The distribution of respondents according to age is presented in Figure 12.

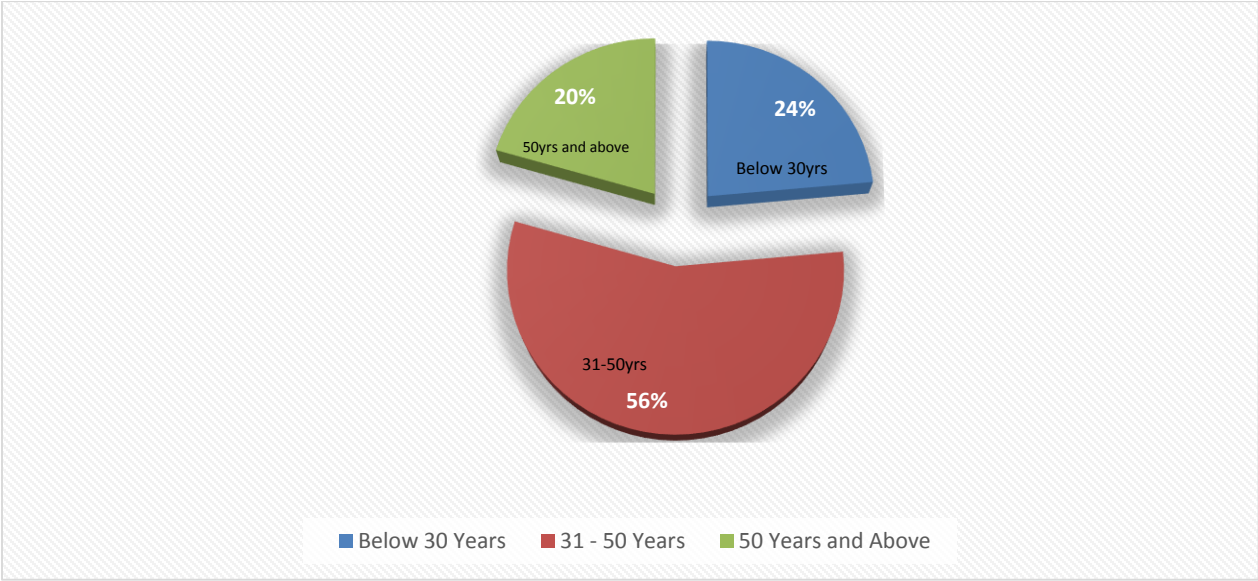


Figure 12: Respondents' Age

The majority of respondents were in the age group of 31 – 50 years, which is rather considered as the economically active group. These people want to raise families and meet the challenges of the economy. Though the other age groups had fewer people, the general nature of SMEs is that they are formed by persons of all ages following the needs at hand and when formal employment is not readily available.

5.3.3 Level of Education

The respondents' level of education is presented in Figure 13.

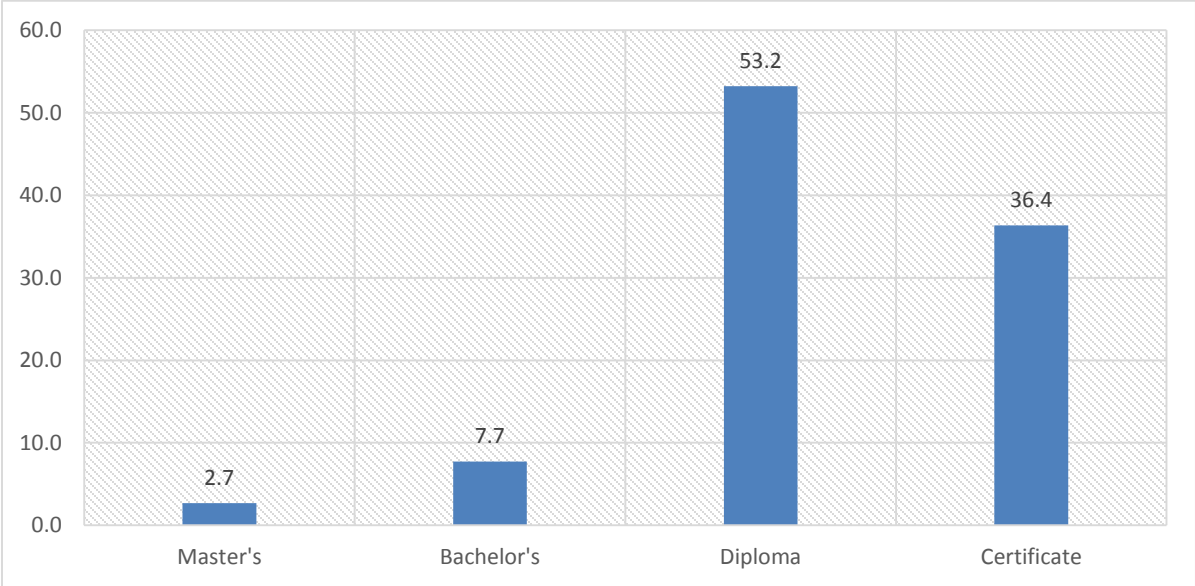


Figure 13: Level of Education

The findings here showed that certificate and diploma holders made the majority of the respondents. Degree holders tended to look for employment and were rarely found trying to create employment themselves. In some communities, entrepreneurship activities were associated with poor education and failure to secure formal employment.

5.3.4 Position in Company

Figure 14 presents the distribution of respondents according to their position in the company.

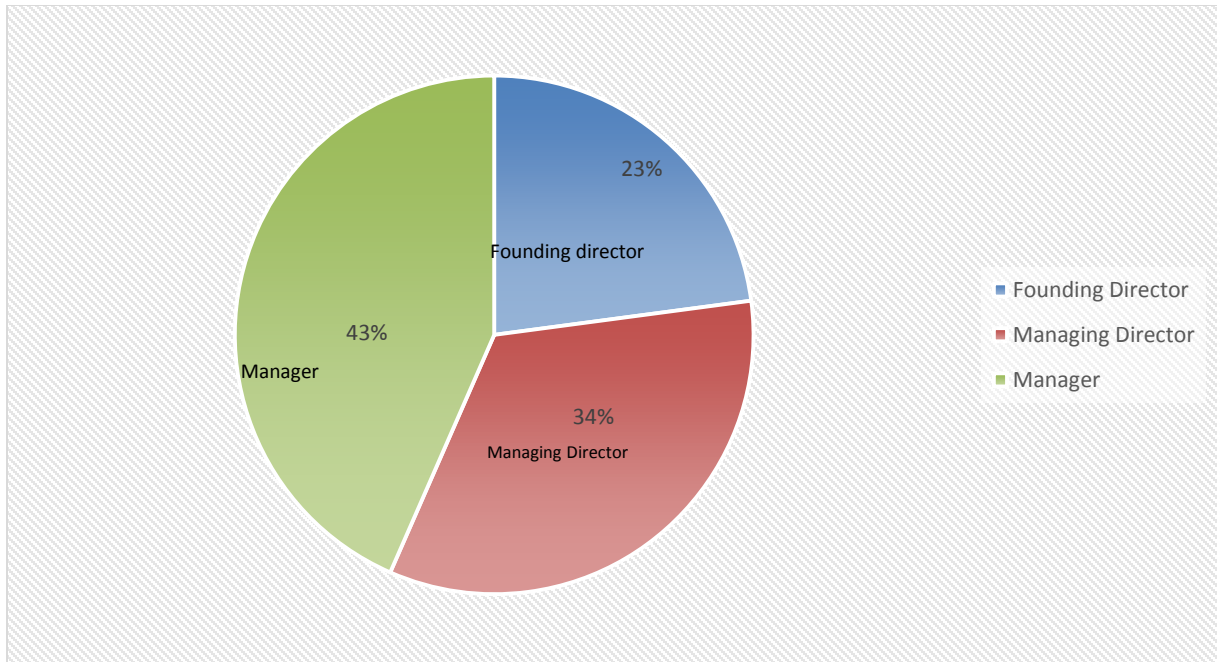


Figure 14: Position in Company

From the above findings, 23% of respondents were founding directors of companies. This gave the researcher assurance that the knowledge, attitudes, practices and behaviours of practising entrepreneurs would be an important aspect of the research. It was evident that within the remaining percentages, overlaps existed, in cases where founding directors were also managing directors and managers. Views from managing directors and managers helped provide an analysis of the entrepreneurs from the point of view of their subordinates. The terms managing director, manager and founding director had to be explained from time to time in the Shona language for the purposes of clarity. Founding director was translated as “*Muridzi we kambani or bizimusi*”, Managing director as “*Mukuru anomiririra kana kutevedzera muridzi we kambani*” while manager was translated as “*mukuru anoona nezvemafambisirwo ebasa nemashandiro evanhu*”. Where comprehension was difficult, further explanation was given for respondents to pick the right category.

5.3.5 Nature of Business

As indicated in Figure 15 below, SMEs were classified into three major industry clusters namely, tourism and hospitality, manufacturing and retail sectors. The rationale behind this was to gather views from different sectors and establish the interrelationships among research outcomes. From

the data collected however, no notable differences were observed across the sectors. The findings established that SMEs generally faced similar challenges across the three different sectors when it came to the adoption of strategic management.

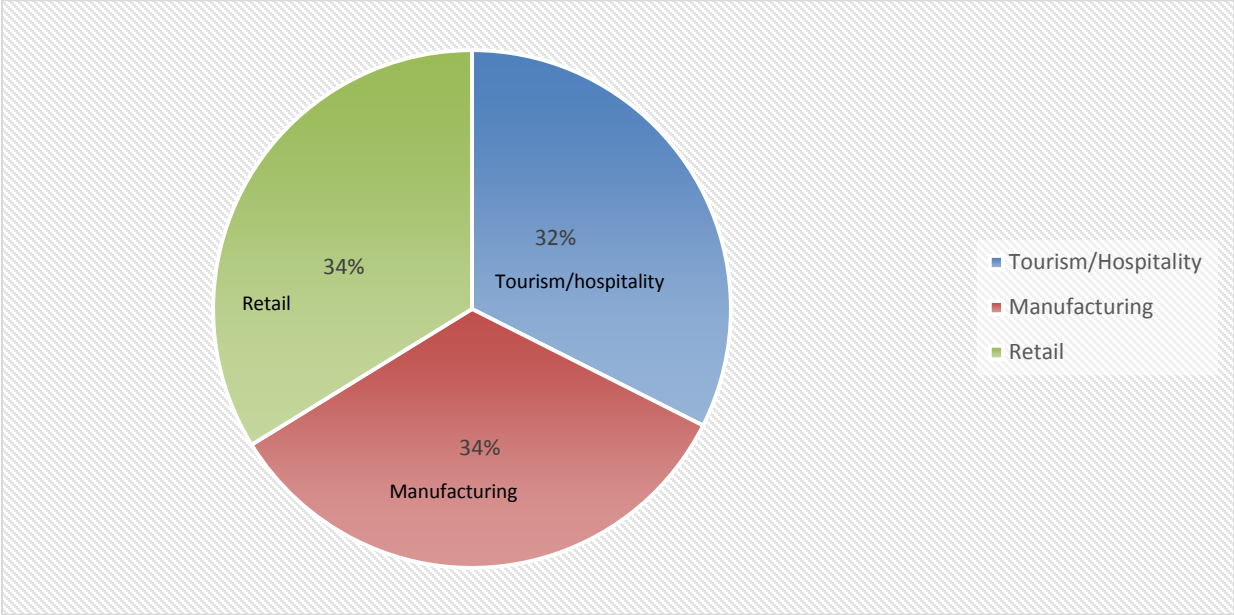


Figure 15: Nature of Business

5.3.6 Number of Employees

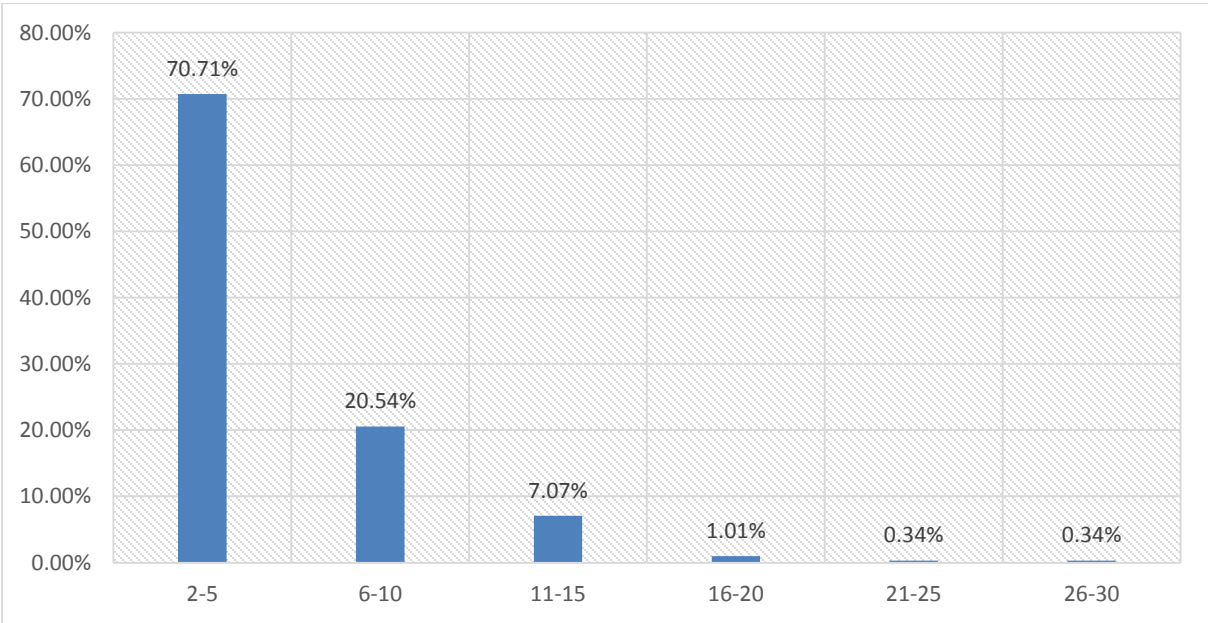


Figure 16: Number of Employees

For the purposes of this research, small and medium scale businesses employing only up to 30 employees, were considered. As indicated in Figure 16 above the majority of businesses, having 70.71%, employed 2 to 5 employees while those with 20.54% employed 6 to 10 people and those with 7.07% employed 11 to 15 people. 1.01% of the SMEs employed 16 to 20 employees while those with 0.34% employed 16 to 20 people and the remaining with 0.34% employed 26 to 30 employees. In light of the diverse characteristics of small and medium scale businesses in Zimbabwe, the researcher sought to limit the scope of the research to businesses employing 2 to 30 people. This was done to avoid distortions arising from the nature of some well-established businesses that operate as SMEs. The sample of businesses used, which totaled 297 respondents was drawn from this group of small and medium scale businesses.

5.3.7 Years of Operation

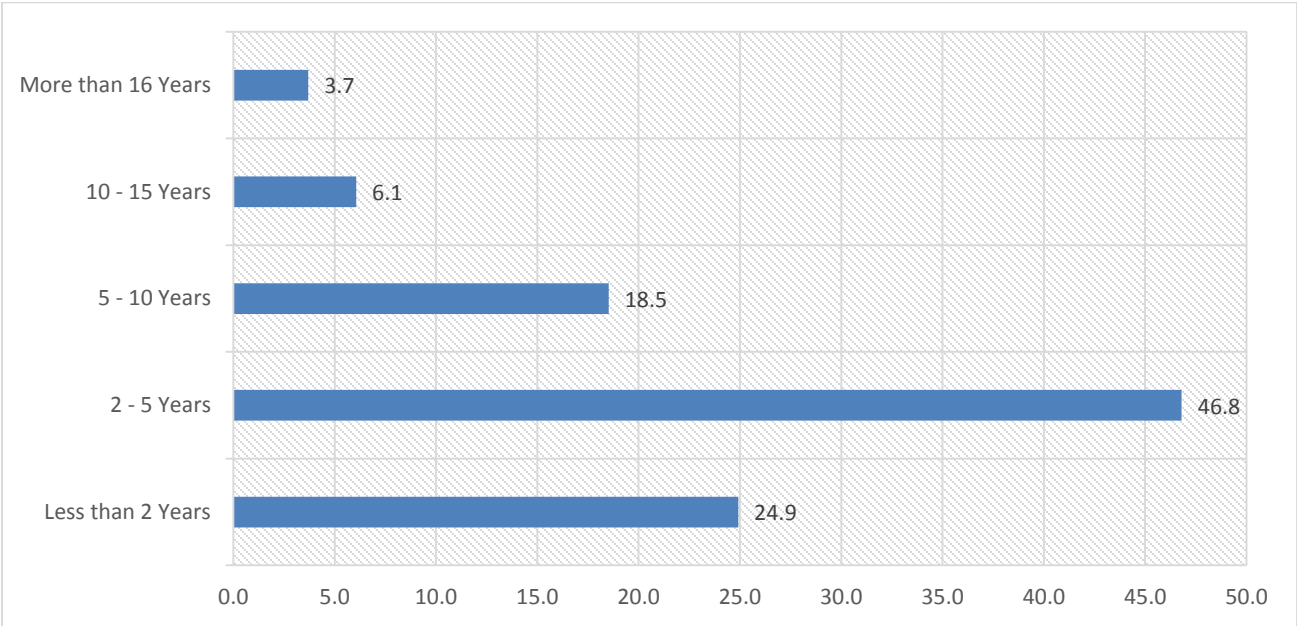


Figure 17: Years of Operation

To further understand the nature and characteristics of businesses under study, it was seen imperative to establish the number of years businesses had been in operation. This approach was taken to ensure that long established businesses with characteristics of SMEs but were linked to bigger organisations were not included in the sample. Figure 17 above shows that the majority of

businesses had been operating for between 1 and 5 years, 24.9% having been operating for less than two years while 46.8% had been operating for between 2 to 5 years. 18.5% had been operating for between 5 and 10 years. 6.1% had been operating for 10 to 15 years while the remaining 3.7% had been operating for more than 15 years.

5.4 Research data

Using a set of 30 variables specially designed to extract the required data, the researcher gathered information from the sample drawn from the targeted population. The data obtained through the use of the questionnaires are presented alongside findings from interviews conducted with selected key informants, entrepreneurs and employees of SMEs. Key informants included representatives from government and quasi government institutions, stakeholders in the financial services sector and organisations directly and indirectly supporting SMEs.

5.4.1 Importance of Strategic Management in running the organisation

Figure 18 below presents the findings from the questionnaire survey as respondents reacted to the statement that strategic management was important in the running of their organisation.

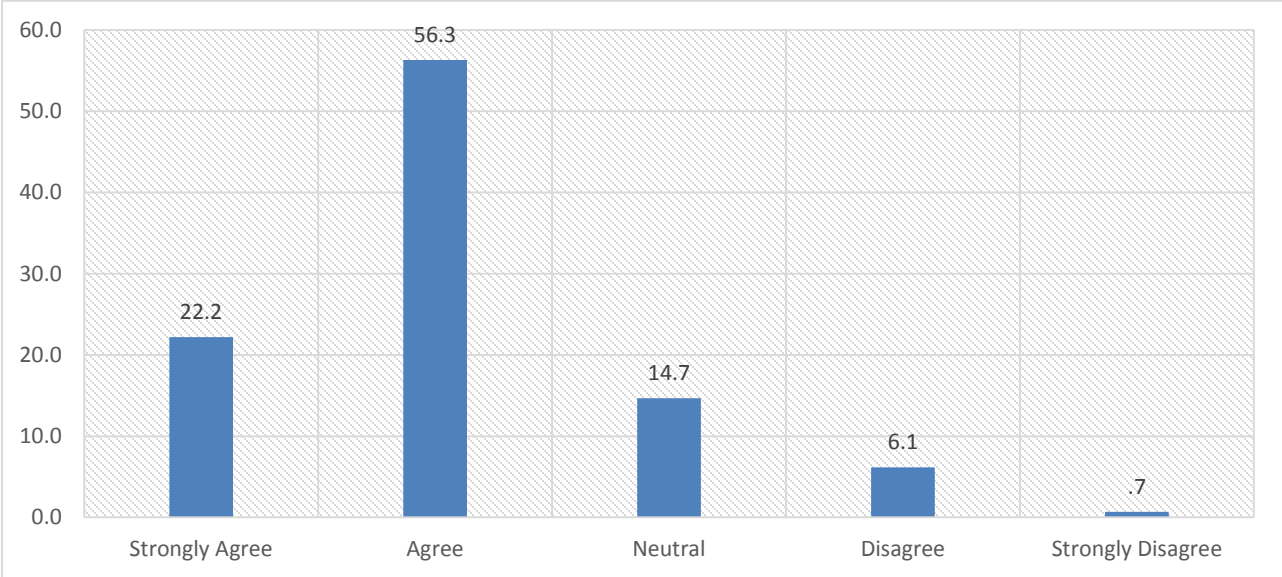


Figure 18: Importance of Strategic Management in running the organisation

The outcome of the interviews conducted on the same subject is summarised in Table 3 below, which details the key issues raised by respondents regarding the importance of strategic management.

Strategic management is important in the running of my organisation.	
Key issues raised	<p>Feedback obtained from key informants:</p> <ul style="list-style-type: none"> - informants from stakeholders supporting SMEs including Government emphasised the importance of strategic management in SMEs, outlining the benefits that businesses stood to enjoy from its adoption; - from their explanations it was clear that Government, through the Ministry of Small and Medium Scale Enterprises and Cooperative Development promoted the application of strategic management in various ways; - they however agreed that more lobbying and advocacy programmes were necessary to ensure that entrepreneurs were up to date with Government initiatives and how they could take advantage of them; - they outlined some of the strategies they had put in place to ensure meaningful involvement of entrepreneurs in the crafting of support services and interventions targeting SMEs; and - the general view was that SMEs did not appreciate the value addition that they stood to gain from the adoption of strategic management and that most SMEs preferred short term planning that focused on short term gains rather than futuristic development. <p>Feedback obtained from entrepreneurs:</p> <ul style="list-style-type: none"> - entrepreneurs agreed that strategic management was indeed important in the running of their businesses especially after the researcher explained what it entailed; - some were however not very confident that they would be able to apply it in their businesses citing a wide range of challenges; - challenges mentioned included lack of capacity and knowledge, those

	<p>from the economic environment and the lack of political will on the part of founding directors; and</p> <ul style="list-style-type: none"> - after explanations and as the interviews progressed, entrepreneurs tended to agree that strategic management was the sole ingredient that lacked in their businesses and had the potential of turning around their fortunes. <p>Feedback obtained from employees:</p> <ul style="list-style-type: none"> - employees of SMEs underscored the need for business owners to be sensitised about strategic management and its benefits; - they complained about poor planning methods and lack of employee empowerment; and - those entrepreneurs who were against strategic management either did not clearly understand it or were completely ignorant or misinformed about it.
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Table 3: Importance of Strategic management in the running of organisation

In the questionnaire survey presented in Figure 18, 22.2% of the respondents strongly agreed, while 56.3% agreed that strategic management was important in the running of their organisations. In light of the above findings, this showed that the majority of managers and managing directors appreciated the importance of strategic management. Furthermore, 14.7% were neutral and 6.1% and 0.7% disagreed and strongly disagreed respectively. This was quite a good sign considering the haphazard nature that some SMEs were being run. After explaining strategic management in English and Shona, respondents tended to take a deep thought before answering the question during the interviews. In the interviews as summarised in Table 3 above, it was clear that entrepreneurs were keen on improving their businesses through the application of strategic management and were aware of the benefits their businesses would enjoy from such a move.

5.4.2 Incorporation of Strategic Management in the Organisation

Responses to the ease of incorporation of strategic management in SMEs are presented in Figure 19 below.

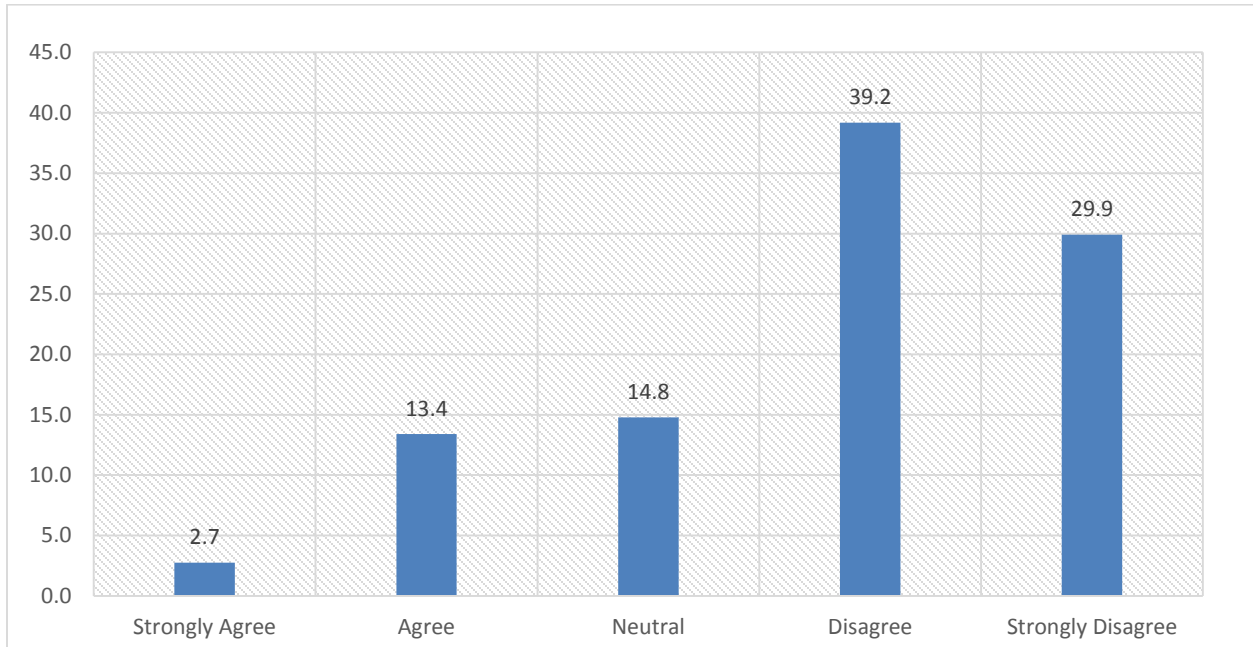


Figure 19: Incorporation of Strategic Management in the Organisation

The summarised findings from the interviews with key informants, entrepreneurs and employees of SMEs are presented in Table 4 below.

It is easy to incorporate strategic management in my organisation.	
Key issues raised	<p>Feedback obtained from key informants:</p> <ul style="list-style-type: none"> - entrepreneurs did not see strategic management as an important approach to the running of their businesses due to lack of knowledge and appropriate training; - when running workshops and explaining to them, entrepreneurs seemed to find strategic management quite interesting and valuable. The problem was that when they got back to their workplaces they

	<p>reverted to their old ways of doing things;</p> <ul style="list-style-type: none"> - government and stakeholders needed to work out ways of ensuring that training workshops were more practical; and - entrepreneurs needed support and continuous mentorship if they were to effectively adopt strategic management in their businesses. <p>Feedback obtained from Entrepreneurs:</p> <ul style="list-style-type: none"> - strategic management was a theoretical approach which was difficult to implement in practice; - they needed training and capacity enhancement for them to be able to effectively apply this approach to management; - they needed a lot of resources and commitment for strategic management to work; - the economic environment required the adoption of that which worked rather than a series of interlinked processes that were logically determined; and - if followed strictly and carefully strategic management could be the panacea to some managerial problems they were facing as businesses. <p>Feedback obtained from Employees:</p> <ul style="list-style-type: none"> - lack of political will and commitment on the part of founding directors made the introduction of strategic management difficult; - poor leadership and lack of structure and logic in the way businesses were run made it impossible for strategic management to be applicable; - the failure to introduce strategic management was the key obstacle separating SMEs from success and growth;and - lack of knowledge was hindering their leaders from taking advantage of the benefits that strategic management promises to every business..
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Table 4: Ease of incorporation of strategic management

From the information presented in Figure 19, 29.9% of the respondents strongly disagreed and 39.2% disagreed with the statement. In addition, 14% were neutral while 13% and 2.7% agreed and strongly agreed respectively. The results from the questionnaire survey and the interviews showed that the majority of respondents believed that it was difficult to incorporate strategic management in SMEs. As presented in Figure 19, SMEs found it difficult to incorporate strategic management in their organisations due to a wide range of reasons. In the interviews, founding directors were portrayed as arrogant and patronizing leaders who gave little or no importance to contributions from the staff under them. In one interview a respondent stated that the founding directors regarded themselves as people who knew it all and would not accept any ideas or proposals from anyone.

5.4.3 How Small and Medium Scale Business Owners Regard strategic Management

The response pattern to the statement which declared that SME owners did not appreciate the importance of strategic management is presented in Figure 20 below.

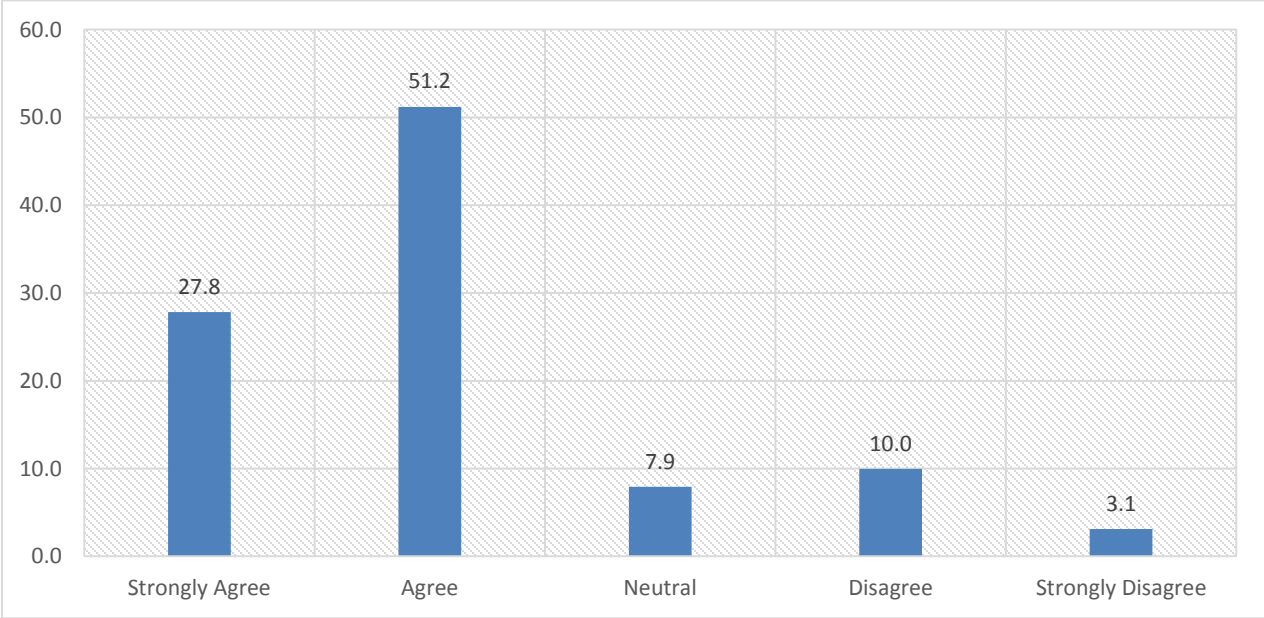


Figure 20: How Small and Medium Scale Business Owners Regard strategic Management

The outcome of the interviews conducted is summarised in Table 5.

Small and medium scale business owners do not appreciate the importance of strategic management.

Key issues raised

Feedback obtained from key informants:

- entrepreneurs appreciated the importance of strategic management but were reluctant to respect what it demanded from the leader;
- though some tried to embrace it, entrepreneurs seemed not to want to go all the way, but would rather implement strategic management partly due to conflict of interest and lack of accountability;
- business owners wanted to control the business in its entirety without establishing systems that could run on their own, for this reason strategic management became a difficult option to pick; and
- entrepreneurs were aware of the value addition associated with strategic management but they were not willing to invest time and effort into its adoption.

Feedback obtained from entrepreneurs:

- they found strategic management to be a foreign concept which they needed to learn and get acquainted to it before they could introduce it in their businesses;
- they could explain clearly why strategic management was necessary in their businesses; and
- the question of whether or not they appreciated the importance was not a major issue among entrepreneurs.

Feedback obtained from employees:

- employees felt that the lack of political will to adopt strategic management on the part of business owners translated to their lack of appreciation of its importance;
- some employees advocated for the enforcement of strategic management by Government to ensure that SMEs were run in a professional manner; and
- employees were also of the view that business owners were personally benefiting more from improper business practices that they

	<p>were not interested in the formal guidelines that came with strategic management.</p>
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Table 5: Appreciation of the importance of Strategic Management

Responses to this question were consistent with the interpretation of question 5.2.3. Managers and managing directors who made up the majority of respondents seemed to echo the same sentiments that small and medium scale business owners did not appreciate the importance of strategic management. As presented in Figure 20, 27.8% of them strongly agreed with the statement and 51.2% agreed. 7.9% were neutral and 10% disagreed while 3.1% strongly disagreed. In some cases as presented in Table 5, interviews revealed that entrepreneurs confirmed that they embraced strategic management but when asked what it was all about, they gave inaccurate or completely wrong definitions. The outcome presented here needs to be considered with that tendency in mind. To avoid such scenarios, the researcher used simplified language or vernacular languages to explain fully.

5.4.4 Formal or Informal Approaches to Management

Figure 21 below presents responses to the statement which stated that entrepreneurs preferred running their businesses informally.

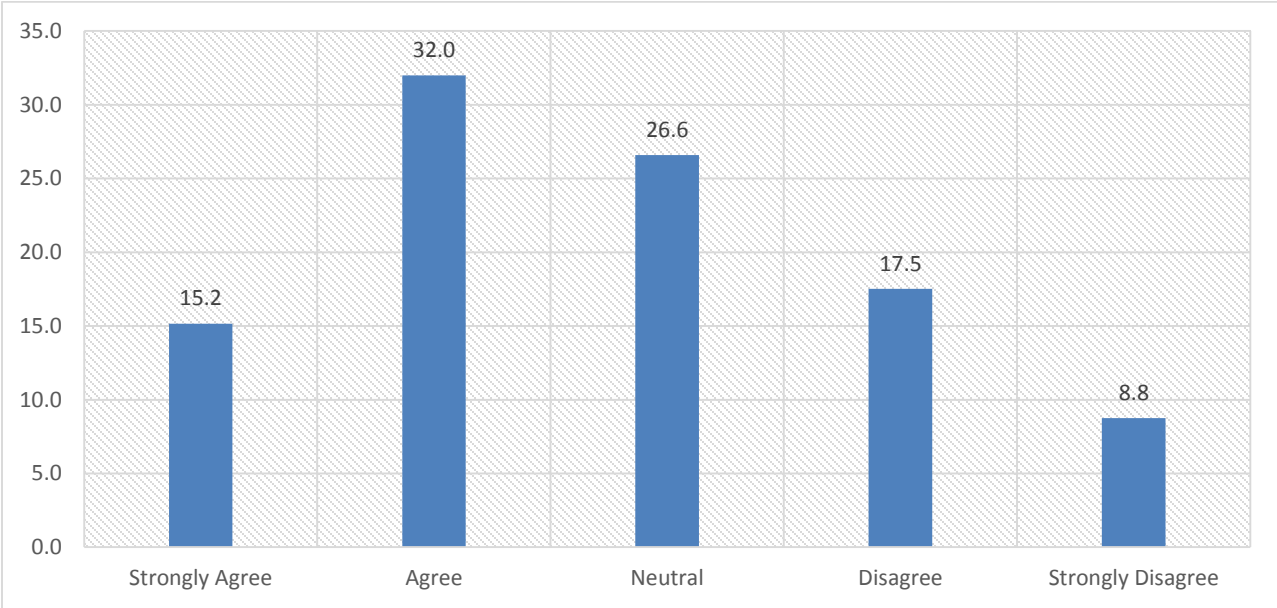


Figure 21: Formal or Informal Approaches to Management

When asked the same question in the interviews, respondents gave the views presented in Table 6 below.

Entrepreneurs prefer running their businesses informally, with little or no planning.	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - a lot of SMEs were run informally and entrepreneurs seemed to see nothing wrong with that; - those that had formalised processes were performing well and were able to measure and evaluate the performance of their businesses; - the informal type of SME had the tendency to shift from one idea to another and strategy formulation was not done systematically; - a significant number of SMEs were run following the whims of the owner rather than business management fundamentals; - SMEs could be classified into three clusters namely the formal, the semi-formal and the informal; and - not all entrepreneurs preferred the informal approach while some claimed that they had formal systems when speaking and yet upon investigating on the ground, everything seemed to be illogical. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - some entrepreneurs saw no significant benefits from formalising business processes as long as one was making money; - one entrepreneur declared that “formal or informal is not the question, the idea is to focus on what brings in money, if the formal way is profitable then why not take it up, but if it causes loss of value then it’s a no go area”; - a number of successful entrepreneurs who had opened business outlets around the country emphasised the need to formalise processes explaining the range of benefits they were enjoying; and - reactions to this question were varied depending on the nature of business, for example those in the hospitality and tourism sector

	<p>explained that there was need for formalisation of processes if one needed to ensure improved service quality.</p> <p>Employees:</p> <ul style="list-style-type: none"> - employees generally believed that SMEs could not be completely formalised given the lack of accountability on the part of founding directors; - though some SMEs seemed to have established formal operating procedures, some areas still remained informal, particularly the handling of funds and decision making; and - employees expressed that where formal systems were used the quality of work-life was better and work was more rewarding.
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Table 6: 4 Formal or Informal Approaches to Management

As illustrated in Figure 21, the 15.2% who strongly agreed and the 32% who agreed with this question and 26.6% who were neutral, indirectly confirmed the lack of strategic planning or any form of planning in small and medium scale businesses. In the interviews, as summarised in Table 6, both business owners and managers concurred that entrepreneurs were not very keen on spending time to plan the activities of their businesses. Managers explained that founding directors had a tendency of not engaging others in decision making, and as a consequence, this was the major cause to the derailment of plans that employees, familiar with the day-to-day running of the business, had devised. In some cases, managers said that founding directors wanted to be part of everything in the business for fear of losing touch with the business or being overrun by their employees. On the other hand some founding entrepreneurs were very convinced that planning was not necessary in their businesses given the nature of the environment. In one of the entrepreneurs' own words:

"I hate planning because in most of the cases you waste time planning something that ends up not working at all because of changes in the economy. In my business I work with what works and planning can only be short term."

It was encouraging though that 26.3% of the respondents disagreed with the statement which represented a potential for more progressive thinking with regards to planning.

5.4.5 Need for Training in Business Planning

Figure 22 below presents responses to the statement which read: ‘As an entrepreneur I need training for me to be able to do appropriate long-term business planning, responding to the environment’.

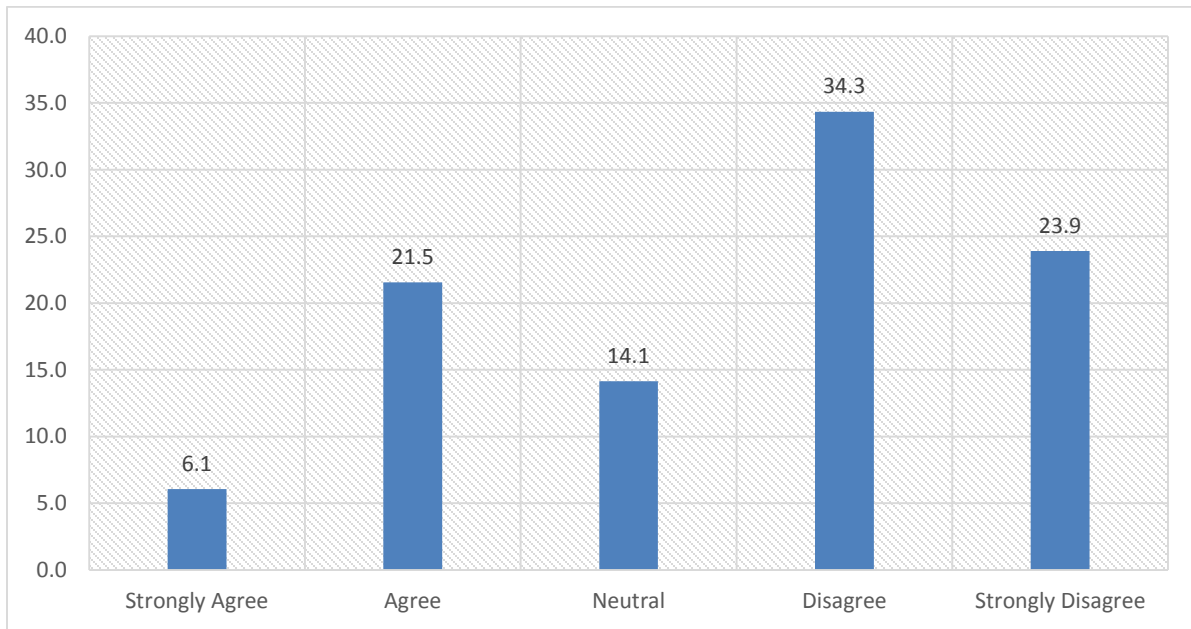


Figure 22: Need for Training in Business Planning

Findings from the interview on the same statement are summarised in Table 7 below.

As an entrepreneur I need training for me to be able to do appropriate long-term business planning responding to the environment.	
Key issues raised	<p>From the feedback obtained from all stakeholders the following was of significance:</p> <ul style="list-style-type: none"> - entrepreneurs needed continuous training and capacity building for them to embrace the principles of strategic management; - training and capacity building initiatives by stakeholders needed to

	<p>follow the needs of entrepreneurs rather than just generic frameworks;</p> <ul style="list-style-type: none"> - some entrepreneurs bemoaned the lack of training packages in vernacular languages, which they thought would make comprehension and appreciation easier; - entrepreneurs who had gone through training testified that they had benefited immensely from training programmes and that they would not have been where they were if it were not for the training they had received; and - though the average entrepreneur would say that they did not need training in long term planning, it was evident that lack of training was a serious issue in Zimbabwean SMEs.
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Table 7: Need for Training in Business Planning

In light of the answers to the preceding question, it was quite surprising that 23.9% strongly disagreed and 34.3% disagreed with the fact that they needed training to enable them to effectively engage in long term planning. The response pattern could mean that respondents did not know that they needed training due to their ignorance of the nature and benefits of long term planning or that they thought they already knew it all and training was not necessary. In the interviews however, the majority of respondents after going through a series of questions, confirmed that they needed training in strategic management for them to be able to effectively incorporate it into their value chains.

5.4.6 The Legal and Policy Framework in Zimbabwe and Promotion of Strategic Management

Figure 23 below presents the findings on the question of whether the legal and policy framework in Zimbabwe promoted the adoption of strategic management in SMEs.

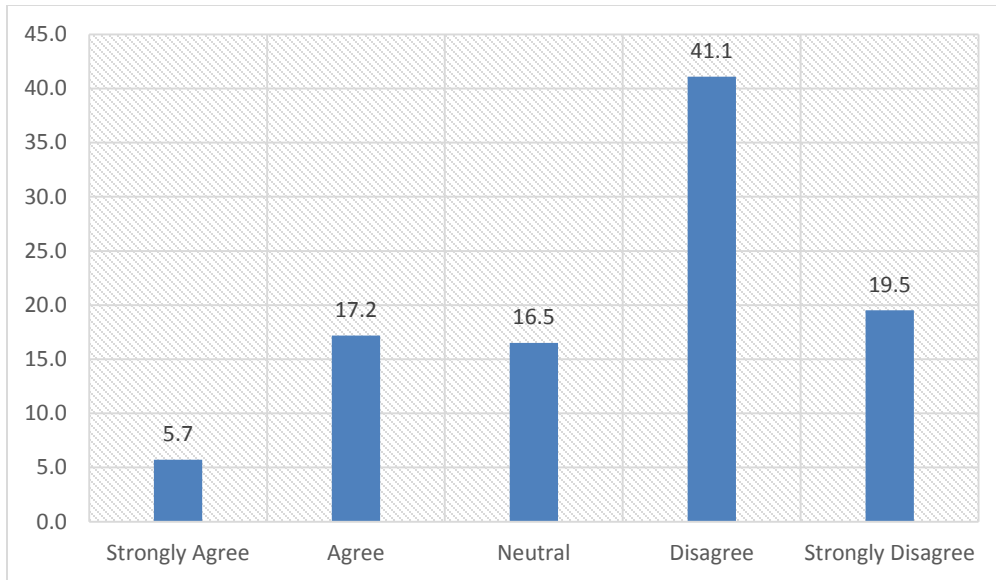


Figure 23: The Legal and Policy Framework in Zimbabwe

Findings from interviews on the same question are presented in Table 8 below.

The legal and policy framework in Zimbabwe encourages the application of strategic management in SMEs.

Key issues raised

Key informants:

- the legal and policy framework in Zimbabwe promoted the incorporation of strategic management in SMEs;
- the Ministry of Small and Medium Scale Enterprises and Cooperatives had structures and programmes meant to support entrepreneurs in a wide range of areas;
- training and capacity building initiatives supported by the Ministry emphasised the need for planning strategically with respect to developments in the business environment;
- entrepreneurs were not fully aware of the policies that Government had put in place in their support and towards the development of well-structured businesses;

- all arms of Government had policies and legal instruments that promoted the incorporation of strategic management i.e. ZIMRA, NSSA, etc.;
- entrepreneurs needed sensitisation and effective involvement for them to contribute to the formulation of laws and policies that affected them;
- entrepreneurs tended to create little or no time for reflection or brainstorming thus it was difficult for them to find time to attend training seminars, which had no immediate benefits; and
- with encouragement and motivation, entrepreneurs had the potential to become reliable partners of Government in its efforts to reach the grassroots of the economy.

Entrepreneurs:

- lack of awareness of policies and legal provisions targeting SMEs was evident in those interviewed;
- knowledge of the services and instruments put in place by government and other stakeholders to support SMEs was minimal;
- events such as the privately organised Small and Medium-scale Enterprises Expo and other events organised by the Government through the Ministry were not well appreciated and not much potential benefit was seen in participating in such events;
- entrepreneurs suggested the need for innovation on the part of stakeholders to ensure information dissemination was done in such a way as to capture the attention of SMEs around the city;
- some entrepreneurs thought Government was doing nothing to support SMEs and that there were no policies that were favourable to them apart from just empty promises which did not benefit anyone;
- some agreed that Government and stakeholders had done a lot to ensure that the legal and policy environment was supportive to SME's development but problems arose when it came to the practical

	<p>implementation of such provisions; and</p> <ul style="list-style-type: none"> - some entrepreneurs proposed the need for a review of the ZIMRA Act so that SMEs could be allowed to run for some time without paying tax and only do so when they reached a certain threshold in terms of profit and productivity. <p>Employees:</p> <ul style="list-style-type: none"> - some employees were quite articulate about the various policies that had been put in place to support the development of SMEs in a logical manner which supported the adoption of strategic management; - interviews with employees revealed that business owners did not respect the policies and laws put in place by Government and this made the introduction of strategic management principles impossible in some businesses; - key issues raised were on human resources management laws, financial management principles and the need for professionalism in the way business was conducted; and - employees expressed that founding entrepreneurs lacked the political will to work in accordance with Government policy and legal provisions in the country and would easily conclude that the legal and policy frameworks in the country were not supportive when in actual fact they were the ones not willing to conform.
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Table 8: The Legal and Policy Framework in Zimbabwe

The question that was asked was: Did SME owners know what the legal and policy framework regarding SMEs in Zimbabwe was all about? Further research could be necessary here. The response rate in Figure 23 above showed that 41.1% of respondents disagreed with the statement while 19.5% strongly disagreed. 16.5% were neutral, 17.2% agreed while 5.7% strongly agreed. From desk research and interviews with key players supporting SMEs as well as Government representatives, it was clear that the legal and policy framework encouraged the application of strategic management in SMEs. What needed to be established was whether SMEs were aware

of the scope of the framework and whether they were involved in some way or consulted when policy issues were under consideration.

5.4.7 Adherence to the Fundamentals of Strategic Management in SMEs

Figure 24 below presents the response rate with regards to the question whether the organisation was run following the fundamentals of strategic management.

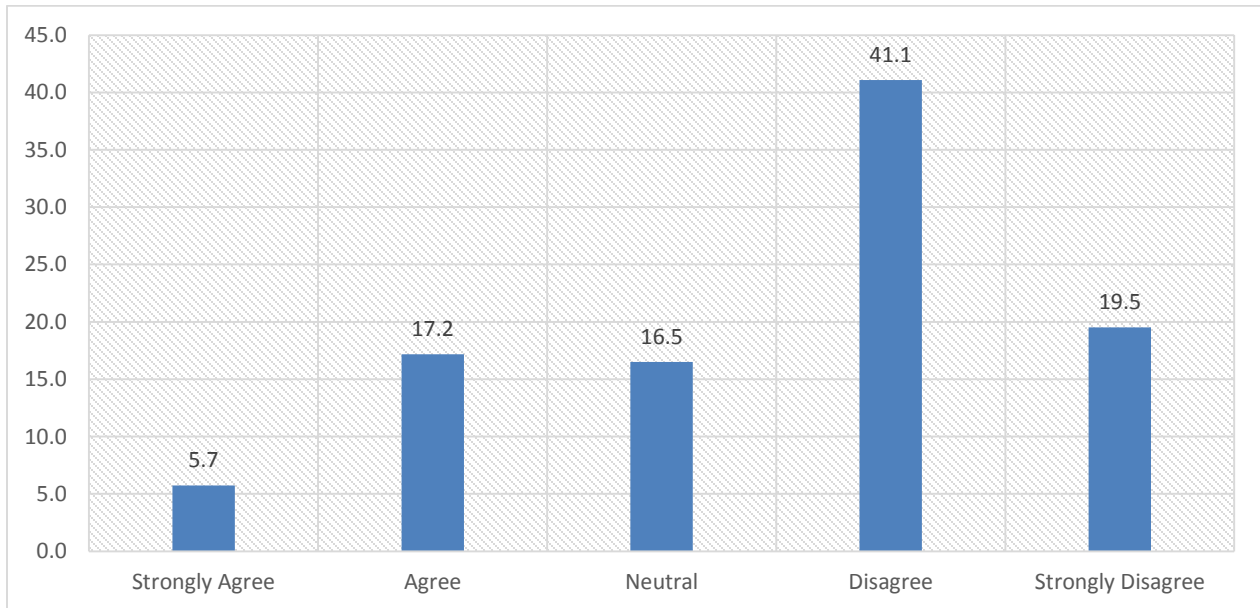


Figure 24: Adherence to the Fundamentals of Strategic Management in SMEs

Summarised findings from the interviews on the same question are presented in Table 9.

My organisation is run following the fundamentals of strategic management.	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - SMEs tended to deliberately disregard the fundamentals of strategic management due to conflict of interest and lack of standard operational procedures; - entrepreneurs tended to run their businesses following their whims and without considering the plans they would have laid out in their business plans;

- although some entrepreneurs planned their businesses quite well at the beginning, the moment they started making money they tended to disregard the plans and engaged in activities that were not relevant to the business such as: buying expensive property, womanising for the men and engaging in unplanned diversification;
- women entrepreneurs were able to maintain focus when running businesses on their own but where men were involved, a lot of other new priorities arose as soon as there was some money in the business;
- entrepreneurs applied strategic management principles only when it suited them and when there was a direct benefit, for example when applying for a loan, when seeking to impress a potential business partner or when the situation at hand called for it. The general tendency was to revert to the informal ways each time the business began to enjoy profits; and
- what was needed in some SMEs with regards to strategic management was consistency.

Entrepreneurs:

- some entrepreneurs would agree with this statement but failed to clearly explain what strategic management was all about;
- from explanations there was evidence of the application of strategic management principles in some SMEs;
- some entrepreneurs were sincere enough to say that they did not know what strategic management was all about and could therefore not say they followed it in their businesses; and
- there was evidence of different forms and approaches to business planning and management but strategic management seemed to be a new concept for entrepreneurs which they wished they could be trained in.

Employees:

- after explaining to employees what strategic management was, they

	<p>were quick to deny its existence in their organisations;</p> <ul style="list-style-type: none"> - it was their hope that their employers would be trained on its application given its benefits to all stakeholders in the organisation; and - from one employee's remarks: "Strategic management results in a win-win situation for all stakeholders including us employees; it surely is the way to go, especially for this company".
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Table 9: Adherence to the Fundamentals of Strategic Management in SMEs

19.5% strongly disagreed with this statement, while 41.1% disagreed, an outcome which could be interpreted from at least three points of view. The first thought that could come to mind is that the majority of SMEs of the same class as the sample used were run without following the fundamentals of strategic management. The question here might be the extent to which respondents appreciated what strategic management was all about. In the event where respondents were ignorant of what strategic management was, given the difficulty associated with explaining it in vernacular languages, more research could be necessary.

Secondly, from earlier findings in this research, the sample of respondents was dominated by managers, who were not necessarily the founders or owners of the businesses, which brought in another dimension to the analysis of the response rate here. From the interviews, managers' perceptions overwhelmingly pointed to the lack of strategic management principles in the way SMEs were run. This was linked in most cases to the tendency of business owners or founding directors to follow their whims rather than strategic plans agreed with managers. The composition of respondents could therefore have swayed the response rate to the negative while it might have been different if the percentage of founding directors was higher. This view is based on the outcome from interviews with founding directors. A lot of them would quickly point out their reliance on strategic management though upon asking for explanations, one would establish that a lot of them misunderstood what it demanded. This brought the third dimension of assessment into light which required always to bear in mind that the diverse ways in which strategic management was described by different authors and also the varied interpretation from

respondents might have made the response rate take the pattern it took, making it open to a wide range of interpretations (Odunlami, 2011). Findings from the interviews were quite consistent with the outcome of the questionnaire survey, thus supporting the view that the majority of SMEs did not implement strategic management. In the questionnaire survey, the 5.7% who strongly agreed and 17.2% who agreed as well as 16.5% who were neutral, needed to be further analysed bearing in mind the feedback from key informants. Entrepreneurs were known to apply strategic management when it benefited or suited them and surely a respondent from an organisation like that would not deny that the company used strategic management.

5.4.8 Support from Government and Stakeholders

Results of the questionnaire survey on whether Government and industry stakeholders supported the application of strategic management in SMEs are presented in Figure 25 below.

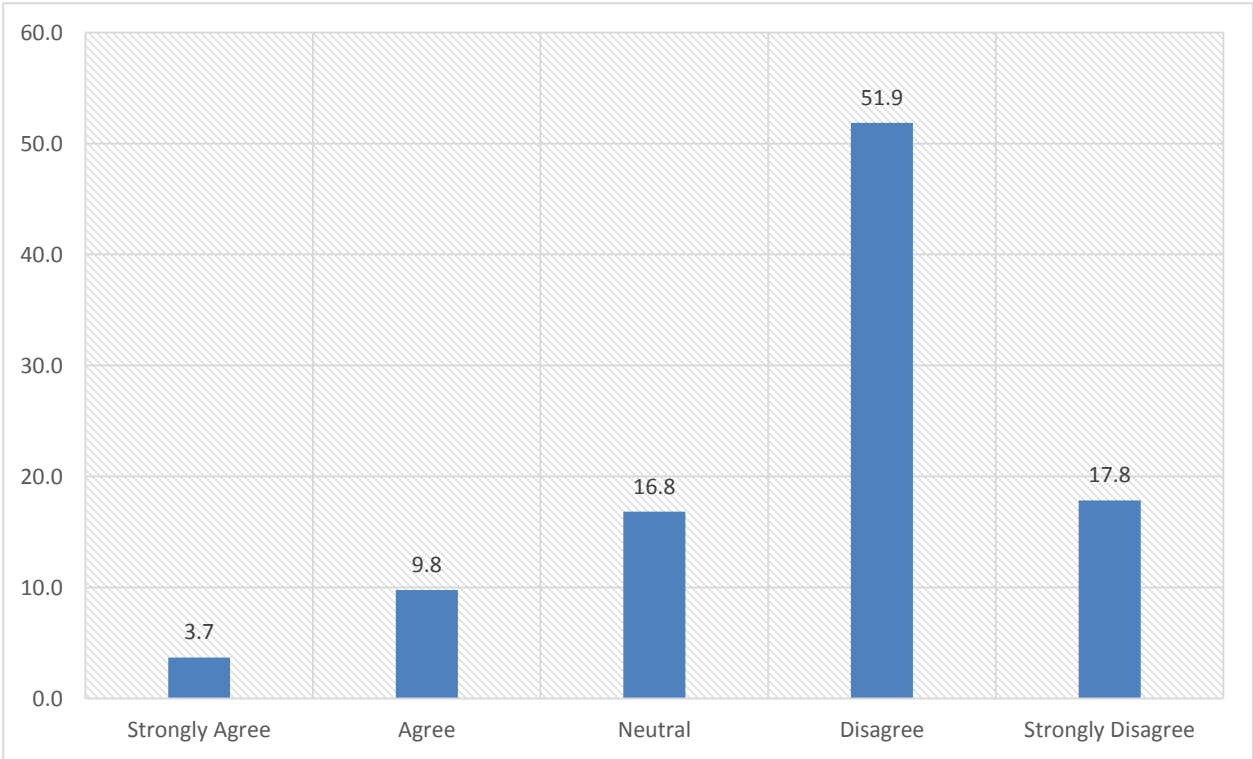


Figure 25: Support from Government and Stakeholders

Results from the interviews are summarised in Figure 5.23.

Government and industry stakeholders support the application of strategic management in SMEs.

Key issues raised

Key informants:

- Government and stakeholders including non-governmental organisations were offering a lot of support to SMEs;
- entrepreneurs who followed the news and were constantly in touch with developments in the SME sector were benefiting tremendously from Government and stakeholder efforts;
- stakeholders in the financial services sector offered guidance and support in the design and implementation of strategic plans for small and medium scale businesses;
- though some stakeholders did not really focus on strategic management, the fact that they valued the existence of and adherence to the business plan was a firm foundation for the implementation of strategic management in SMEs; and
- the average financial institution would not disburse loans or any form of support to entrepreneurs without the provision of a realistic and viable business plan. This in itself was a positive step towards the promotion of strategic management.

Entrepreneurs:

- although some respondents agreed with this statement, the majority disagreed with it;
- entrepreneurs lacked knowledge and exposure to the efforts put in place by Government and other stakeholders;
- the fact that stakeholders did not directly talk about strategic management but focused on other related management principles and systems, made entrepreneurs believe that there was no support; and
- after explaining and giving examples of support systems put in place by stakeholders, respondents would change their views and acknowledge the efforts that stakeholders were making towards the

	<p style="text-align: center;">promotion of strategic management.</p> <p>Employees:</p> <ul style="list-style-type: none"> - employees did not have much to say regarding this question though some expressed that Government was not doing enough to enforce the adherence to business management principles by founding directors.
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Table 10: Support from Government and Stakeholders

With respect to the outcome of the interviews and secondary information from brochures and other literature from stakeholders supporting SMEs including Government, the response rate in Table 10 above portrayed a different picture all together. For such a high percentage to be in the negative (51.9% disagree and 17.8% strongly disagree), there needed to be some explanation of some sort. One explanation could be that entrepreneurs were not well informed or aware of the support systems and services that stakeholders had established for their benefit. The support systems set up by Government and other stakeholders strongly supported the promotion of strategic management in SMEs. The other possible explanation for the response pattern could be the fact that SMEs were not satisfied with the services provided by stakeholders regarding the application of strategic management. Further research could also shed more light on this issue and assist planners at different levels of the economy. It however needs to be noted that the 3.7%, who strongly agreed, the 9.8% who agreed and 16.8% who were neutral had a different story to tell, which might need further investigation. What it could mean though would be that there were SMEs that were benefiting from the efforts of stakeholders towards the promotion of the application of strategic management.

5.4.9 Lack of Knowledge and Skills

On the question whether lack of knowledge and skills hindered the adoption of strategic management in SMEs, the response rate presented in Figure 26 below was the result.

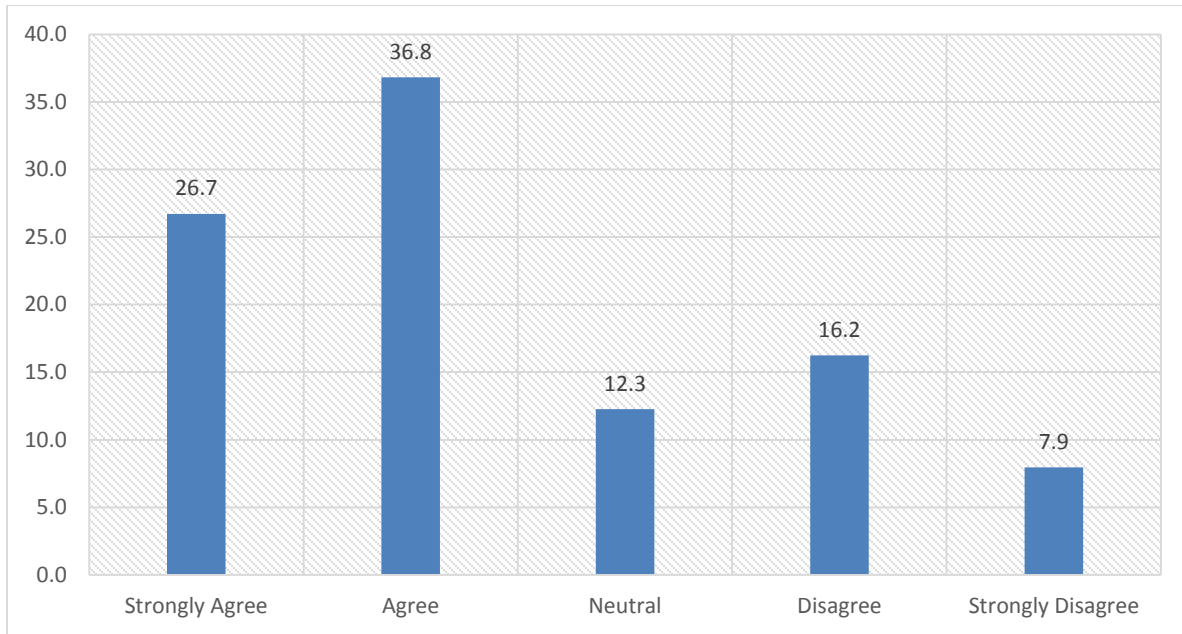


Figure 26: Lack of Knowledge and Skills

A summary of the findings from the interviews is presented in Table 11 below.

Lack of knowledge and skills hinders the introduction of strategic management in Small and Medium Scale enterprises.	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - it was confirmed to be a fact by all stakeholders that entrepreneurs lacked knowledge and skills with regards to strategic management; - the majority of entrepreneurs were either school drop outs or people who no longer wanted to associate themselves with theoretical and bookish ideas; and - entrepreneurs were found to be focused on making money only, using whatever means possible. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - due to lack of knowledge and skills some entrepreneurs thought planning was a waste of valuable time that could be used to make more money for the business.

	<ul style="list-style-type: none"> - though stakeholders were doing a lot in terms of training and capacity development in SMEs more needed to be done given that some entrepreneurs shunned attending training workshops of any nature; - some entrepreneurs thought strategic management was too technical and therefore not applicable in their businesses, owing to their lack of knowledge; and - some respondents were quick to agree with the statement and to propose the introduction of a well-coordinated programme to train entrepreneurs so as to enhance the effectiveness of the sector. <p>Employees:</p> <ul style="list-style-type: none"> - employees confirmed the need for training targeting SME founding directors explaining that some of them had no clue how a business could be run; - employees also saw a lot of potential growth and development in their companies, which were being stifled by lack of knowledge and skills; and - strategic management was viewed as a necessary ingredient which however could only be appreciated through learning and training, which employers were reluctant to seek.
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Table 11: Lack of Knowledge and Skills

The majority of respondents as presented in Figure 26 above, 26.7% strongly agreed and 36.8% agreed, found this statement to be true while 7.9% strongly disagreed and 16.2% disagreed with the statement. 12.3% were neutral. This gave a hint to stakeholders in the training and capacity building sector who supported SMEs to address the challenge of lack of knowledge. It was found to be a fact, as revealed in the interviews that entrepreneurs, once in business tended to neglect self-improvement or the need to upgrade or enhance one’s skills through professional training. The 7.9% who strongly disagreed and the 16.2% who disagreed with this statement, might need to be further researched on to establish whether it was a genuine assessment from respondents or a case where one could erroneously believe they had the skills.

5.4.10 Inexistence of a Record Keeping System

In response to the question on the inexistence of a record keeping system in the organisation, the respondents reacted in the pattern presented in Figure 27 below.

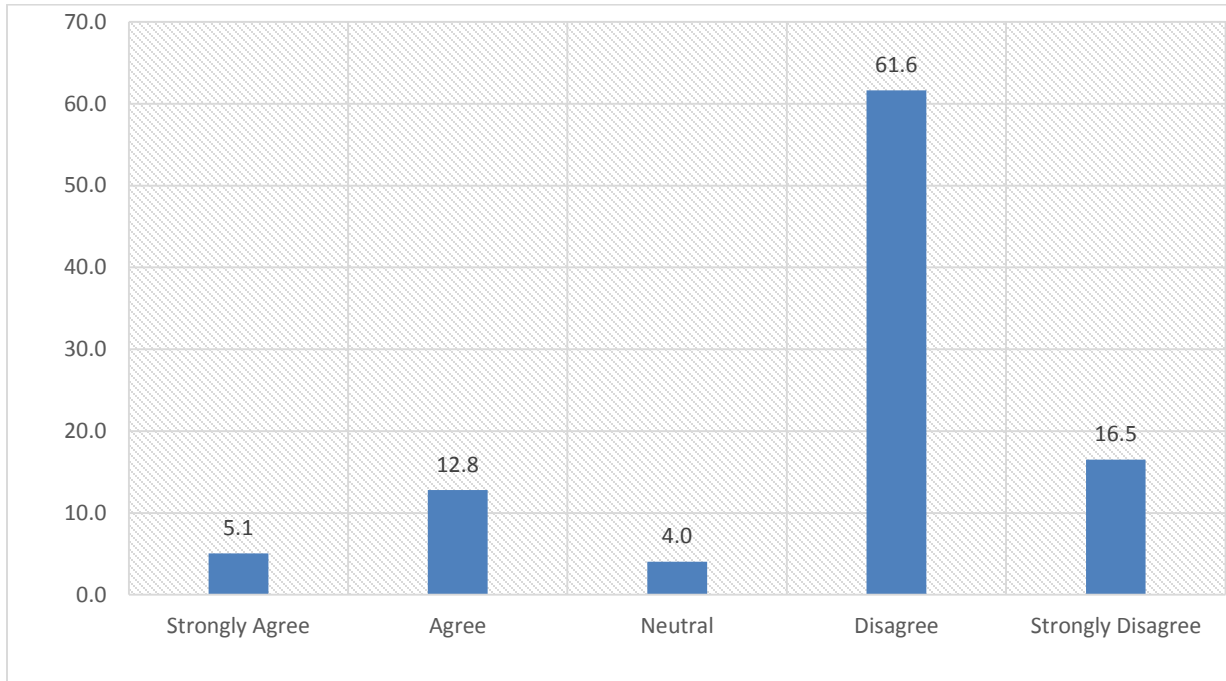


Figure 27: Inexistence of a Record Keeping System

Table 12 presents a summary of the findings from the interviews.

My organisation has no record keeping system in place.	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - although the average entrepreneur would always say that they had record keeping systems, a lot of these records were sketchy and illogical that one could not possibly use them for business planning and management purposes; - records management was one area in which entrepreneurs required training if they were to embrace strategic management fundamentals in their value chains; and

	<ul style="list-style-type: none"> - the quality of records kept by SMEs left a lot to be desired. <p>Entrepreneurs</p> <ul style="list-style-type: none"> - respondents were generally negative in their response to this question, explaining that their organisations had records and that there was no way an organisation could operate without records; - the researcher however discovered that the nature of records kept by entrepreneurs were generally not systematic and useable for the purposes of business planning and trend analysis; - respondents hardly had well-maintained books of accounts or financial management statements, neither did they have any inventory records that were systematic enough for future use; and - some entrepreneurs were very well organised, with properly maintained company records.
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Table 12: Inexistence of a Record Keeping System

Amongst the indicators of the existence of strategic management, the establishment of effective record keeping systems is quite significant. An organisation with no proper records cannot run its programmes in a systematic manner and futuristic planning becomes difficult, in view of the fact that records can be the point of departure for any kind of future plan (Raja et al, 2011). The fact that in the questionnaire survey 61.6% disagreed and 16.5 % of the respondents strongly disagreed with this statement, was an indicator that SMEs had some form of record keeping. What was however important, was to assess the quality of record keeping systems and judging from what was discovered in the interviews, the quality of records left a lot to be desired. The 5.1% who strongly agreed and the 12.8% who agreed, could be associated with respondents coming from SMEs that were run without well-structured management systems.

5.4.11 The Need to Devise Adaptation Strategies for Survival

On the statement that the organisation did not need to devise adaptation strategies for survival in its environment, the response rate in Figure 28 below resulted.

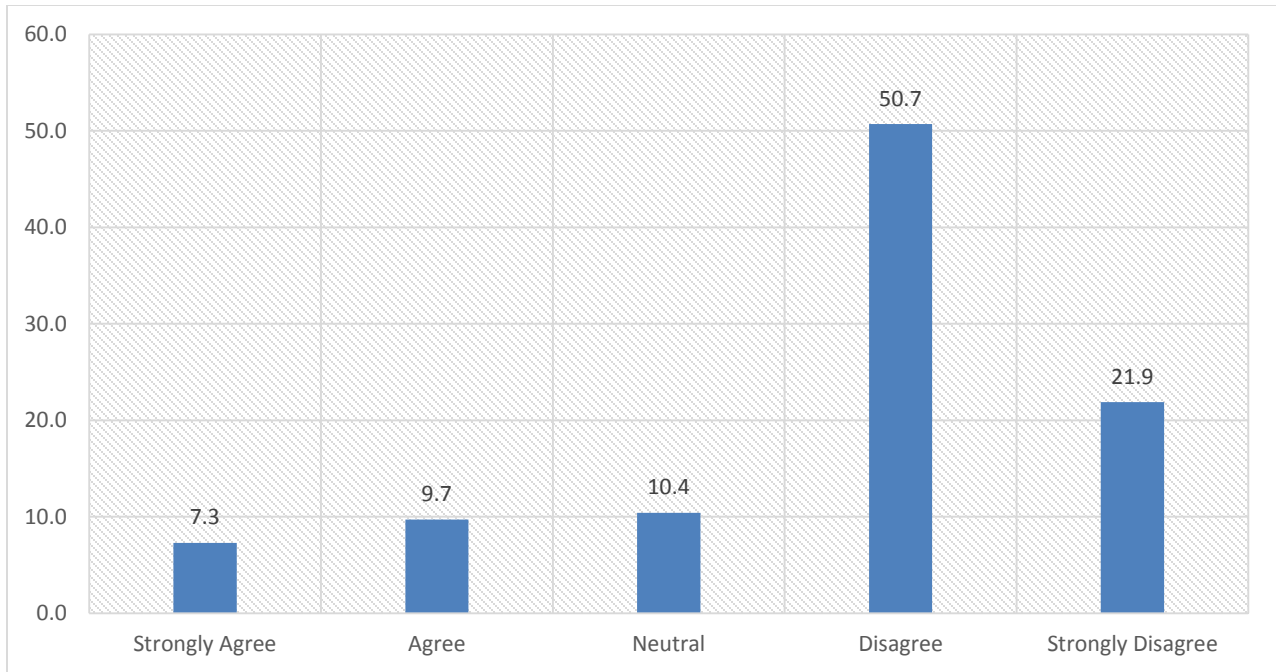


Figure 28: The Need to Devise Adaptation Strategies for Survival

Table 13 below presents the summarised outcome of the interviews on the same question.

My organization does not need to devise adaptation strategies to ensure survival in its environment	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - SMEs needed to devise adaptation strategies for them to survive; - without responding to the business environment around them SMEs would find it difficult to establish sustainability; - SMEs needed to appreciate that they could not survive as if they were operating in a vacuum or as islands, it was important to consider the business environment around in order to stay afloat; and - SMEs which did not consider developments in their environments, tended to be vulnerable to a variety of negative influences from the operations of other entities around them. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - some entrepreneurs indicated that they only adjusted their operations when

	<p>necessary and that futuristic planning was not important;</p> <ul style="list-style-type: none"> - they also indicated that they studied their environment on a daily basis, focusing on survival and strategic positioning; - training was however needed in order to enhance the SMEs' ability to effectively respond to the developments in the business environments around them; and - at that time it was clear that some adaptation strategies adopted by SMEs were as a result of trial and error and not structured following strategic management models, thus the need for training. <p>Employees:</p> <ul style="list-style-type: none"> - failure to cope with developments in the environment led to the collapse of some businesses, while some ended up shifting from one line of business to another; - failure to study the way other businesses operated led to false security which was broken the moment more competitive players entered the market; and - businesses which adjusted according to the dictates of their environment tended to be more successful.
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Table 13: The Need to Devise Adaptation Strategies for Survival

The response rate in Figure 28 showed that respondents appreciated the need to devise survival strategies which would be a positive point of departure towards the understanding and eventual adoption of strategic management. From the findings, 21.9% strongly disagreed with the statement while 50.7% disagreed. The 7.3% who strongly agreed, the 9.7% who agreed and the 10.4% who were neutral were however a cause for concern which required further investigation. In the interviews as summarised in Table 14, there were some respondents who agreed, giving the reasons that the future was unpredictable and that there was no reason to try to prepare for the unknown. Some respondents of particular religious persuasions pointed out that the future was in the hands of God and trying to plan and adjust would be close to saying that God was wrong or that He failed. Such respondents explained that they lived and did business according to their faith and beliefs and that strategic management and other approaches to planning had no room in their businesses. Further research is recommended in order to establish how such groups would

survive and do business and perhaps establish whether their businesses prosper without planning as they say.

5.4.12 Existence of a Record Keeping System

Figure 29 presents the response rate to the statement: My organisation has a record keeping system in place.

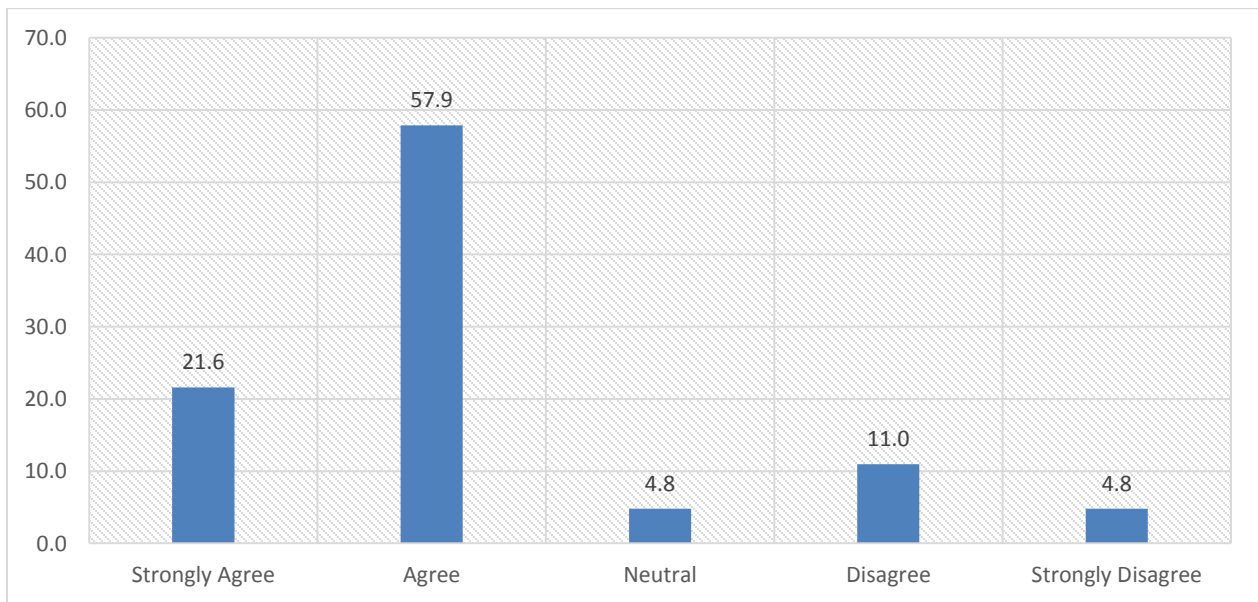


Figure 29: Existence of a Record Keeping System

This is a back to back statement when compared to the one in Section 5.4.10 on page 86. The objective of these questions was to check the validity of answers and to establish whether respondents were putting their thoughts into the answers they gave. From the analysis, 21.6% strongly agreed, and 57.9% agreed totalling 79.5% who were positive that there were record keeping systems in their organisation. The response outcome here is almost similar to the outcome of the back to back question which had a total of 78.1% who were negative in their response to the statement that there were no record keeping systems in their organisations. Such a response pattern showed consistency in the responses from to the two related questions confirming that respondents were not just thumb sucking when answering questions, but were considering the content seriously.

5.4.13 Effectiveness of Strategic Management in SMEs

In response to the statement that strategic management does not work in SMEs and Figure 30 below presents the findings.

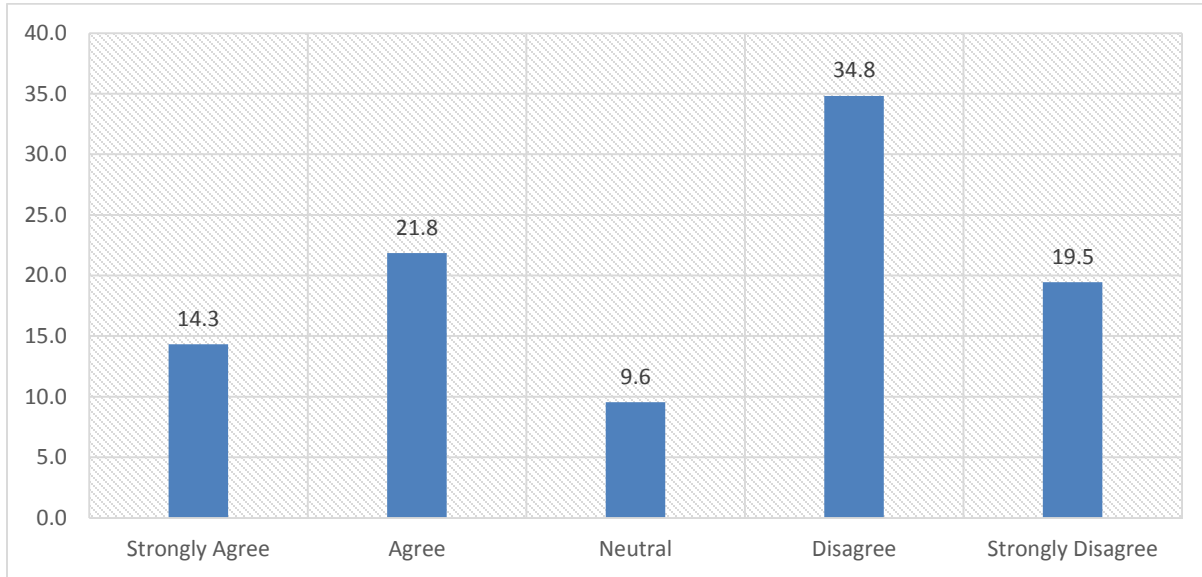


Figure 30: Effectiveness of Strategic Management in SMEs

A summarised version of the outcome of the interviews is presented in Table 14 below.

Strategic management does not work in SMEs	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - financial institutions, and government representatives as well as some entrepreneurs agreed that strategic management added value to the management of SMEs; - they also added that contrary to the beliefs of some entrepreneurs, strategic management was not only meant for large companies but for any kind of business; - some entrepreneurs had positive stories to tell owing to their adoption of strategic management; - it was not the case with some who either misunderstood what strategic management entailed or considered any kind of planning as translating to strategic management; and

	<ul style="list-style-type: none"> - SMEs that had fully incorporated strategic management in their value chains were enjoying the fruits and were proud to articulate in detail how they conducted their businesses. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - one entrepreneur revealed one major fear associated with strategic management. He explained that once having decided to go the strategic management way there would be a loss of privileges as the owner of the business. The fact that strategic management called for transparency, accountability, focus on goals and objectives, standardisation of operations among other conditions, made sure the business was not run following the whims of the owner. It came with checks and balances which according to the entrepreneur in question, alienated the owner from the business. He complained that strategic management did not allow any moments of madness when one could just spend money to please a friend or relative, everything needed to follow logic; and - entrepreneurs generally agreed that improved planning was needed in their businesses but they just did not know how to go about it exactly. <p>Employees:</p> <ul style="list-style-type: none"> - employees applauded the researcher's efforts in seeking to find out what was prevalent in SMEs as far as business management was concerned; - they all agreed that strategic management was needed as a matter of urgency in their companies to help them survive; and - they emphasised that strategic management actually worked more in SMEs than any other business class given its benefits.
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Table 14: Effectiveness of Strategic Management in SMEs

From the questionnaire survey presented in Figure 30, 19.5% strongly disagreed and 34.8% disagreed with this statement. This was a good sign given that researchers and authors concurred

that strategic management was not for big corporates only but very much necessary for SMEs. It was however worrying that 21.8 % agreed with the statement and that 14.3% agreed strongly. The interviews however seemed to explain this response pattern. During the hyperinflationary environment in Zimbabwe SMEs confirmed that they had completely lost faith in business planning, in light of the dynamic nature of the economy at that time. Stakeholders supporting SMEs were almost all in agreement on the view that a number of entrepreneurs still held the views and perceptions of the hyperinflationary conditions regarding business practices. Though some seemed to slowly move away from ad hoc decision making, quite a significant number were still sceptical of the stability brought about by the introduction of the multicurrency system in the economy. For this reason, entrepreneurs had the tendency to work with what would bring profit at the time, without focusing on the future of their operations. This saw some jumping from one business operation to the next or creating a highly diversified business with no special area it claimed expertise in. This was very common amongst retail SMEs involved in buying and selling activities.

5.4.14 Management Systems and Strategic Management

In response to the statement which stated that management systems in organisations allowed the introduction of strategic management, the response outcome was as presented in Figure 31 below.

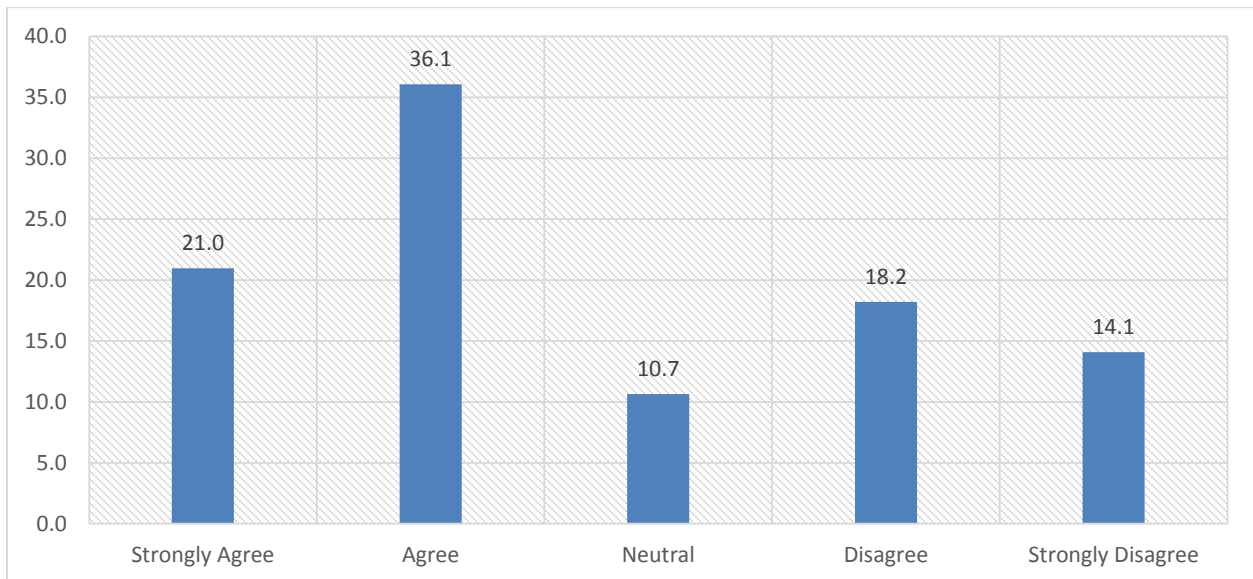


Figure 31: Management Systems and Strategic Management

Findings from the interviews on the same statement are summarised in Table 15 below.

Management systems in my organization do not allow the introduction of Strategic Management	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - those interviewed emphasised that there was need for skills enhancement and capacity building targeting SMEs to ensure the establishment of management systems that allow the introduction of strategic management; - management systems and approaches used by SMEs were found to be incompatible with strategic management principles; and - SMEs with well-structured management systems tended to find it easier and value adding to introduce strategic management. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - entrepreneurs agreed that their management systems needed to be reformulated for them to meet the expectations of strategic management; - it was difficult for some entrepreneurs to find fault in the systems they had established even when indications were that power and decision-making were concentrated in one person; and - though some thought their management systems were good enough, a number agreed that there was room for improvement. <p>Employees:</p> <ul style="list-style-type: none"> - employees of SMEs indicated that management systems applied in their organisations made any form of plans difficult to sustain, as a result of the tendency of entrepreneurs to shift focus; - lack of transparency, accountability and political will to respect organisational management systems made strategic management a difficult option for entrepreneurs who operated without boards of directors and without any checks and balances; and - SMEs were structured following the owner’s capacity and knowledge, so the more capable and informed the owner was about management systems, the more sound and effective the systems he or she established in the organisation.

Table 15: Management Systems and Strategic Management

From the questionnaire survey, 21% strongly agreed while 36.1% agreed that management systems in their organisations did not allow the introduction of strategic management. 14.1% strongly disagreed and 18.2% disagreed with the statement while 10.7% were neutral. Interviews with managers revealed that founding directors tended to be too domineering and less keen to apply team work or to listen to suggestions from their employees or subordinates. The SMEs reviewed in this study i.e. those employing 30 workers and below tended to lack clear management structures or employee role clarity. In some cases, the whole business revolved around the owner and subordinates were just tools that followed orders. In one case employees explained how the owner deliberately used unorthodox management styles which caused disgruntlement and frustration on the managers. From the findings obtained during the interviews, there was need for further research to establish the range and effectiveness of leadership styles applied by SMEs. This would help Government and other stakeholders to plan accordingly when crafting supportive programmes.

5.4.15 Clarity of Organisational Vision and Mission

On the statement which went: “My organisation has a clear vision of where it is going”, the response pattern presented in Figure 32 occurred as a result of it.

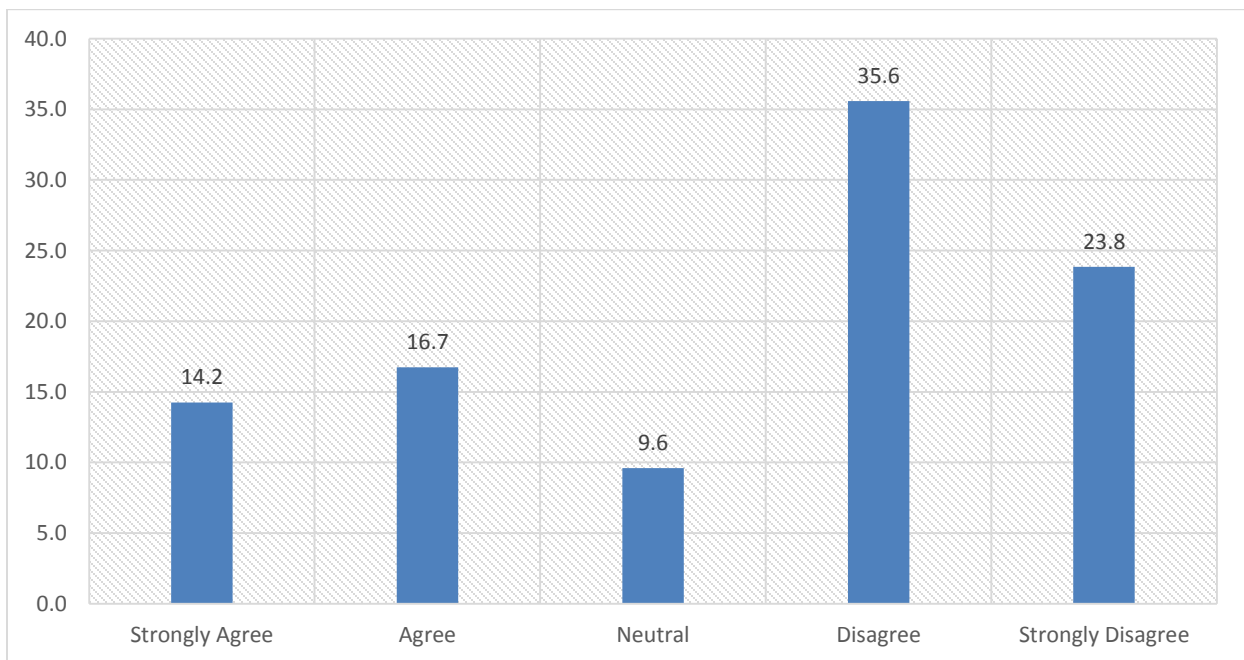


Figure 32: Clarity of Organisational Vision and Mission

Findings from the interviews are summarised in Table 16 below.

My organization has a clear vision of where it is going	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - SMEs operating with a defined framework or business plan tended to have clarity of vision and mission while those that were born out of opportunism or trial and error could be very dynamic; - financial institution representatives expressed the need for entrepreneurs to have vision and mission statements and to educate their staff on these; - the lack of stability and logic in the way human resources were managed by some SMEs led to the loss of focus and lack of vision; and - strategic management if implemented effectively would help SMEs deal with the negative effects of macro-economic challenges such as liquidity crises and inflation. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - though some agreed with this statement the majority expressed that their vision was determined by circumstances in the environment around; - entrepreneurs were not too futuristic in their approach and were more focused on short-term gains rather than long-term visions; and - some explained that vision or no vision, what was important was to work with what worked at that time without worrying too much about the future which could be predicted. <p>Employees:</p> <ul style="list-style-type: none"> - some employees were not aware of their organisation's vision; - the vision was said to be in the mind of the founding director and remained a secret; - the way organisational focus shifted continuously showed lack of vision

- | | |
|--|---|
| | <p>and direction; and</p> <ul style="list-style-type: none"> - employees generally expressed that their organisations lacked vision and thus were not futuristic in their view of business operations. |
|--|---|

Table 16: Clarity of Organisational Vision and Mission

From the questionnaire survey, 23.8% strongly disagreed while 35.6% disagreed, a response outcome which indicated that their organisations had no clear vision of where they were going, in other words confirming that they had no strategic vision. This was worrying considering the benefits associated with strategic management. The 14.2% who strongly agreed and 16.7% who agreed were however quite encouraging and a good foundation for any programme seeking to promote the application of strategic management in SMEs. According to the fundamentals of strategic management, any organisation that hopes to succeed needs to have a strategic vision, otherwise without vision, collapse is the end result. In the interviews the idea of an overall organisational vision was not very clear across respondents. Some described their vision as that of making money and everything they did focused solely on that vision. Issues of how the money was made, consolidation of the business, quality management, and customer care among other key business concepts, were not viewed as priorities. One of the interviewees responded;

“My vision is to make as much money as possible, so I follow whatever has the potential to enable me to achieve that”.

The respondent in this case was proud to state that he was a ‘jack of all trades’ and in his own words ‘*a nut that can fit any bolt*’. For someone with such an approach to entrepreneurship, organisational vision was just short-term and long-term planning could not be an issue to consider.

5.4.16 Appropriateness of strategic Management

Figure 33 below shows the response rate to the statement that proposed that strategic management was only appropriate in large companies.

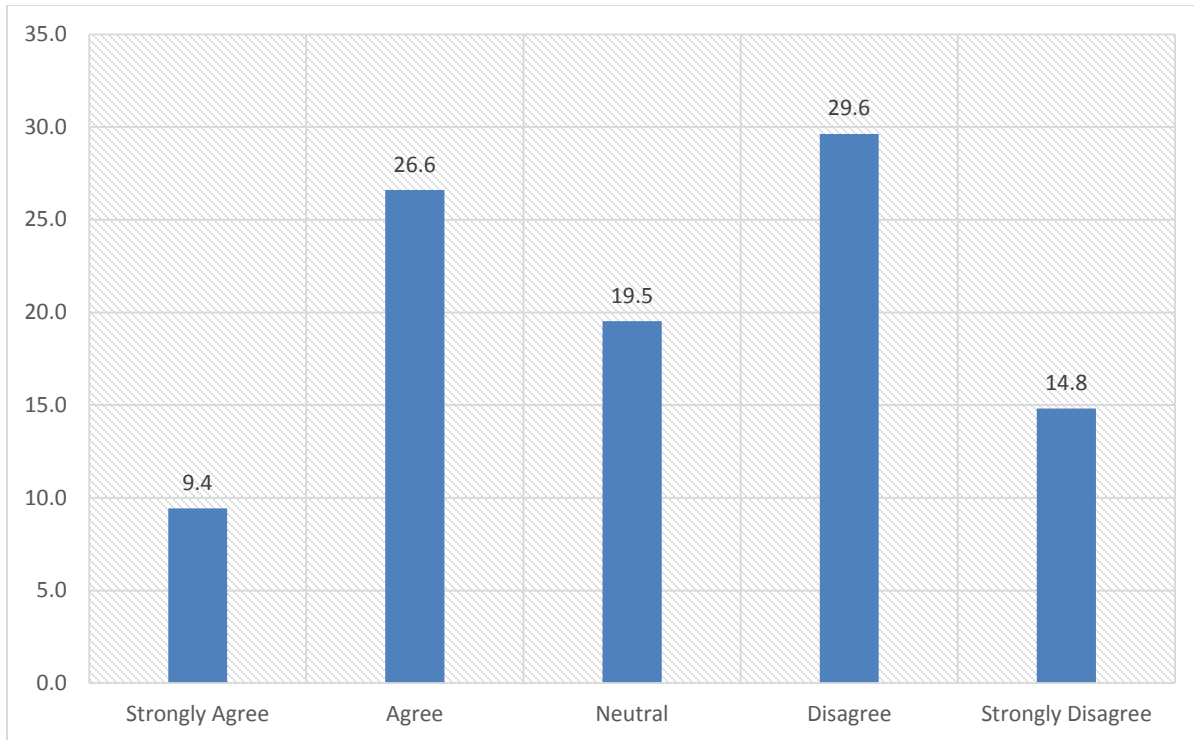


Figure 33: Appropriateness of strategic Management

Findings from the interviews are summarised in Table 17.

Strategic management is only appropriate in large companies	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - respondents emphasised that strategic management was needed more in SMEs than large companies given that, a lot of structures would still be in the developmental stages in some cases; - the myth that strategic management only worked in larger organisations was dismissed by respondents from the stakeholders supporting SMEs as old wisdom; and - respondents from the financial services sector agreed that without strategic management, SMEs would continue to be rated among their high-risk clients, only to be entertained at the institution’s risk.

	<p>Entrepreneurs:</p> <ul style="list-style-type: none"> - entrepreneurs were very direct and sincere on their lack of capacity to apply strategic management; - some were meeting this concept for the first time and were quite interested in appreciating how it worked and the kind of value it would bring to their businesses; - the need for capacity building was emphasised by all respondents; and - entrepreneurs emphasised that any form of training, needed to be user-friendly, taking into consideration language and participants' level of education.
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Table 17: Appropriateness of strategic Management

From the questionnaire survey, 9.4% strongly agreed and 26.6% agreed that strategic management was only appropriate in large companies, while 19.5% were neutral. 29.6% disagreed and 14.8% strongly disagreed. These responses were almost consistent with that of the back to back question at 5.4.13 on page 90. Though the graph is skewed towards those who disagreed without considering those who were neutral, the general outlook was that respondents were not very decisive in responding to this statement. Although this seems to be an outmoded notion, it would appear that a significant number of respondents believed that strategic management was only appropriate in larger companies. This trend could be as a result of ignorance of what strategic management really is or due to entrepreneurs' attitudes, practices and behaviours.

5.4.17 Lack of Futuristic Planning and Negative Organisational Performance

Figure 34 below presents the response rate to the statement that sought to establish whether SMEs were negatively affected by the lack of futuristic planning.

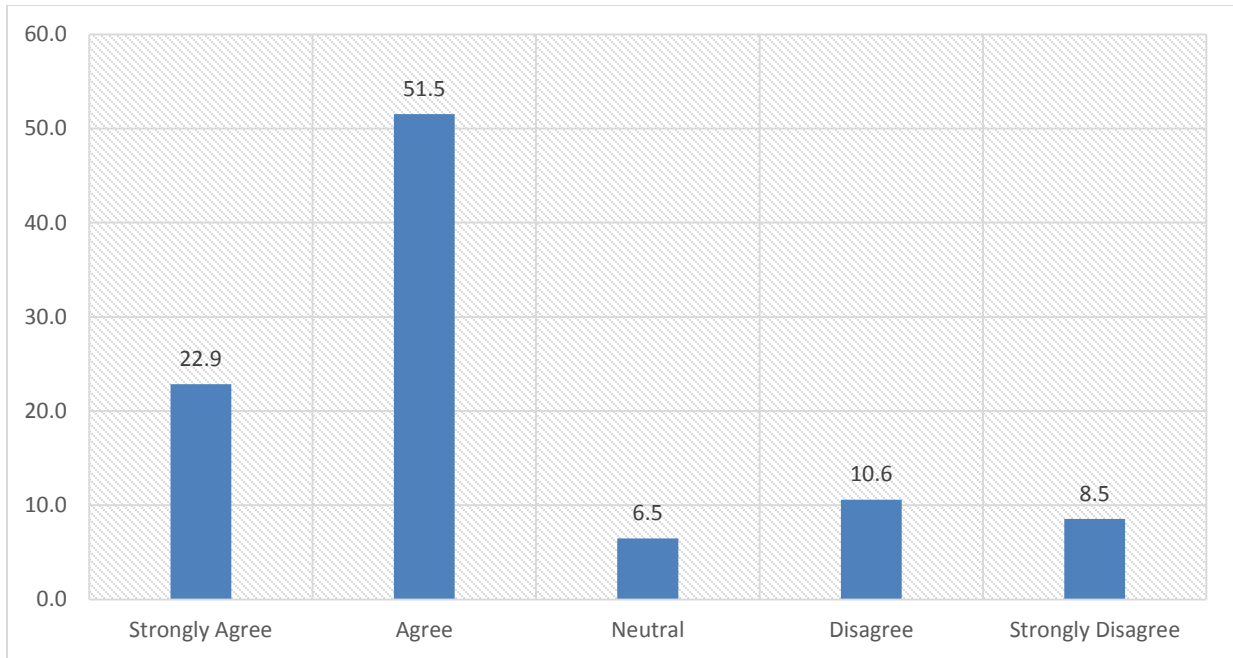


Figure 34: Lack of Futuristic Planning

The findings from the interviews are summarised in Table 18 below.

Lack of futuristic planning is negatively affecting my organization	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - organisational performance was being negatively affected by poor and short-term planning in all the sectors of hospitality and tourism, retail and manufacturing. This was a common problem across the different sectors and no sector was immune to this problem; - SMEs in the services sector were seriously affected by lack of futuristic planning, given the dynamics of service quality in light of the concepts of inseparability, intangibility and heterogeneity of services; - futuristic planning assisted SMEs to keep in line with developments in their business environments making them more profitable and sustainable; and - SMEs that only engaged in short-term planning failed to adjust swiftly

	<p>to changes in the economic environment leading to loss of business and eventual collapse.</p> <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - some SME practitioners accepted that lack of futuristic planning was negatively affecting the performance of their organisations in terms of profitability and sustainability; - some expressed that they had hopped from one line of business to another due to lack of planning with future development in mind; - some entrepreneurs spoke against futuristic planning citing the economic upheaval that occurred in Zimbabwe which led to the abandonment of the Zimbabwe dollar and the adoption of multiple currencies, as proof that planning for the future does not always work; and - they also expressed that futuristic planning was important but one needed to always have a contingency plan to go with it. <p>Employees:</p> <ul style="list-style-type: none"> - employees stated that lack of vision and planning that focused on the future was hindering growth and sustainable profitability in some SMEs; - lack of futuristic plans caused job insecurity and demotivation; and - SMEs were less predictable and unreliable due to the impression that their activities did not last long.
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Table 18: Lack of Futuristic Planning and Negative Organisational Performance

The outcome from the questionnaire was a good sign and a positive signal to all stakeholders As 22.9% strongly agreed while 51.5% agreed that lack of futuristic planning was negatively affecting their organisations. The sooner SMEs realised the problems associated with lack of futuristic planning the better for the proponents of strategic management. Futuristic planning was indeed a major component of strategic management which any organisation could not do without

(Adewale et. al. 2011). The question to ask here was that if businesses were being negatively affected by lack of futuristic planning, why did they tend to shun the full application of strategic management. In the interviews, respondents pointed to lack of the capacity to manage strategically, calling for the introduction of training workshops and seminars by Government and stakeholders. Some commended the efforts by stakeholders in the financial services sector as well as parastatals supporting SMEs towards entrepreneurial skills enhancement. Others felt that more needed to be done to ensure that entrepreneurs were fully equipped with business planning and survival skills. The 8.5% who strongly disagreed, the 10.6% who disagreed and the 6.5% who were neutral needed to be investigated.

5.4.18 Planning and Organisational Performance

On whether the organisation worked better without planning, the in the findings are presented in Figure 35 below.

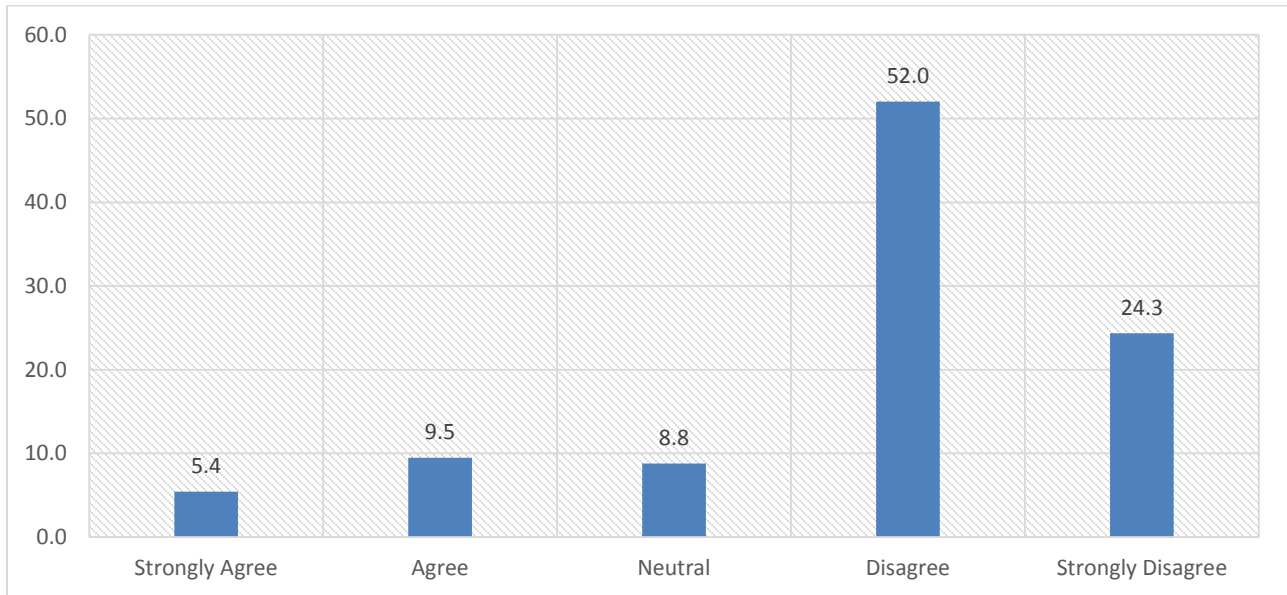


Figure 35: Planning and Organisational Performance

Table 19 below presents a summary of the findings from the interviews on the same statement.

My organization works better without planning.

Key
issues
raised

Key informants:

- stakeholders in the financial services sector emphasised that poor planning led to poor results, reduced productivity and low profitability;
- they also emphasised that they did not offer financial support organisations that did not have well-structured business plans; and
- government representatives emphasised the need for planning and indicated that they supported training and capacity development programmes that encouraged planning in SMEs.

Entrepreneurs:

- one entrepreneur boasted of how the implementation of business planning techniques he learnt during a workshop organised by a stakeholder changed the fortunes of his business for the better;
- almost all entrepreneurs interviewed testified that without proper planning businesses did not yield expected results;
- it was evident that the hyperinflationary conditions that were prevalent in the economy before the introduction of multiple currencies in 2009 had distorted entrepreneurs' perception of futuristic planning. During that period entrepreneurs explained that planning for the future was no longer of any value given the dynamic nature of the economy; and
- almost all entrepreneurs agreed that planning was an essential management function that no serious business practitioner could do without.

Employees:

- employees expressed that poor planning had cost them and their organisations a lot of opportunities;
- lack of planning was seen as the cause of failure and lack of sustainability in SMEs; and
- they expressed generally that no organisation could work better without planning.

Table 19: Planning and Organisational Performance

From the questionnaire survey, 24.3% of the respondents strongly disagreed while 52% disagreed with the statement, translating to the fact that entrepreneurs and managers concurred with the notion that planning was key to business success. It was said that failure to plan would be unpleasant and the respondents in this case overwhelmingly agreed that their organisations would not work well without planning. It was, however, necessary to be wary of the 5.4% who strongly agreed, the 9.5% who agreed and the 8.8% who were neutral. Why would someone say that his or her organisation would work better without planning and why would one be indecisive about such a matter? An entrepreneur from management school could easily disagree with the statement, not necessarily from one’s own experience but due to influences from the dictates of business management training. One who would not have been to school and who could have started the business out of necessity, following needs and conditions in the business’ environment could actually give an honest opinion.

5.4.19 Negative Effects of the Economic Environment on Strategic planning

Figure 36 below presents the response rate to the statement implying that the economic environment made strategic planning difficult.

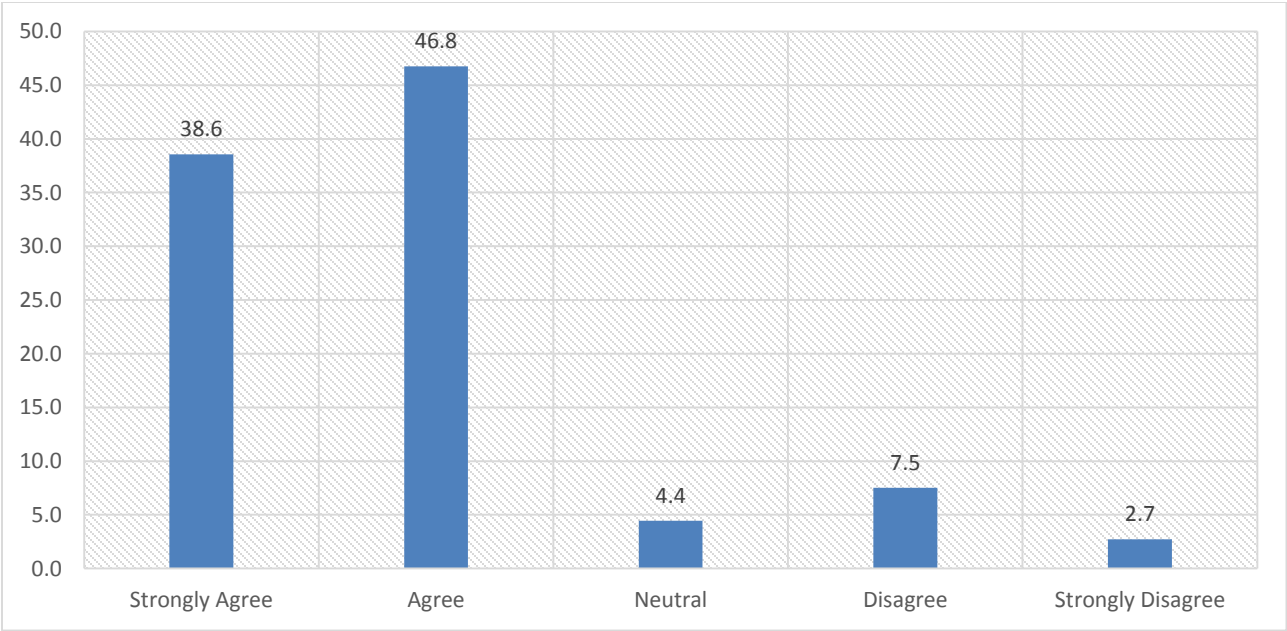


Figure 36: Negative Effects of the Economic Environment on Strategic Planning

The key findings from the interviews are presented in Table 20 below.

The country's economic environment makes strategic planning difficult for my organization	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - a key informant expressed that SMEs in Zimbabwe had no excuse for not adopting strategic management because the economic environment was very conducive; - financial institutions and government representatives concurred that the prevailing economic environment in the country was very conducive for the adoption of strategic management; - factors of the political environment affected business practitioners' perceptions of the economy's stability; - they also added that players in the economy including SMEs were still in the mood and disposition consistent with the hyperinflationary environment which was prevalent prior to the adoption of multiple currencies; and - pricing strategies and the cost of raw materials were judged to be unrealistic considering the international value of the United States dollar used as the currency of reference in the economy. Entrepreneurs: - a significant percentage of entrepreneurs were happy with the economic environment given the stability of the US dollar and its strength compared to other currencies in the region; - some business practitioners appreciated the fact that they could buy goods from neighbouring countries and sell them at a higher price in Zimbabwe where the value of the US dollar was exaggerated; and - SMEs operating in Glenview home industries and Koefmanns-Magaba area were not worried about the talk of a liquidity crisis for two reasons. The first was that a lot of them did not have bank accounts so

	<p>money just circulated around and among them while the other was that they sold their goods for cash, directly to their customers.</p> <p>Employees:</p> <ul style="list-style-type: none"> - employees generally found the economic environment to be conducive for strategic planning.
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Table 20: Negative Effects of the Economic Environment on Strategic Planning - Interviews

In the questionnaire survey, 38.6% strongly agreed while 46.8% agreed with the statement that the country's economic environment makes strategic planning difficult for their organization. On the other hand, 2.7% strongly disagreed, 7.5% disagreed while 4.4% were neutral. The responses were in contrast to the researcher's expectations considering that economic stability arose from the introduction of the multicurrency system in the Zimbabwean economy in 2009. One would have thought that such a response outcome would have been appropriate in the hyperinflationary period before 2009. Interviews, however, seemed to explain the trend as political factors of the country's business environment were often cited. The unpredictable nature of the business environment before and after the July 2013 parliamentary and presidential elections significantly affected responses to this statement.

5.4.20 Leadership Styles and the Adoption of Strategic Management

On whether leadership styles allowed the introduction of strategic management in SMEs the findings presented in Figure 37 resulted.

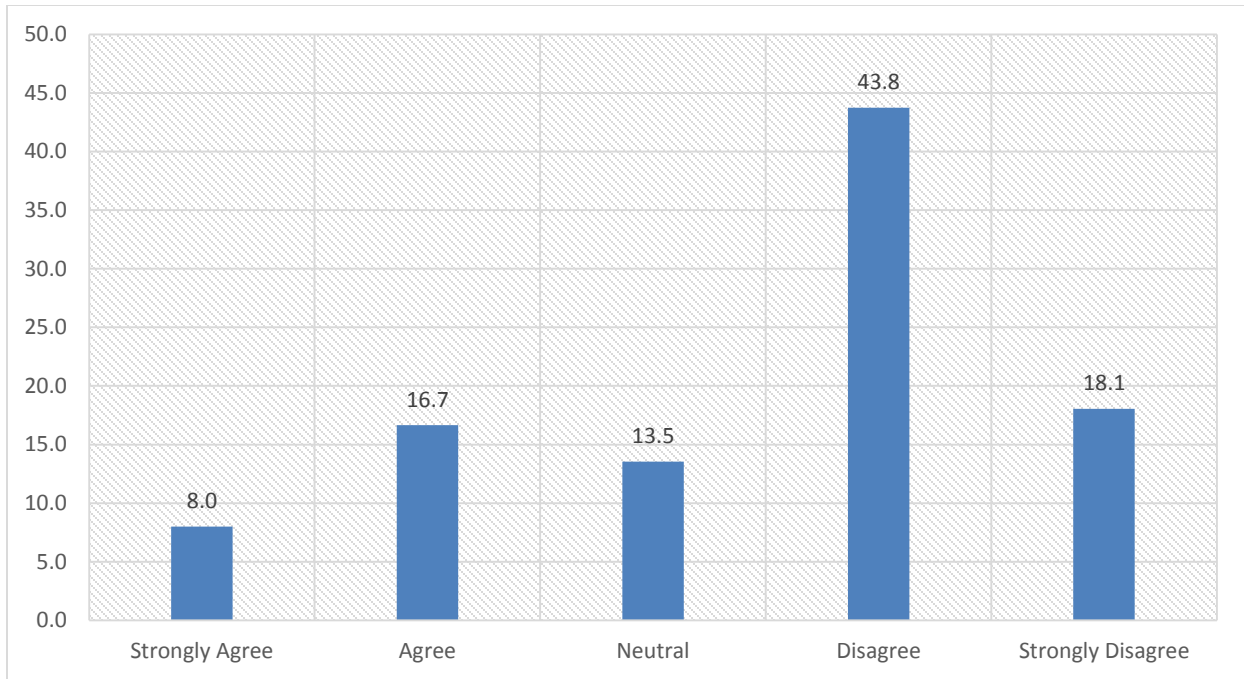


Figure 37: Leadership Styles and the Adoption of Strategic Management

The same question when asked during interviews brought out the following key issues as summarised in Table 21 below.

Leadership styles in my organization allow the introduction of strategic management	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - leadership styles were found to be a serious challenge to the adoption of strategic management; - entrepreneurs were unpredictable and lacking standardisation and logic in their approaches to leadership; - some entrepreneurs exhibited the tendency not to want to let go of some responsibilities and allow the business to operate following business management fundamentals; and - poor delegation and empowerment skills also made entrepreneurs lose focus as they kept themselves busy without allowing themselves time to reflect and assess the way the organisation ran.

	<p>Entrepreneurs:</p> <ul style="list-style-type: none"> - respondents agreed that there was need for leadership training targeting entrepreneurs for them to be able to establish leadership systems that allowed the introduction of strategic management. <p>Employees:</p> <ul style="list-style-type: none"> - respondents concurred that leadership styles applied in SMEs, made the adoption of strategic management close to impossible; - some business owners would involve themselves in everything to do with the business, even the smallest tasks that could easily be done by subordinates; and - the tendency to concentrate all power in the leader made the principles of strategic management difficult to accept.
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Table 21: Leadership Styles and the Adoption of Strategic Management - Interviews

The responses to the statement that leadership styles in the organizations allowed the introduction of strategic management in the questionnaire survey indicated that leadership styles in SMEs, needed more formalisation and review for strategic management to be applicable. On the other hand, 18.1% of the respondents strongly disagreed while 43.8% disagreed with the statement. Leadership styles in SMEs were found to be a cause for concern and this is confirmed by different authors (Willard et al.1992), (Weinzimmer, 1997), (Vesalainen, 1995). In a significant number of businesses, as confirmed during the interviews, leadership styles tended to conflict with the basic principles of business management becoming a serious impediment to the adoption of strategic management. The main offenders were the founding directors who refused to allow the business to develop into an organisation that is divorced from their personal lives. A lot of SMEs also suffered due to the human factor phenomenon (Mararike, 1998), which has the capacity to render any innovative business strategies ineffective. Because entrepreneurs came from diverse backgrounds and cultures, the effectiveness of business strategies differed from one person to another because of this phenomenon. These differences influenced leadership styles, approaches to management and the implementation of business strategies. It is, however, important to note that 8% strongly agreed and 16.7% agreed while 13.5% were neutral. What it

could mean is that there were some SMEs that had leadership styles that could allow the introduction of strategic management without difficulty.

5.4.21 Approaches to Planning

Figure 38 below presents responses to the statement: “Planning in my organisation is done by management without consulting staff”.

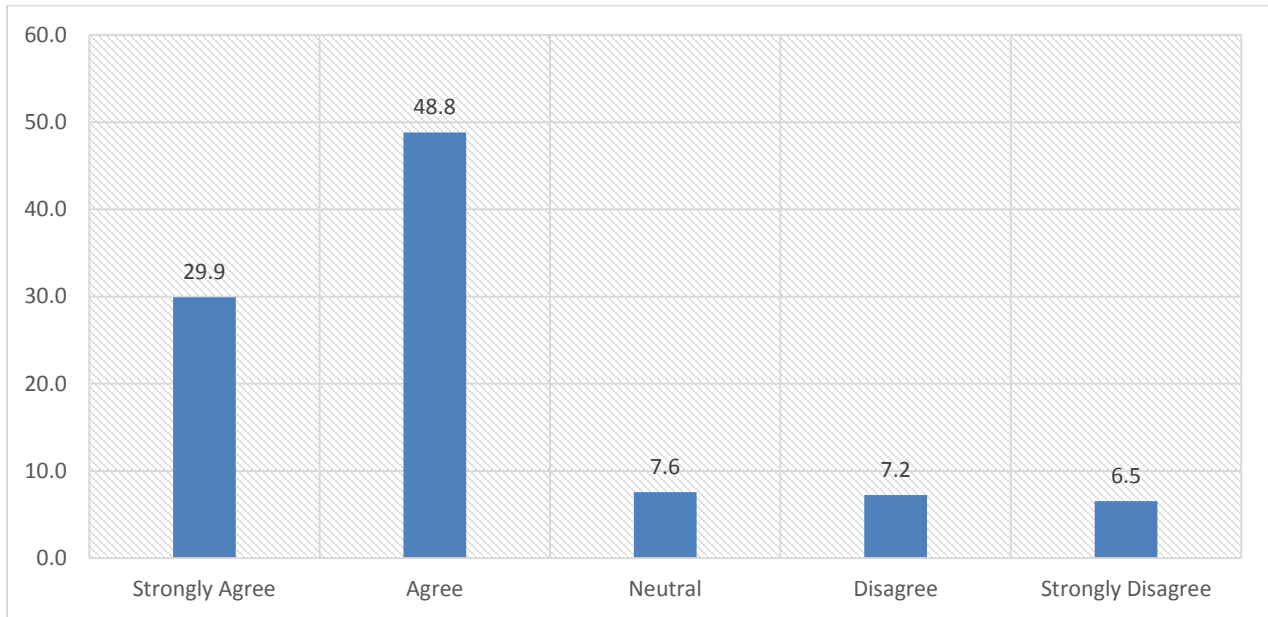


Figure 38: Approaches to Planning

The interviews revealed the following issues as summarised in Table 22 below.

Planning in my organization is done by management without consulting staff	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - respondents expressed that a significant number of entrepreneurs did not value the involvement of their staff in planning; - those who involved and empowered their staff had well-organised management structures while some even practised strategic planning to a certain extent;

	<ul style="list-style-type: none"> - financial institution representatives recommended the need to empower entrepreneurs with team-building and participative management skills to enable them to improve their approaches to business planning; and - lack of consultative and participative planning often led to poor organisational results. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - some entrepreneurs expressed that their plans were not written anywhere but in their minds, boasting of very sharp memories; - one of them was honest enough to say that the best way to safeguard one's plans from copy cats was not to write them down, given employees tended to steal ideas and then establish businesses that competed with those of their former bosses; and - in the greater percentage of entrepreneurs and key informants interviewed, it became evident that the owners of businesses were the ones who did all the planning with little or no involvement or consultation of the subordinates. This often led to continuity and sustainability problems once the owner was absent. <p>Employees:</p> <ul style="list-style-type: none"> - respondents agreed with this statement and explained that planning was the prerogative of the leader and all they did was to follow orders; - employees that were involved in planning processes were more enthusiastic and motivated than those who were not involved; and - employee loyalty was negatively affected because employees felt that they did not belong to the team.
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Table 22: Approaches to Planning - Interviews

This statement is linked to the previous one at Section 5.4.20 in that leadership styles determined planning methodologies and approaches. It was worrying that the majority of respondents, 29.9% strongly agreed and 48.8% agreed with this statement. One of the reasons why strategic plans

were not fully or effectively implemented was because they were dictated and imposed upon employees. Plans that were developed in a participative process tended to be more successful and sustainable compared to those developed using the top-down approach. The interviews also showed that participative planning and general consultation of staff and management was lacking in most SMEs, causing lack of synergy and alignment in the businesses' value chains. This discovery required further research and the reformulation of capacity building programmes to include participative development skills enhancement in entrepreneurs. Though leadership styles were often to blame, lack of knowledge also led to such approaches to management. The 6.5% who strongly disagreed and the 7.2% who agreed as well as the 7.6% who were neutral, could however be quite encouraging as proof that there were some entrepreneurs who engaged in participative planning.

5.4.22 Management of Funds

Figure 39 below presents the response rate to the statement which checked if organisational funds were managed in a systematic manner.

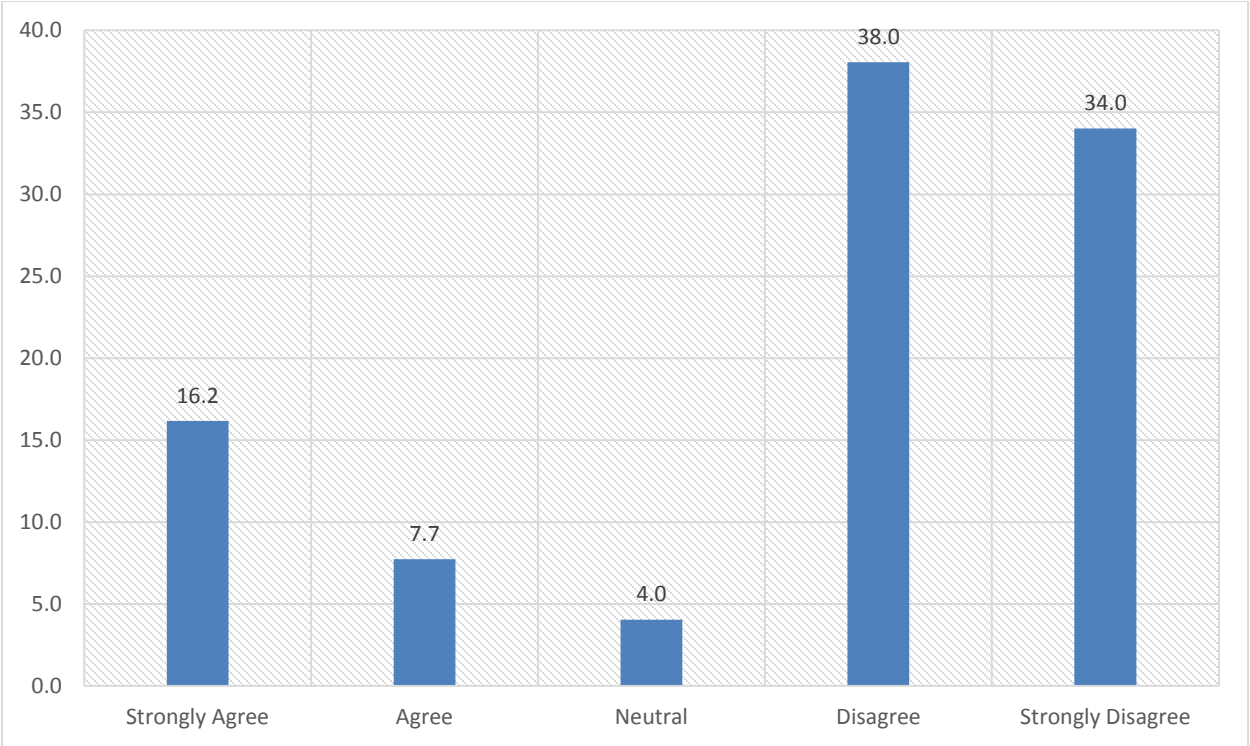


Figure 39: Management of Funds

A synopsis of findings from the interviews is presented in Table 23 below.

In my organisation funds are managed in a systematic manner	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none">- funds were generally managed in a systematic manner by those SMEs that were well structured, with an organisation structure and financial management systems in place;- those without systems in place had a diversity of approaches to the management of funds, from the semi-structured to the totally unstructured;- one aspect common among those without clear financial management policies, was that funds were mainly controlled directly by the owner and accountability was a problem in light of the lack of checks and balances; and- the financing of plans was in most cases based on the decisions and whims of the owner with very little or no consultation of subordinates' views. <p>Entrepreneurs:</p> <ul style="list-style-type: none">- respondents were quick to agree with the statement but upon enquiring what the meaning of “systematic” was, the researcher obtained conflicting views;- an entrepreneur who had no financial management systems or even a policy could still say that funds in the organisation were managed in a systematic manner;- the need for training and capacity development in financial management was mentioned by almost all respondents; and- lack of knowledge of standard approaches to financial management made some entrepreneurs think whatever methods they were using were systematic. <p>Employees:</p>

- | | |
|--|--|
| | <ul style="list-style-type: none"> - respondents generally disagreed with the statement and explained how poor and ineffective financial management systems in their organisations were; - those who had gone for months without receiving their salaries and those who faced problems getting budgets financed, were very bitter about the way funds were handled in their organisations; and - funds were mainly handled by the owner of the business and where an accountant or financial management professional was employed; their role was just to follow orders without asking questions. |
|--|--|

Table 23: Management of Funds - Interviews

In the questionnaire survey, 34% of the respondents disagreed strongly with the statement while 38% disagreed. The management of funds in SMEs could be viewed as a cause for concern given its direct link with leadership styles and how it is influenced by the concept of ‘the human factor’. This has seen great entrepreneurial ventures collapse, once the business is handed over to a new owner after the death of the founder (MacNabb, 1995, Maphosa, 1999). The response rate was quite worrying considering the interdependence between strategic management and effective financial management. The interviews revealed a lot of problems around the management of funds in SMEs. Managers generally agreed that business owners did not follow plans nor respect the principles of financial management. Funds were spent in an illogical manner following personal needs rather than the needs of the business and accountants and finance managers worked under orders from the owner rather than following financial and business management principles. It was, however, quite encouraging to note that 16.2% strongly agreed with the statement and 7.7% agreed. This was evidence that there were some SMEs that respected business management principles.

5.4.23 Adherence to Statutory Requirements

Figure 40 below presents the questionnaire survey results for the statement that sought to establish if SME adhered to statutory requirements.

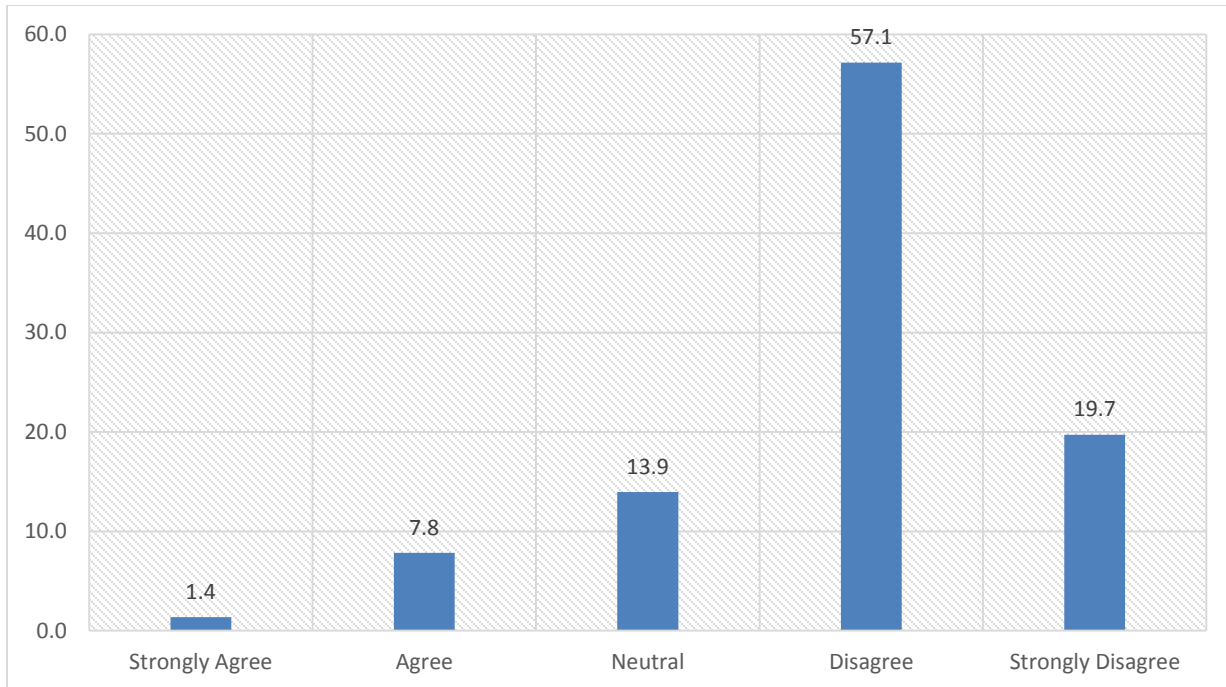


Figure 40: Adherence to Statutory Requirements

Findings from the interviews are summarised in Table 24 below.

My organization adheres to statutory requirements	
Key issues raised	<p>Key Informants:</p> <ul style="list-style-type: none"> - Government representatives and financial institutions recommended the establishment of advocacy and training workshops to educate entrepreneurs on the importance of paying tax and registering their employees with the National Social Security Authority (NSSA). <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - this question was very tricky in that respondents were not free to disclose the exact situation on the ground given that non-adherence to statutory requirements was against the law; - respondents were very careful and at times reluctant to give information for fear of negative consequences; and - upon explaining that the research was not a trap, interviewees would

	<p>explain in confidence that it was painful for them to just give away hard earned money to Government while the business was struggling.</p> <p>Employees:</p> <ul style="list-style-type: none"> - respondents cited lack of political will and the tendency to shun business management principles as the major causes of non-adherence among SMEs. - they bemoaned the failure by NSSA and ZIMRA to effectively enforce adherence in the SMEs sector; and - they expressed that SMEs had the capacity to adhere if they wanted but founding directors tended to prefer dodging the law.
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Table 24: Adherence to Statutory Requirements - Interviews

In the questionnaire survey, 19.7% of the respondents strongly disagreed while 57.1% disagreed with the statement that their organization adhered to statutory requirements and this was indeed a bad indicator. It may be necessary to further investigate the 13.9% who were neutral, given that this could mean that some SMEs complied with certain statutory obligations while ignoring some or that there could have been certain practices requiring review. On the contrary, 1.4% strongly agreed and 7.8% agreed with the statement. The adherence to statutory requirements was an indicator that the business was being run legally and in a professional manner. Strategic management is about professionalism and adherence to the rules of the environment. The response pattern showed the effects of failure to embrace strategic management principles. According to key informants, it was in the interest of Government and other stakeholders to encourage the adoption of strategic management in SMEs given that this would introduce fair play and respect for the law. The response pattern showed that the Zimbabwean Government was losing a lot of potential revenue as SMEs failed to fully respect statutory requirements.

5.4.24 Employee Contracts

Figure 41 presents the questionnaire survey outcome with respect to the question whether employees in SMEs had structured contracts.

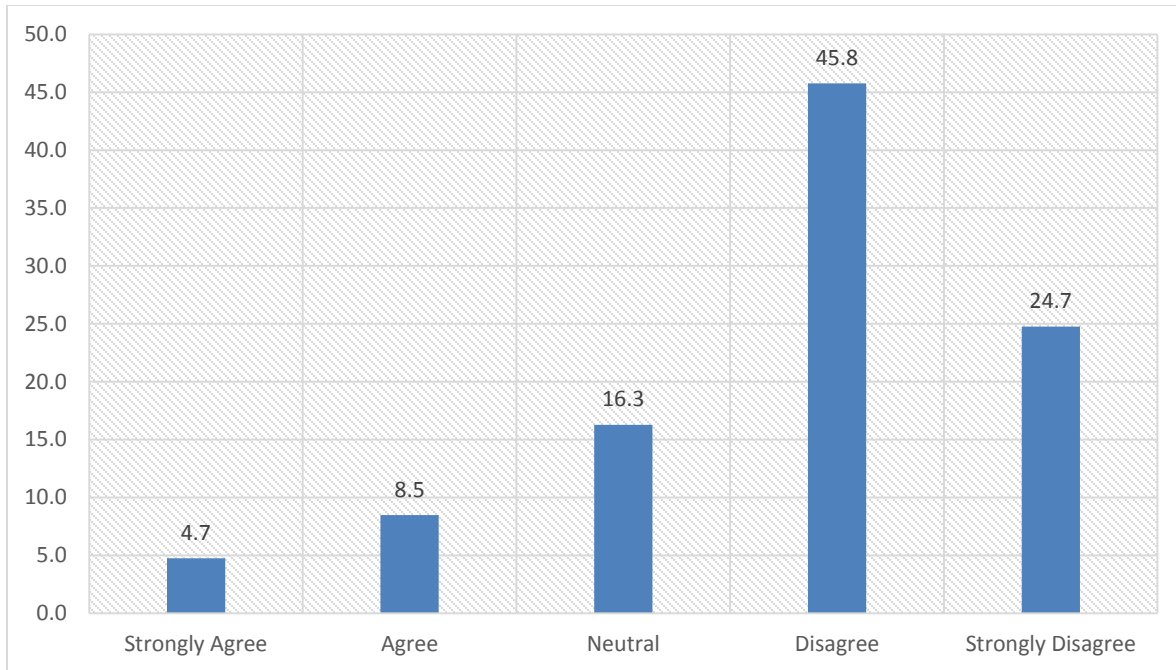


Figure 41: Employee Contracts

Table 25 below presents a summary of the outcomes of the interviews.

Employees in my organization have structured contracts	
Key issues raised	<p>Key informants:</p> <ul style="list-style-type: none"> - human resources management in SMEs was viewed as a serious cause for concern considering the lack of structure and logic in these businesses; - financial institutions and other key informants explained that some SMEs had employees with no fixed contracts or any form of agreement in some cases; and - respondents emphasised the need for human resources management capacity development for practising entrepreneurs to make SMEs more effective. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - entrepreneurs in some cases explained that contracts were dangerous to

	<p>work with, so a simple agreement worked better;</p> <ul style="list-style-type: none"> - due to the lack of well-structured contracts, employees were not well remunerated and in some cases some would get erratic payments only when the owner felt like doing so; - entrepreneurs chronicled a wide range of labour-related problems which they blamed on the employees’ lack of appreciation while in actual fact a contract of employment would have been the best solution; and - from one entrepreneur: “I brought someone from the rural areas, and taught him how to live in town giving him everything including my own clothes, only for him to turn against me and start to demand a salary. What of everything I did for him? These people are ungrateful”. <p>Employees:</p> <ul style="list-style-type: none"> - a sizeable number of SMEs employed friends and relatives and therefore no formal contracts were involved; - the lack of contracts led to a wide range of human resources management problems; - verbal contracts were vague and confusing to the employees; - some entrepreneurs were not willing to offer structured contracts and were evasive each time employees asked; and - job security, motivation and the sense of belonging to the organisations were non-existent in SMEs that did not offer structured contracts to employees.
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Table 25: Employee Contracts - Interviews

The orientation and effectiveness of the internal systems of the organisation determine its ability to face the challenges of the environment around it. The response pattern to this statement showed that 24.7% of the respondents strongly disagreed while 45.8% disagreed that employees in their organizations had structured contracts . With regards to the other respondents, 16.3% were neutral, 4.7% strongly agreed and the 8.5% agreed.. In the interviews, respondents stated that lack of structured contracts was known to cause demotivation, lack of commitment and a myriad of human resources management problems. An organisation is made up of the people in

it and the more organised and logical their relationship with the organisation is, the more stable the organisation is bound to be. The picture painted here showed that strategic management was generally difficult to introduce in the SMEs studied, given most employees did not have a sense of belonging or job security due to the nature of contracts they operated under. Interviews revealed that some employees were under verbal and informal contracts and that they could be fired any time. Some ‘employees’ would just be following the business owner with no definite salary or benefits, but hoping that something could just be thrown at them at some point. Some just got a meal or a place to spend the day or just the benefit of riding a car amongst other strange benefits.

5.4.25 Management Systems and Strategic Management

Figure 42 below presents the findings regarding to the statement which stated that management systems in the organisation made the introduction of strategic management difficult.

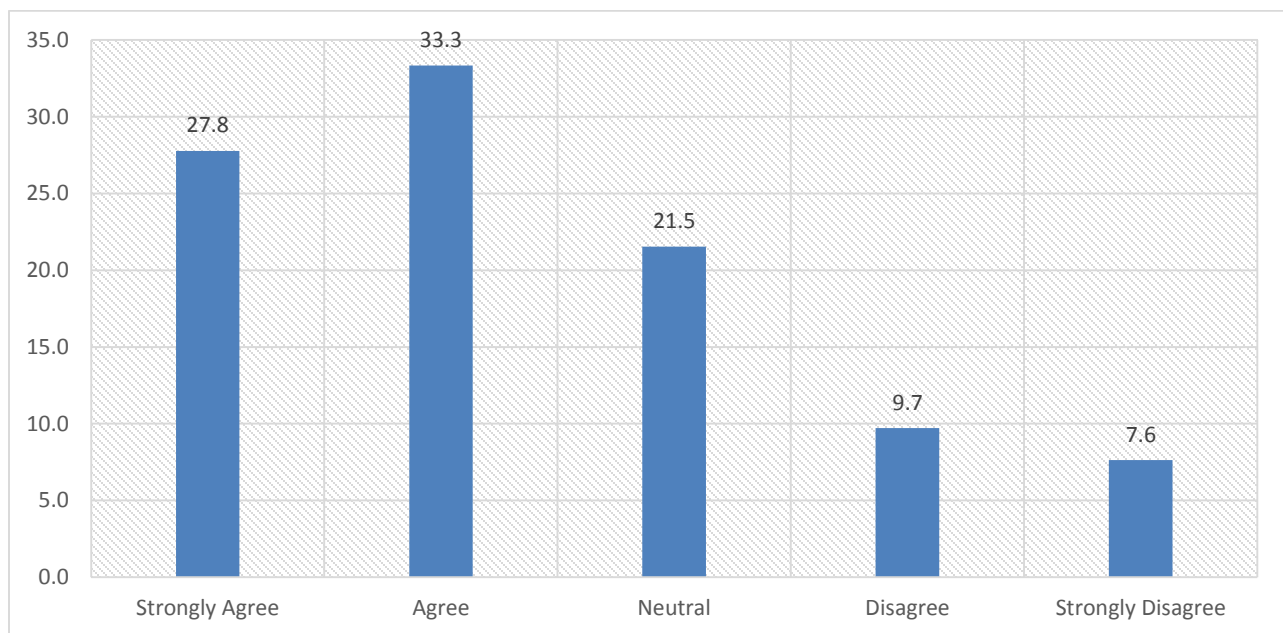


Figure 42: Management Systems and Strategic Management

The majority of respondents were positive that management systems in their organisations made the introduction of strategic management difficult. As seen with 27.8% of the respondents who strongly agreed, with 33.3% agreeing. A significant number of respondents, 21.5%, were neutral,

while merely 9.7% disagreed and 7.6% strongly disagreed. The responses were consistent with the back to back question in Section 5.4.14 on page 92 and the one on leadership styles in Section 5.4.20 on page 106. Assessing response patterns to these questions showed that management styles and leadership styles were significant impediments to the introduction of strategic management in SMEs. In the interviews, leadership development and management capacity building programmes run by stakeholders such as SEDCO, EMPRETEC Zimbabwe, and SMEAZ were considered to be inadequate and sometimes selective, targeting the educated and leaving out the entrepreneur who never went to school. Some respondents called for the development of training programmes that were delivered in vernacular languages such as Shona and Ndebele so as not to shut out the not so educated entrepreneurs.

5.4.26 Existence of Organisational Mission

The response rate to the statement that sought to establish if the organisation had a clear mission statement to guide it is presented in Figure 43 below.

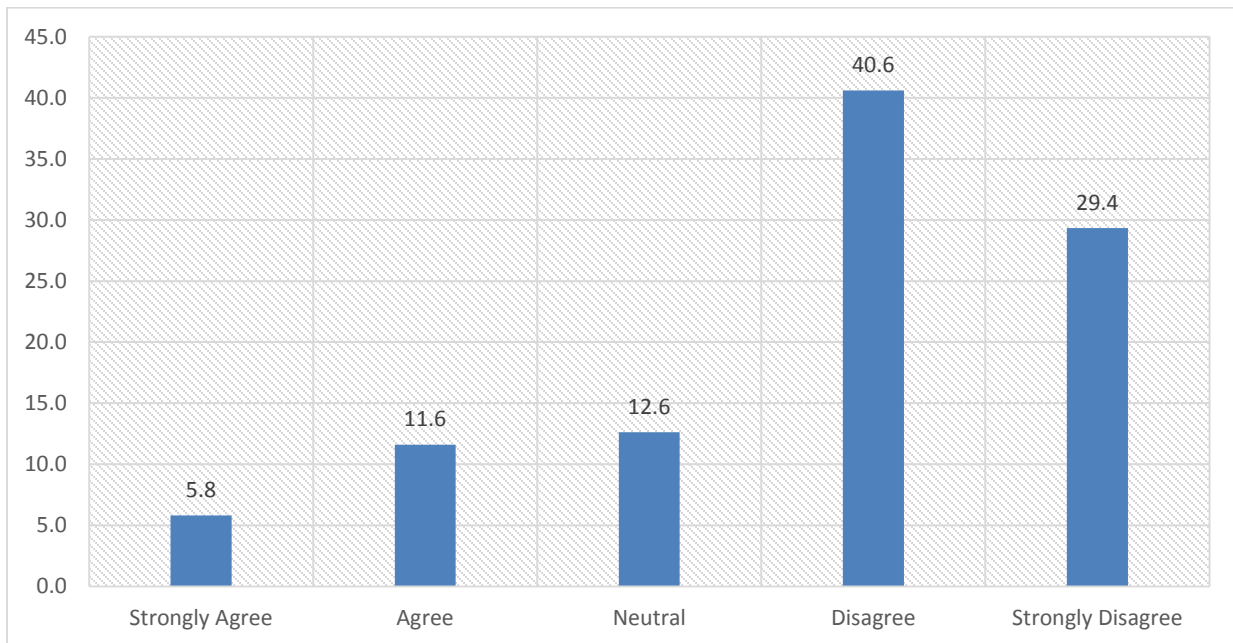


Figure 43: Existence of Organisational Mission

Without a vision and mission, it is difficult for the organisation to strategically plan for the future. Strategic management prescribes the need to establish a vision and mission and the crafting of strategies towards the desired future status of the organisation (Thompson, 2001),

(Thompson and Strickland, 2007) (Wheelen and Hunger, 2002). From Figure 43, 29.4% of the respondents strongly disagreed with the statement and 40.6% disagreed which was an indicator that these had no clear mission statement that guided them. With regards to the remaining respondents, 12.6% were neutral and 5,8% strongly agreed and 11.6% agreed. The interviews also confirmed the lack of appreciation of the need for a mission and a vision. Stakeholders that supported SMEs revealed that where business plans were requested from those applying for loans, mission statements tended to be included in the plan. The problem was that once the loan was secured in some cases, entrepreneurs abandoned the business plans completely and started doing different things all together. Due to the failure to establish business plans, some entrepreneurs tended to engage in expensive ventures that had nothing to do with the plans that enabled them to secure the loans. Activities such as purchasing expensive cars, marrying more wives, going on holidays with girlfriends or launching other businesses that are different from the ones in the business plans were found to be common among entrepreneurs.

5.4.27 Engagement in long term planning

Respondents were also asked if their organisations engaged in long term planning and the response rate is presented in Figure 44 below.

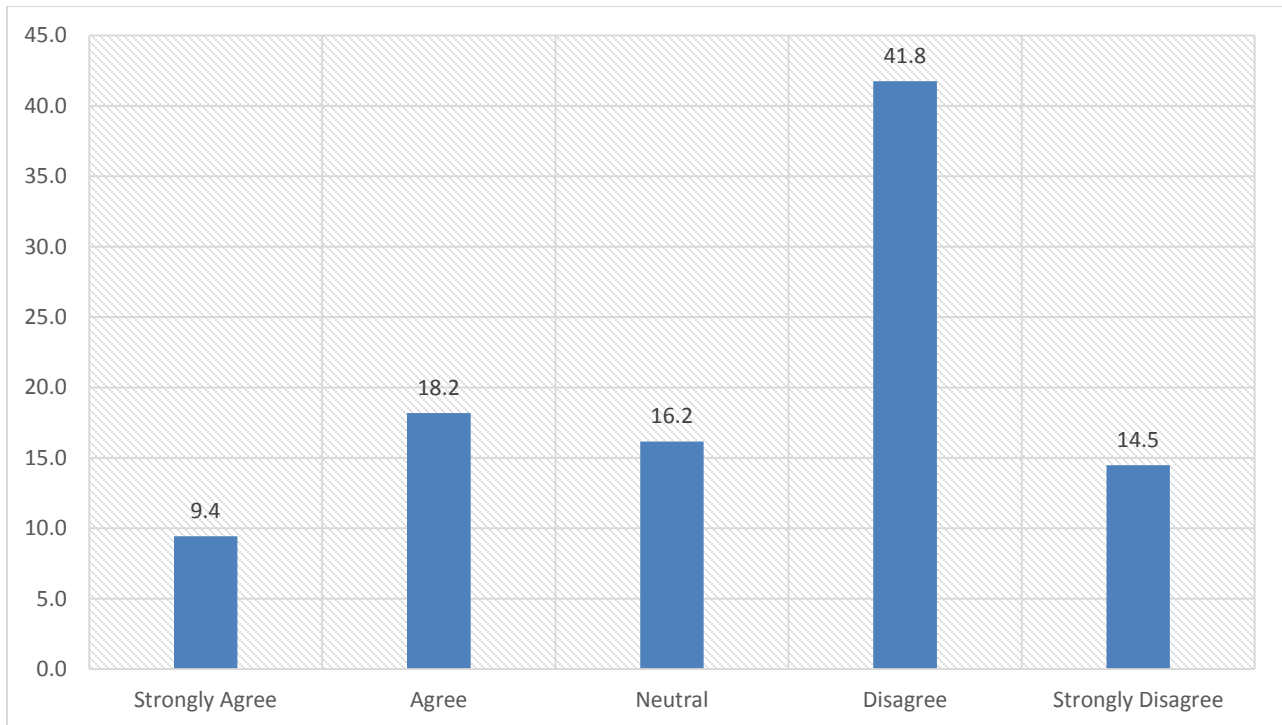


Figure 44: Engagement in long term planning

The responses above showed that the majority of SMEs did not engage in long-term planning which is a component of strategic management and this is justified by the 14.5% respondents who strongly disagreed and 41.8% who disagreed with the statement. On the contrary, 9.4% strongly agreed and 18.2% agreed while 16.2% were neutral. In the interviews it was clear that short-term planning and in some cases working without a plan was a common practice in SMEs.

5.4.28 Use of short term planning

On whether the organisation used only short term planning the outcome is presented in Figure 45 below.

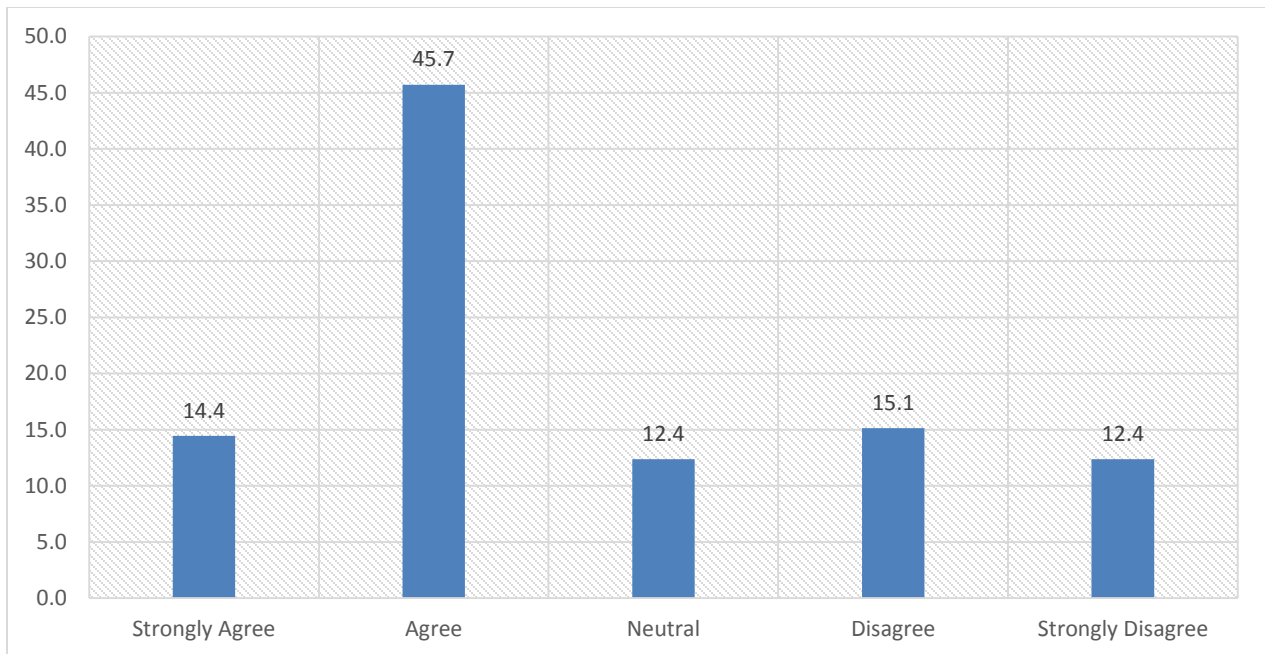


Figure 45: Use of short term planning

From the analysis above, 14.4% of the respondents strongly agreed and 45.7% agreed totalling 60.1% of respondents whose organisations used short-term planning. On the other hand, 12.4% were neutral while 15.1% disagreed and 12.4% strongly disagreed. This pattern of responses showed that strategic management, which advocates for the use of short term and long-term planning following a framework spanning over a period of between 5-10 years (Thompson et al, 2007), was still a challenge to these businesses.

5.4.29 Financial Management by the owner of the business

In response to the statement which sought to establish whether financial management was done by the owner of the business, the response outcome is presented in Figure 46 below.

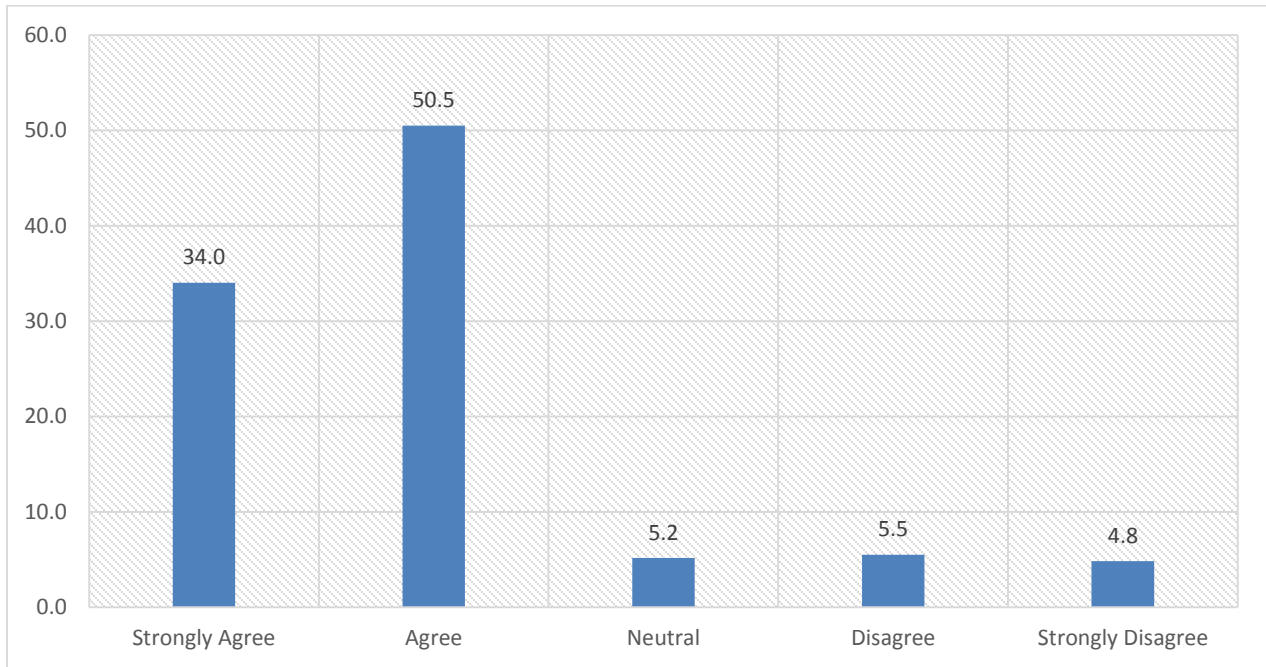


Figure 46: Financial Management by the owner of the business

Responses to this statement were consistent with those to the one in Section 5.4.22 on page 110, which looked at whether funds were managed in a systematic manner; 34% of the respondents strongly agreed and 50.5% agreed with this statement, whereas 5.2% were neutral, while 5.5% disagreed and 4.8% strongly disagreed. There was a tendency that when funds were managed by the owner of the business, his or her whims superseded the actual needs of the business. As confirmed in the interviews, some entrepreneurs lived very lavish lifestyles while the business went down the drain. Entrepreneurs who could pay salaries for months were surprisingly seen buying new cars and leading luxurious lives.

5.4.30 Respect for Plans and Blue Prints

Figure 47 presents the findings on the statement that sought to check whether SMEs respected and followed their own plans as expected.

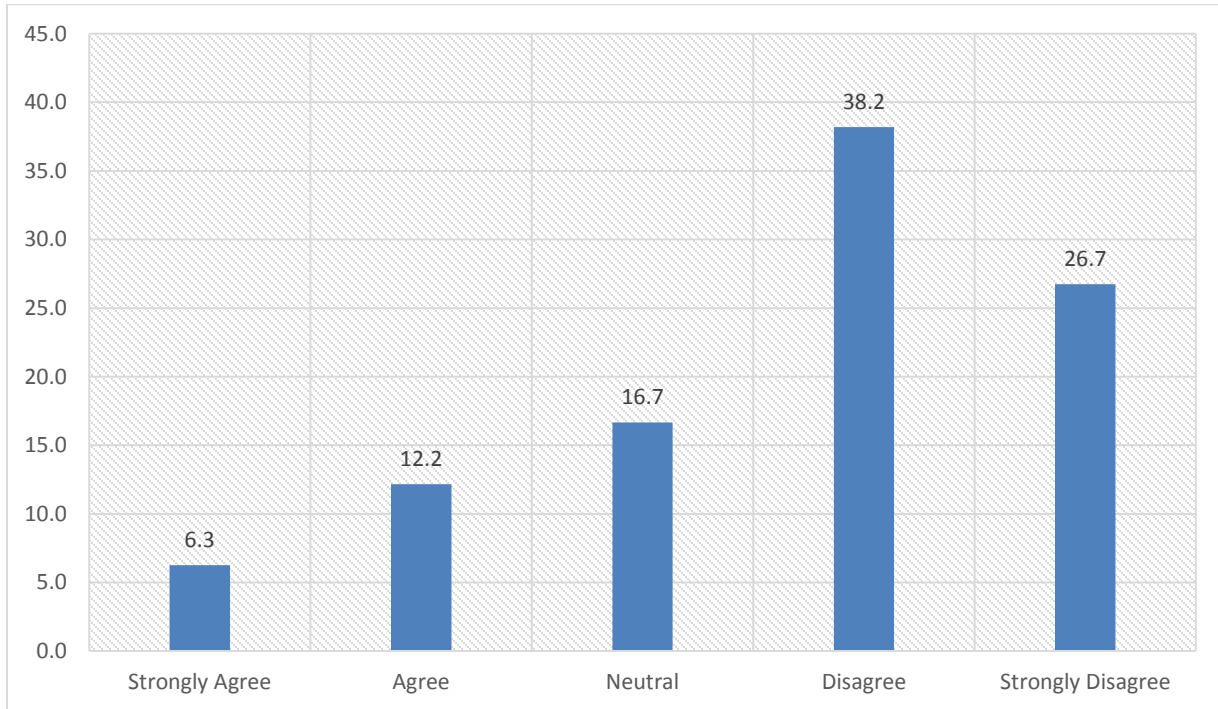


Figure 47: Respect for Plans and Blue Prints

The findings from the interviews are summarised in Table 26 below.

My organization respects and follows its plans as expected	
Key issues raised	<p>Key Informants:</p> <ul style="list-style-type: none"> - entrepreneurs submitted plans and blue prints to financial institutions to support their loan applications. These plans in some cases were however discarded the moment funds were released into the SME's bank account; - entrepreneurs tended to outsource the development of business plans and blueprints resulting in well-structured documents, which the owners of the businesses did not understand; and

	<ul style="list-style-type: none"> - some business owners were not clear about where the business was going and yet such information would be articulated in the business plan they would have handed to the researcher at the beginning of the interview. <p>Entrepreneurs:</p> <ul style="list-style-type: none"> - entrepreneurs expressed that plans were difficult to follow in view of the ever changing business environment; - they also added that in some cases they just followed what the situation demanded rather than following the original plan; and - the economic environment often hindered the implementation of plans and therefore causing unanticipated shifts. <p>Employees:</p> <ul style="list-style-type: none"> - employees indicated that the shifts in organisational direction and the failure to respect plans often led the owners into making disastrous decisions which ended up harming the business; - respondents expressed that management styles made it difficult for their organisations to follow plans they would have agreed upon; - lack of employee involvement and motivation made adherence to set plans difficult; and - business owners lacked the capacity and political will to respect plans and blue prints due to conflicting interests.
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Table 26: Respect for Plans and Blue Prints - Interviews

From the questionnaire survey, 26.7% of the respondents strongly disagreed and 38.2% disagreed. 16.7 were neutral and 12.2 % agreed while 6.3% strongly agreed. In the interviews a number of respondents indicated that though some form of planning was sometimes done in their organisations, the major challenge was on implementation and the ability to respect and follow agreed plans. Respondents explained that business owners tended to emphasise the need to make

profit at all costs without thinking of the plans initially agreed. In some businesses, it led to short-term profits which were not sustainable, while in some it led to complete loss of direction.

5.5 Conclusion

In this chapter the findings of the research were presented and reviewed against best practices in strategic management. The data revealed the range of challenges faced by SMEs in their efforts to incorporate strategic management in their businesses. Findings from the respondents were found to be consistent with findings from other studies of a similar nature and the key issues identified by other researchers in extant studies also emerged from this study. The findings presented in this chapter form a foundation for the content of chapter six (6) which focuses on data analysis and discussion.

CHAPTER 6

ANALYSIS AND DISCUSSION

6.1 Introduction

Using the social statistical package for social sciences and content analysis, the findings of the research were analysed quantitatively and qualitatively. Reference was made to the Chameleon Survival Strategy' model postulated by the researcher leading to discussion regarding the dynamics of strategic management in the respondents' professional lives. In this chapter, data analysis outcomes as well as the relevant discussion are presented with the objective of finding answers to the research questions. By assessing the extent to which SMEs adopt the model, the researcher was able to isolate the range of challenges that hinder these organisations from embracing strategic management in their value chains.

6.2 Reliability of the research questionnaire

The questionnaire used in this research was subjected to a reliability test using the Cronbach's Alpha scale and Table 27 on the next page presents the outcome. Reliability analysis using this scale enables the researcher to establish the extent to which a scale produces consistent results if the measurements are replicated in the same population (Cronbach, 1951). Cronbach's Alpha is a statistic used to determine the internal consistency in a set of variables. It increases as the inter-correlations among the items included in the analysis increase. Where there is a high value of alpha the conclusion is that the variables in question measure an underlying or latent construct. The Cronbach's Alpha score ranges between 0 and 1. A reliability coefficient of 0.70 and above is considered acceptable in research (Nunnally, 1978).

In this study, the overall Cronbach's alpha score was found to be 0.918 as presented in Table 27, which meant that the research instrument was quite reliable and acceptable. This meant that chances of another researcher obtaining results close to the findings of this study using the same instrument in the same population were quite high, thus guaranteeing the replicability of the research.

Cronbach's Alpha	No. of Items
.918	37

Table 27: Reliability Analysis

6.3 Data analysis strategy

The quantitative data presented below were analysed with cross reference to the content of the qualitative data obtained during the interviews. In cases where there was inconsistency and discrepancies, a comparative analysis was carried out to explain response patterns. The concurrent analysis of quantitative and qualitative data allowed the researcher to establish a richer picture of the situations that SMEs found themselves in as they put in place efforts to fully embrace strategic management.

6.3.1 Review of findings against best practice

The descriptive statistics from the study were subjected to in-depth analyses following the key components of the chameleon survival strategy model. The objective of this analysis was to establish from the response patterns, the extent to which SMEs in the sample were consistent with the chosen best practices in strategic management as exhibited in the ‘Chameleon Survival Strategy Model’ on page 40. Making reference to characteristics of the chameleon and the relevant strategic management best practices, responses to corresponding clusters of questions were reviewed. The model prioritises seven characteristics of the chameleon and the relevant strategic management best practices. The questions in the instrument used were classified under the different characteristics and response patterns were analysed and reviewed against best practices.

To enable the calculation of the Chameleon Survival Strategy Index on the basis of the response rates, all variables were normalised on the 5-point Likert scale. The different clusters of variables and the findings are presented on a scale ranging from 1 to 5; the least representing “Strongly Disagree”, and the highest representing “Strongly Agree”. Back-to-back questions focusing on the same variable were merged in the normalisation process.

6.4 Review of data in light of the Chameleon Survival Strategy Model

6.4.1 Constant multi-pronged monitoring of the environment

Table 28 below presents the first attribute of the chameleon against which SMEs were studied with the objective of checking their compliance with the model.

The Chameleon's Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
1. Eyes that can revolve around independently of each other monitoring and studying the environment.	Constant multi-pronged monitoring of the environment: This enables the enterprise to adjust to the requirements of the operating environment but focusing on its needs. Environmental monitoring should not only focus on one aspect at a time but should be multi-pronged to ensure effectiveness of response mechanisms and adjustments.

Table 28: Attribute 1 - Constant multi-pronged monitoring of the environment

The response pattern to questions that were classified under the first attribute of the chameleon are presented in Figure 48 below.

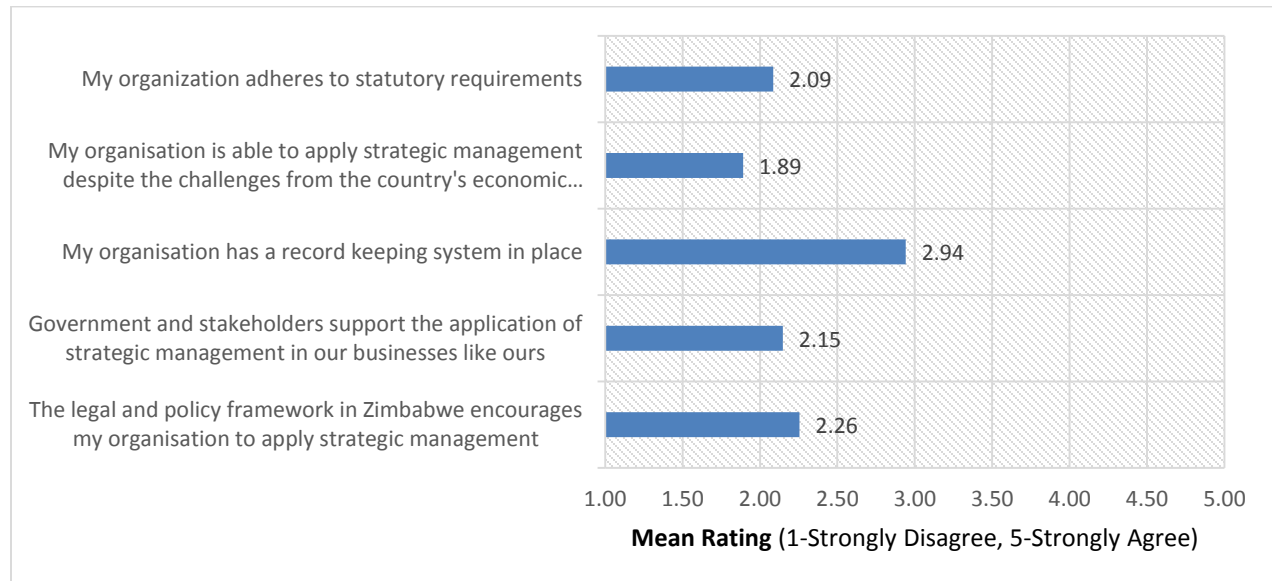


Figure 48: Constant multi-pronged monitoring of the environment

Responses to the set of questions in this cluster showed that SMEs needed to develop the ability to monitor and evaluate the environment around them to enable them to adjust according to prevailing conditions. This could only be achieved effectively if the organisation had a record

keeping system, which stores internal and external information, which is then used during strategic planning. Responses to the question regarding the legal and policy framework showed that entrepreneurs felt that it did not encourage the application of strategic management. This however needed careful consideration in light of outcomes from the interviews held with stakeholders and indicators from their document review process carried out by the researcher. The general conclusion put forward by the researcher from information obtained from key informants directly and indirectly supporting SMEs was that the legal and policy framework in Zimbabwe encouraged the application of strategic management. The main problem was that the majority of SMEs operated informally and never attempted to educate themselves on statutory requirements and the regulations put in place by Government and stakeholders. For a number of Entrepreneurs interviewed the only time they tried to adhere to statutory requirements and other legal and policy matters was when applying for a loan or submitting tender documents to Government and parastatals. Apart from that, SMEs generally operated as far away as possible from legal and policy guidelines. It was also important to note that stakeholders supporting SMEs as well as government agencies could also be to blame for the ignorance and low adherence to legal and policy frameworks among SMEs. The question to ask is whether SMEs participated in any way in the formulation and review of these policies and guidelines. Were the stakeholders doing enough lobbying and advocacy work to sensitize SMEs on these issues? Further research would help answer these questions effectively.

6.4.2 Use of unique attributes and competences to gain competitive advantage

Through the use of unique attributes and competences, SMEs just as the chameleon does could easily gain competitive advantage over other players in their environment as the extract from the model in Table 29 below presents.

The Chameleon’s Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
2. Projectile, ballistic and sticky tongue to catch prey	Use of unique attributes and competences to gain competitive advantage: The SME needs to be able to use the tools and skills at its disposal to gain and enhance competitive advantage in its environment. Focus should be on maximising the use of those unique competences and abilities the business has, which competitors lack and take full advantage.

Table 29: Attribute 2 - Use of unique attributes to gain competitive advantage

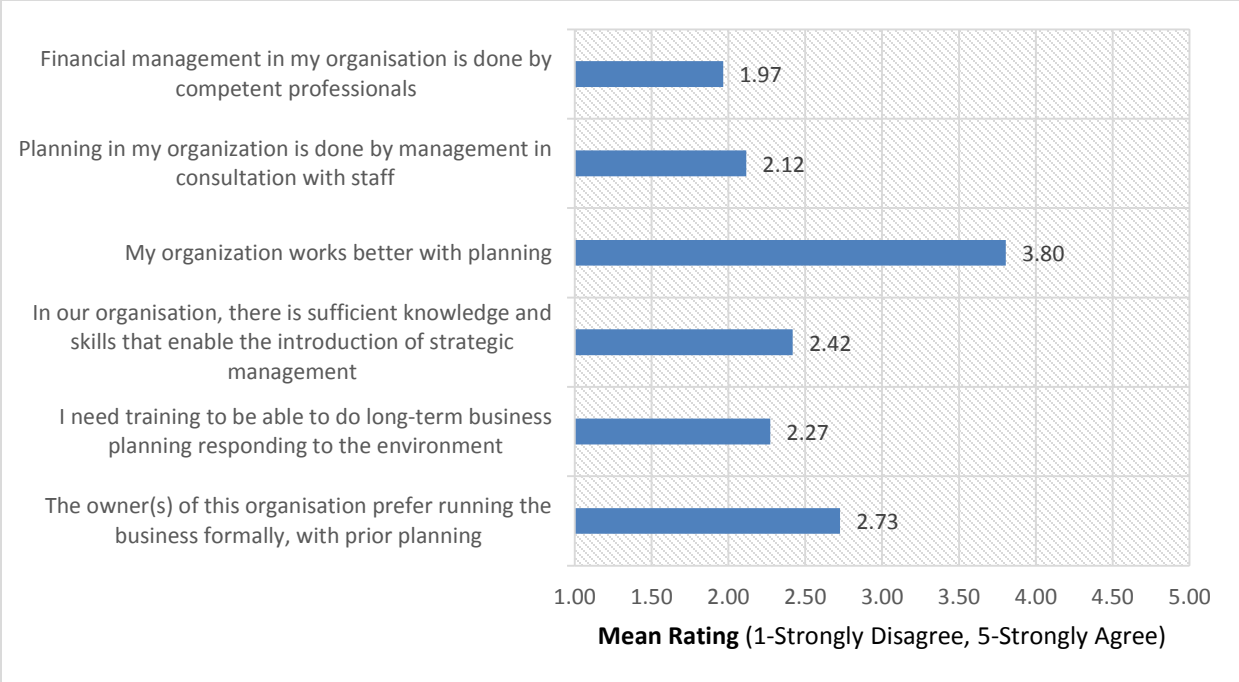


Figure 49: Use of unique attributes and competences to gain competitive advantage

Through the effective use of unique resources and competences at one’s disposal, which others do not have, a business can enhance its competitive advantage as does the chameleon. The questions listed here sought to establish the extent to which SMEs take advantage of and make use of this valuable art, for the purposes of value addition and strategic positioning. This would definitely not be possible if all planning is done by management without involving staff and if one believes that their business works better informally rather than formally as evidenced by the response pattern presented in Figure 49 above. It is encouraging to note that the majority of respondents disagree with the statement that their organisations work better without planning. Even in the interviews, respondents were very keen to learn how to plan and how to manage their businesses in a structured manner. There were however some who thought planning was not necessary given that they had run for years without it and had not encountered any challenges. The response pattern pointed to the need for stakeholders to support SMEs through training and capacity building to ensure that they made full use of the resources and competences they possessed. In some cases during the interviews respondents showed a lack of the ability to identify talent among their staff and to use it to the business’ advantage. A number would complain of workers having stolen their ideas and formed competing businesses close to them while some complained of pilferage and lack of commitment among staff. Capacity building on

approaches to the identification, nurturing and development of talent among entrepreneurs, would help them significantly. The chameleon knows the unique competences and skills it has and it takes full advantage of them to ensure its survival and strategic positioning in its environment. SMEs also need this ability if they are to survive in their environments.

6.6 Consolidation of position in the market

For a business to survive in a competitive environment it needs to be able to consolidate its position in its area of operation. It needs to have a firm grip on its clientele who are its means of survival. The SME could learn from the chameleon’s well adapted feet which ensure that it always has a firm grip on the branches as it navigates its way among the branches of a tree. As presented in Table 30 below, SMEs can establish a firm and unshakeable grip in their areas of specialisation if they learn to adapt in accordance with the factors of their operating environment.

The Chameleon’s Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
Specially designed feet with a human-like grasp.	Consolidation of position in the market: For the purposes of survival and building a viable customer base, the SME needs to consolidate its position effectively each time it makes a move. It needs to establish a firm and unshakeable grip in its area of specialisation to deal with challenges of vulnerability and loss of focus.

Table 30: Attribute 3 - Consolidation of position in the market

Figure 50 presents questions that reveal the extent to which SMEs were able to mimic the chameleon.

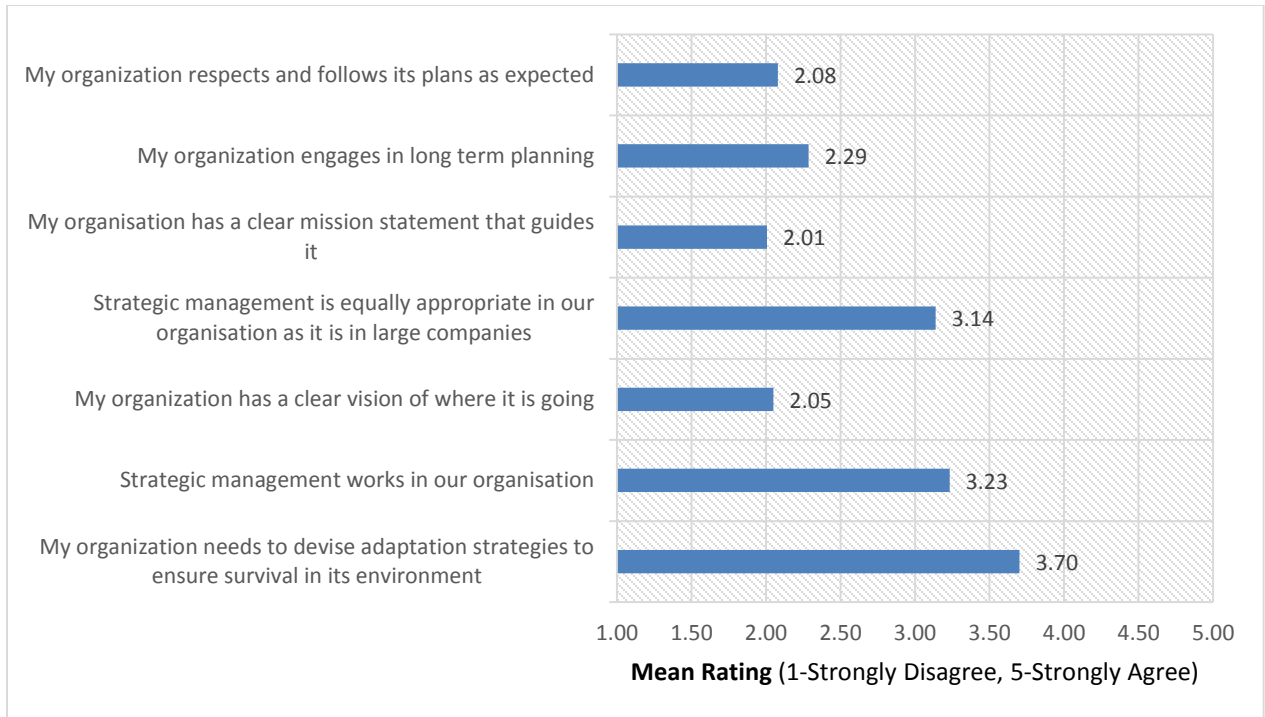


Figure 50: Consolidation of position in the market

Through the adoption of strategic management, SMEs can be able to stamp some kind of authority in their environment in their small ways, consolidating their position in the market. This can only be possible if entrepreneurs believe that strategic management is not only for large corporates but very necessary in SMEs. Responses to questions in this category paint a picture of the respondents' perception regarding the effectiveness of strategic management in small businesses. Long term planning is shunned by some whose priority is to make quick and easy cash without any regard for quality and sustainable customer service. Like the chameleon, SMEs need to apply strategic management so as to establish a firm grip in their trade and to be able to perfect their acts and thus win a sustainable component of market share. Without strategic positioning, this would not be possible.

6.7 Standardisation and stability of operations

Table 31 below presents another aspect of the chameleon survival strategy model that SMEs need to consider.

The Chameleon's Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
<p>Long prehensile tail for stability: The tail of the chameleon acts as the fifth limb, which helps enhance stability as it manoeuvres among the branches of trees in search for its prey (Le Berre and Bartlett, 2009).</p>	<p>Standardisation and stability of operations: Every successful business needs to be stable and capable of offering standardised products and services. Such attributes help the business establish its identity in the market.</p>

Table 31: Attribute 4 - Standardisation and stability of operations

Figure 51 below presents the set of questions which sought to find out whether SMEs have standardised and stable operations.

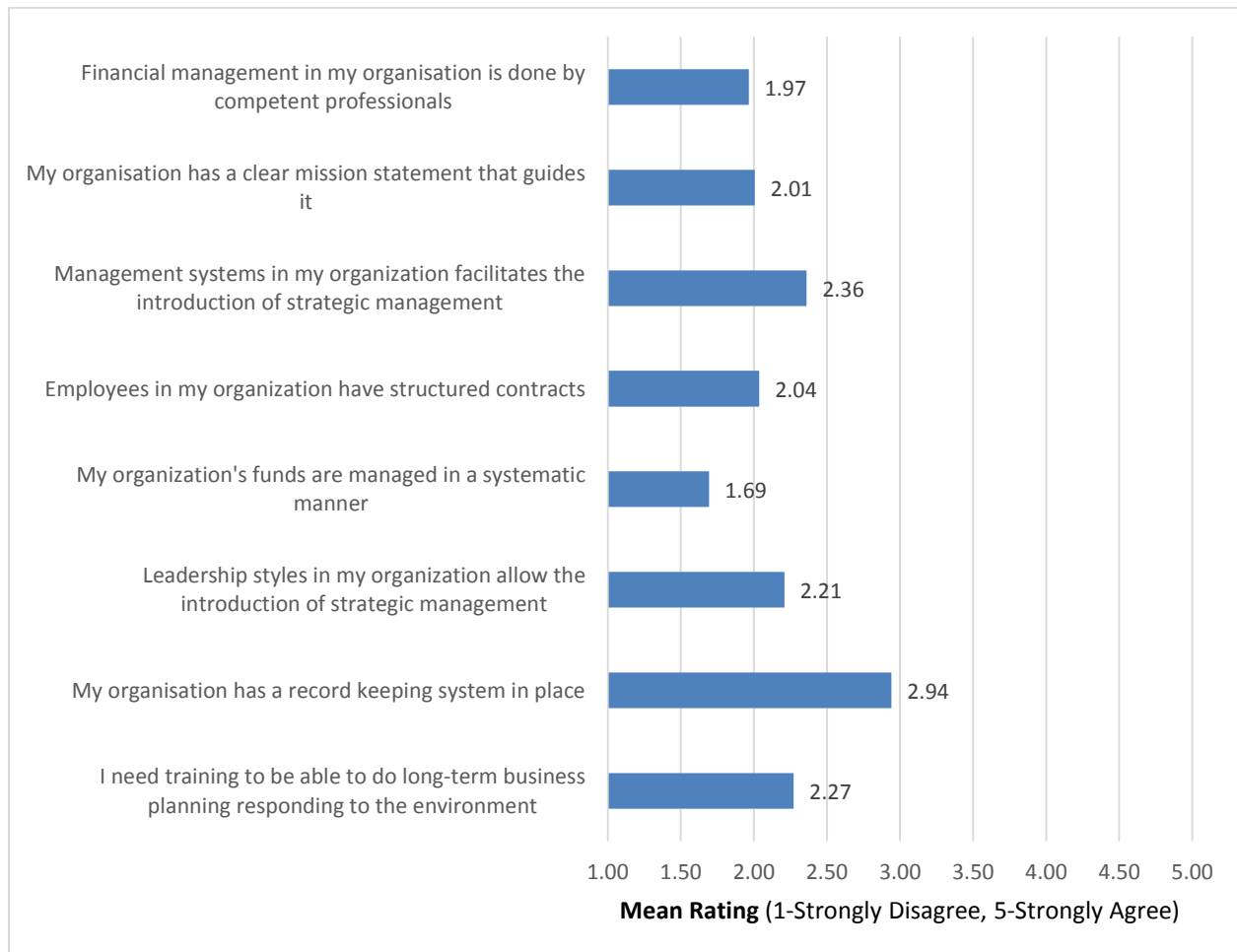


Figure 51: Standardisation and stability of operations

The cluster of questions presented in Figure 51 above sought to establish the extent to which SMEs have standardised operations that are stable enough to make strategic management feasible. The different organs of the chameleon work in harmony so that one could safely say that it has well standardised operations which ensure overall stability as it carries on its activities. The response patterns in this cluster of questions shows serious lack of standardised operations in SMEs as well as lack of stability. This in essence buttresses the conclusion that the majority of SMEs do not engage in strategic management. The interviews also confirmed this, especially the feedback from the financial institutions and parastatals. Because of lack of stability SMEs were viewed as unreliable and untrustworthy. A number of financial institutions have long lists of unserviced loans extended to SMEs due to the lack of standardised operational activities. In more than twenty cases, entrepreneurs borrowed money using well-structured business plans but then used the money for purposes that had little or nothing to do with the business. The concept of the human factor (Mararike, 1998, Nyasani, 1997 and MacNabb, 1995) comes to mind here, where one's background affects decision making and the way they run their business.

6.8 Adaptation to changes and developments in the environment

The systems theory, which inspired the chameleon survival strategy model advocates for the study of the organisation as a system operating within a bigger system which is made up of other subsystems. This view of the organisation calls for the need for the organisation to adapt to its environment for it to survive. The chameleon has, overtime adapted to its environment and has special attributes that help it survive in an otherwise threatening environment as presented in Table 32.

The Chameleon's Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
Bumpy skin with special cells that change colour.	Adaptation to changes and developments in the environment: The business needs to be able to positively respond to changes and developments in its operating environment. Its adaptation should focus on survival, maintenance of strategic vision and profitability among other factors.

Table 32: Attribute 5 - Adaptation to changes and developments in the environment

The overall response rates to the set of questions which sought to establish whether SMEs studied had been able to adapt to their environment, are presented in Figure 52 overleaf.

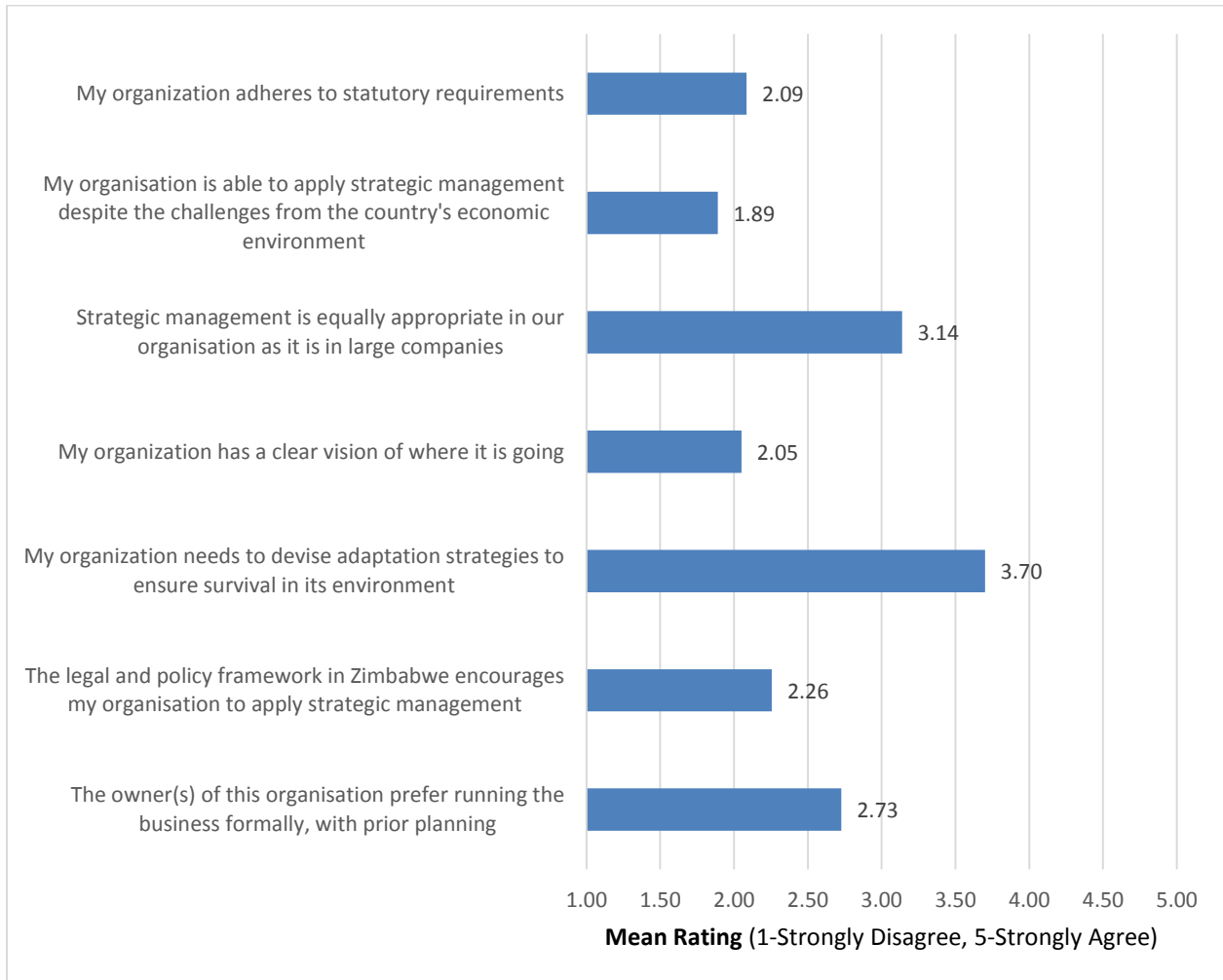


Figure 52: Adaptation to changes and developments in the environment

For any business to survive there is need for it to respond positively to developments in its operating environment. Any form of naivety or disregard of the requirements of the environment, can lead to all sorts of problems to the organisation. Response rates to this cluster of questions showed that SMEs did not effectively respond to developments in their environments. Failure to adhere to statutory requirements, failure to read the economic environment for the purposes of strategic planning and the lack of futuristic planning, all combine to paint a very negative picture of the way SMEs operate. What it literally means is that if Government were to stamp its foot and enforce statutory requirements more effectively, a massive percentage of SMEs would be

closed down. SMEs therefore need to learn from the chameleon which has adapted so well to its environment over the years ensuring its survival and development.

6.9 Effective strategy formulation and implementation

The chameleon is known for making well calculated movements, following its strategic vision and its basic needs. It would not move just for the sake of doing so, each time it moves it has a goal in mind. As presented in Table 33 below, SMEs need to maintain focus and only move when necessary and with a goal in mind.

The Chameleon’s Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
Careful and well calculated movements	<p>Effective strategy formulation and implementation: The business should effectively formulate and implement strategies that are relevant to the needs of the organisation and the dynamics of its operating environment. Strategies need to be carefully selected to ensure future success.</p>

Table 33: Attribute 6 - Effective strategy formulation and implementation

Figure 53 below presents the response rates to the set of variables used to evaluate the extent to which SMEs are consistent with this attribute of the model.

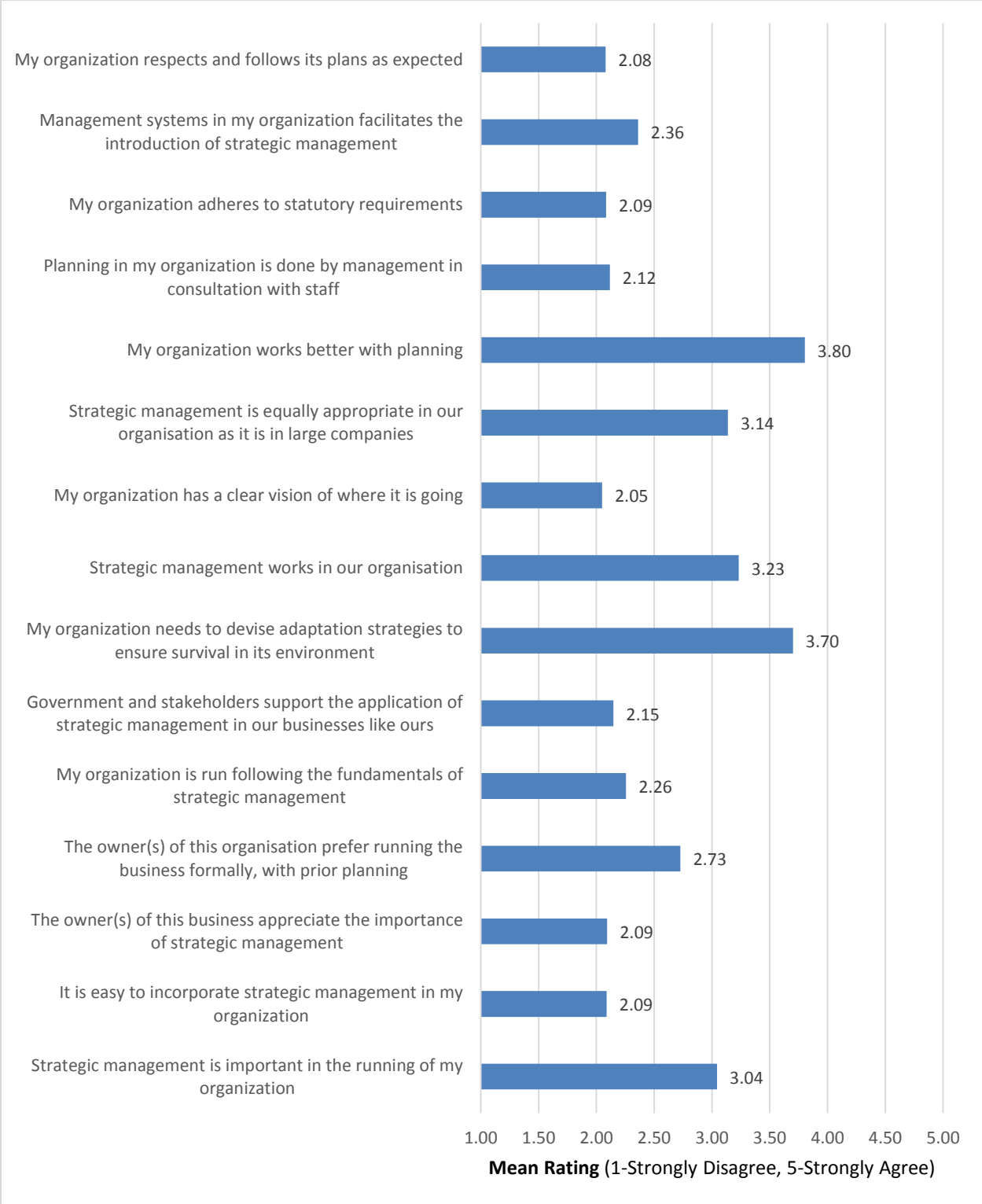


Figure 53: Effective strategy formulation and implementation

Response rates to this cluster of questions again showed that SMEs were not consistent with the chameleon survival strategy model. Failure to establish internal systems that were consistent with strategic direction and the needs of the business made SMEs vulnerable and incapable of meeting the challenges of the environment around them. The question that needed to be asked at this level was: What hinderances and obstacles did SMEs face in their efforts to incorporate strategic planning in their value chains? Responses to questions here gave an insight into the challenges they faced, which ranged from perceptual challenges, lack of knowledge, the business practices they tended to engage in and their attitudes towards strategic management as an approach to business management. The greatest challenge that faced the SMEs from these findings was the ability to emulate the chameleon's survival strategies, some of which are evolutionary and tactical.

6.10 Strategic positioning for survival

The chameleon's ability to position itself strategically has allowed it to survive in an environment that has other bigger and dangerous stakeholders. Table 34 presents this attribute and how SMEs could emulate it.

The Chameleon's Survival Strategies and Tools	Corresponding Survival Strategies for SMEs
Strategic positioning abilities when hunting and when being hunted.	Strategic positioning: The SME needs to be strategically positioned all the time, for it to circumvent and overcome adversities in its operating environment. Following the idea that the system cannot operate effectively without its environment, strategic positioning becomes very important to the business.

Table 34: Attribute 7 - Strategic positioning for survival

Figure 54 on the next page presents the response rates to the set of questions that sought to test the organisation's compliance with the strategic positioning attribute of the chameleon.

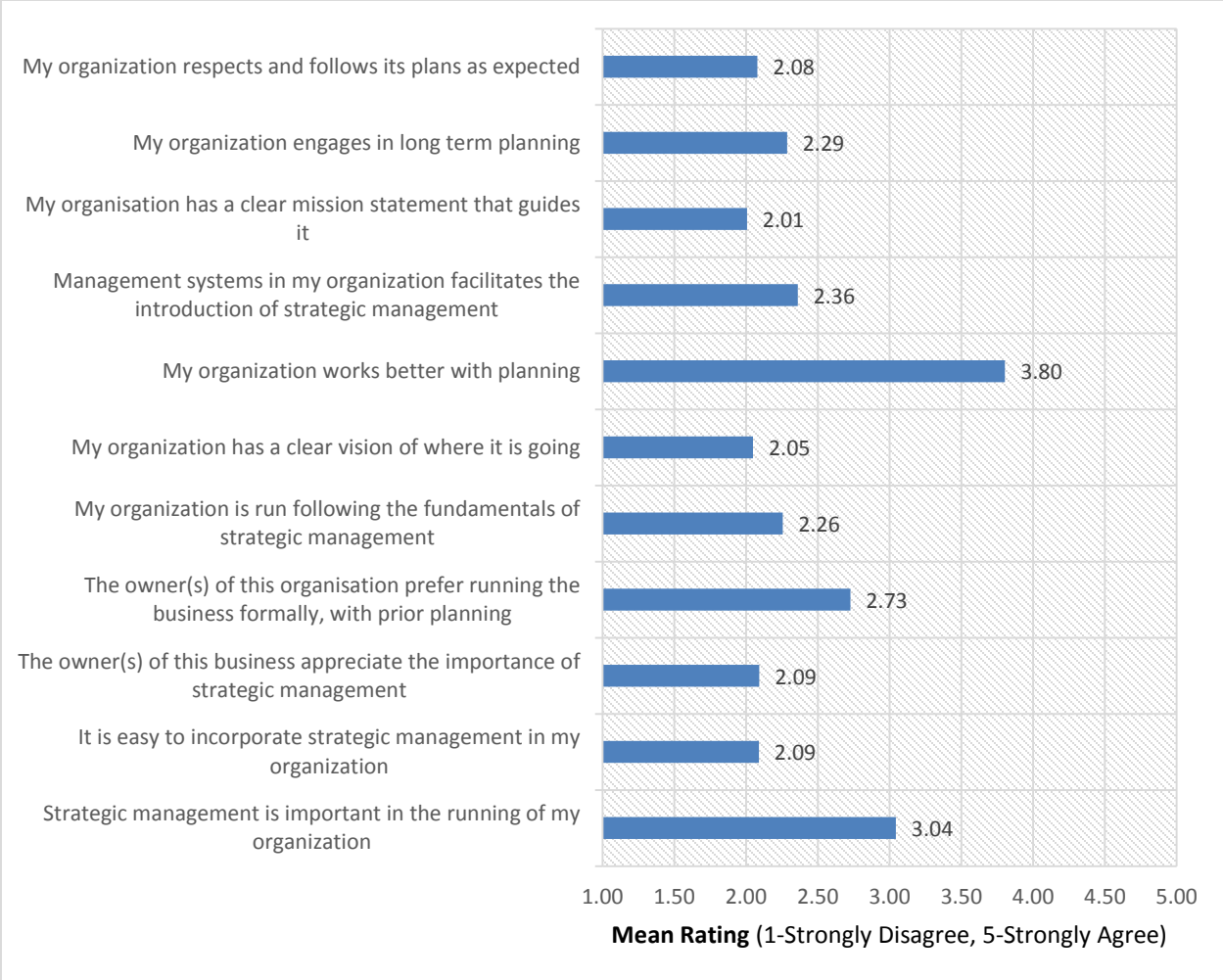


Figure 54: Strategic positioning for survival

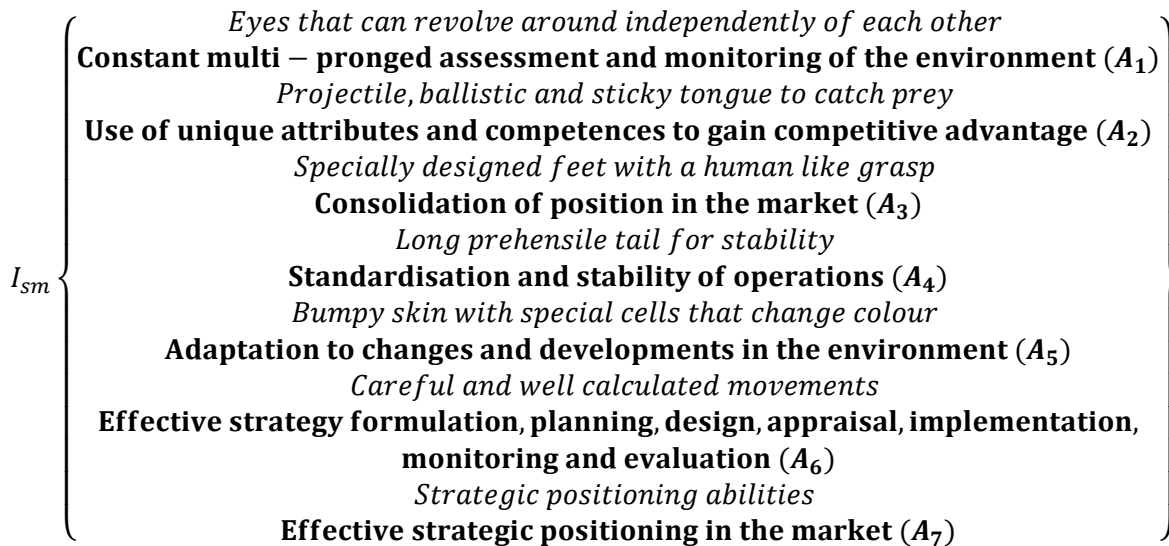
SMEs needed to appreciate that in order to attain effective survival and sustainability, they had to desist from operating without considering the environment around them. For this reason strategic positioning, strategic alignment and the achievement of strategic fit, were pre-requisites for sustainable survival in business. The difficulties they faced in incorporating strategic management in their business activities and the lack of distinct visions and missions, all worked together against their prosperity. In the interviews the researcher found out that SMEs that had adopted strategic management effectively tended to prosper and grow more meaningfully than those that were run in a haphazard manner. Financial institutions and Government agencies that did business with SMEs also concurred that entrepreneurs who had mainstreamed strategic management in their businesses tended to do well, managing to pay back their loans and

borrowing some more with ease. Judging from the responses to questions in this cluster, SMEs seemed to fail the test of the Chameleon Survival Strategy Model.

6.11 The SME Chameleon Survival Strategy Index

Having related and validated the analogy between the research instrument items/variables to the Chameleon Survival Strategy model components, it follows therefore that in any SME, the extent to which they practice Strategic Management can be quantified into an index that is computed from the aggregate of each of the model component's respective rating. This index can best be termed, "*The SME Chameleon Survival Strategy Index.*"

That is, let *The SME Chameleon Survival Strategy Index* be I_{sm} , it follows then that I_{sm} is a set collectively comprised of the following components:



Where A_i is an attribute's index calculated as the average rating of several related variables

$$\Delta I_{sm} \{A_1, A_2, A_3, A_4, A_5, A_6, A_7\}$$

The illustration in Figure 55 on the next page, presents a diagrammatic view of the index.

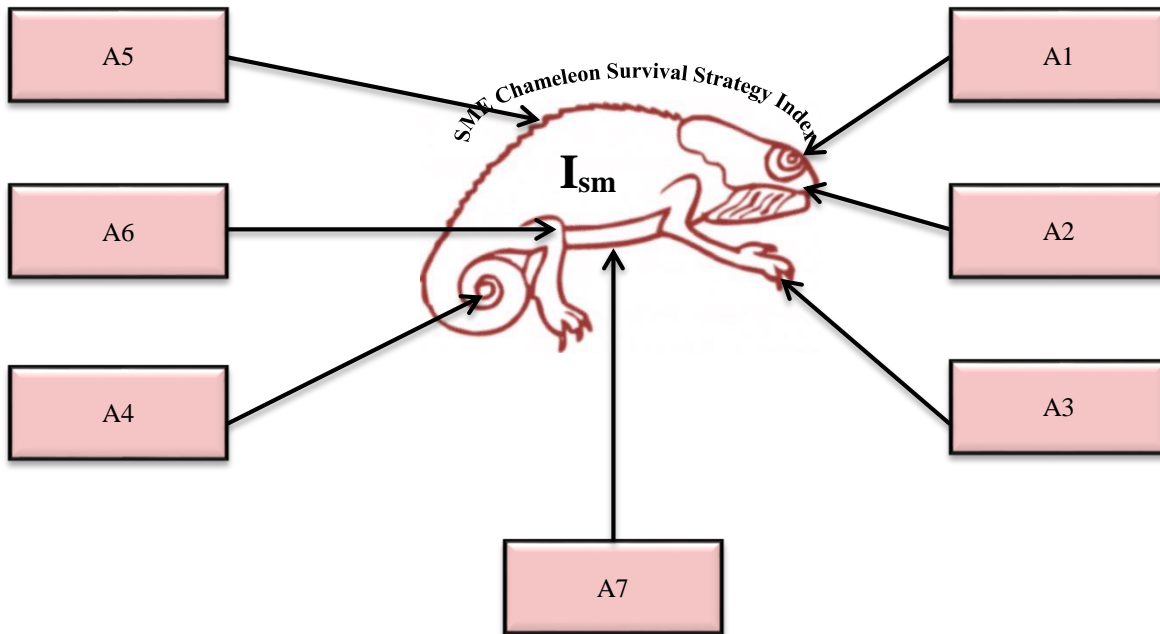


Figure 55: The SME Chameleon Survival Strategy Model

Key

- A1: Constant multi-pronged assessment and monitoring of the environment.**
Eyes that can revolve around independently of each other.
- A2: Use of unique attributes and competences to gain competitive advantage.**
Projectile, ballistic and sticky tongue to catch prey.
- A3: Consolidation of position in the market.**
Specially designed feet with a human like grasp.
- A4: Standardisation and stability of operations.**
Long prehensile tail for stability.
- A5: Adaptation to changes and developments in the environment.**
Bumpy skin with special cells that change colour.
- A6: Effective strategy formulation, planning, design, appraisal, implementation, monitoring and evaluation.**
Careful and well calculated movements.
- A7: Effective strategic positioning in the market.**
Strategic positioning abilities.

Thus,

$$I_{sm} = \frac{1}{7} \sum A_i \quad \forall i \in \mathbb{N}: 1 \leq i \leq 7$$

That is, **for all** values of i being a subset of natural numbers, ranging from 1, up to 7.

Thus,

$$I_{sm} = \frac{1}{7} \sum_{i=1}^{i=7} A_i \quad \dots (1)$$

7, since we have a maximum of seven independent attributes.

Thus,

$$A_x = \frac{1}{n_x} \sum_{i=1}^{n_1} V_{xi} \dots (2)$$

Where A_x : is the average index for the x th attribute

n_x : is the number of variables composing the n th attribute

V_{xi} : is the respective rating of any variable, in the x th attribute

But, however, the attribute index (A_x) is the mean rating of each of the following variables (V_x) as presented in Tables 35 to 41. (In each case the justification for the classification of the variable under the specific attribute is explained in the column entitled justification):

Attribute 1: Eyes that can revolve around independently of each other (A_1) $n=5$	
Constant multi-pronged assessment and monitoring of the environment	Justification
V_1 The legal and policy framework in Zimbabwe encourages my organisation to apply strategic management.	<i>Knowledge and understanding of the legal and policy framework implies that the organisation assesses and monitors its business environment.</i>
V_2 Government and stakeholders support the application of strategic management in businesses like ours.	<i>Environmental assessment increases awareness of developments in the business's environment.</i>
V_3 My organisation has a record keeping system in place.	<i>Record keeping systems ensure the storage of information that is vital for current and future planning.</i>
V_4 My organisation is able to apply strategic management despite the challenges from the country's economic environment.	<i>The ability to apply strategic management increases in organisations that study their environments.</i>
V_5 My organization adheres to statutory requirements.	<i>Adherence to statutory requirements comes from the knowledge of the organisation's obligations which comes as a result of assessment and monitoring of changes in the environment.</i>

Table 35: Attribute 1: Eyes that can revolve around independently of each other

Attribute 2: Projectile, ballistic and sticky tongue to catch prey (A₂) n=6	
Use of unique attributes and competences to gain competitive advantage	Justification
V ₁ The owner(s) of this organisation prefer running the business formally, with prior planning.	<i>Planning abilities are very important in strategic management.</i>
V ₂ I need training to be able to do long-term business planning responding to the environment.	<i>Need for training implies lack of skills expected for the effective implementation of strategic management.</i>
V ₃ In our organisation, there is sufficient knowledge and skills that enable the introduction of strategic management.	<i>Existence of skills and knowledge imply the availability of specific attributes and competences that can be used to enhance competitive advantage.</i>
V ₄ My organization works better with planning.	<i>A positive response to this statement is a good foundation for strategic management and enhancement of competitive advantage.</i>
V ₅ Planning in my organization is done by management in consultation with staff.	<i>This is a positive approach to planning which can be inspired by special leadership attributes.</i>
V ₆ Financial management in my organisation is done by competent professionals.	<i>Organisations that make effective use of the competencies and special abilities of their staff can gain competitive advantage against their competitors.</i>

Table 36: Attribute 2: Projectile, ballistic and sticky tongue to catch prey

Attribute 3: Specially designed feet with a human like grasp (A₃) n=7	
Consolidation of position in the market	Justification
V ₁ My organization needs to devise adaptation strategies to ensure survival in its environment.	<i>A positive response to this statement implies the realisation of the need to consolidate the business's position in a market that has competitors and other dynamics.</i>
V ₂ Strategic management works in our organisation	<i>This realisation is an indicator that the SME appreciates the importance of making an impact in the market.</i>
V ₃ My organization has a clear vision of where it is going.	<i>This statement establishes whether the organisation is focused on a long-term vision which guides its strategies.</i>
V ₄ Strategic management is equally appropriate in our organisation as it is in large companies.	<i>The way strategic management is perceived influences one's political will to adopt it. This is also an indicator of the extent to which the SME appreciates what strategic management entails.</i>
V ₅ My organisation has a clear mission statement that guides it.	<i>The mission statement helps the organisation to maintain focus and any organisation that seeks to consolidate its position in the market needs to have one.</i>
V ₆ My organization engages in long term planning.	<i>To consolidate the organisation's position in the market long term planning is necessary. Without it, this would be difficult.</i>
V ₇ My organization respects and follows its plans as expected.	<i>This is a necessity if the organisation is to consolidate its position.</i>

Table 37: Attribute 3: Specially designed feet with a human like grasp

Attribute 4: Long prehensile tail for stability (A₄) n=8	
Standardisation and stability of operations	Justification
V ₁ I need training to be able to do long-term business planning responding to the environment.	<i>Where skills to ensure that operations are standardised and stable are lacking training is necessary. Response rates help establish the extent to which SMEs have the capacity to practice long term planning.</i>
V ₂ My organisation has a record keeping system in place.	<i>Where record keeping systems are in place there is some form of standardisation and stability of operations.</i>
V ₃ Leadership styles in my organization allow the introduction of strategic management	<i>If leadership styles are supportive, the standardisation and stabilisation of operations becomes feasible.</i>
V ₄ My organization's funds are managed in a systematic manner.	<i>This can only be possible where there is stability and standardisation. Responses help establish the existence of this attribute.</i>
V ₅ Employees in my organization have structured contracts.	<i>Structured contracts are consistent with a stable and standardised business environment.</i>
V ₆ Management systems in my organization facilitate the introduction of strategic management.	<i>If management systems allow the introduction of strategic management, stability and standardisation become feasible.</i>
V ₇ My organisation has a clear mission statement that guides it.	<i>An organisation with a clear mission needs to establish standard operational guidelines which enhance stability.</i>
V ₈ Financial management in my organisation is done by competent professionals.	<i>In a standardised organisation all functions are run by competent professionals. A positive response to this statement implies the existence of some level of stability and standardisation.</i>

Table 38: Attribute 4: Long prehensile tail for stability

Attribute 5: Bumpy skin with special cells that change colour (A₅) n=7	
Adaptation to changes in the environment	Justification
V ₁ The owner(s) of this organisation prefer running the business formally, with prior planning.	<i>This is an indicator that the organisation is run following best practices in its environment.</i>
V ₂ The legal and policy framework in Zimbabwe encourages us to apply strategic management.	<i>This statement helps check the extent to which SMEs are familiar with the legal and policy environment around them and whether they take advantage of the opportunities it presents.</i>
V ₃ My organization needs to devise adaptation strategies to ensure survival in its environment.	<i>This statement directly checks the existence of this attribute in SMEs.</i>
V ₄ My organization has a clear vision of where it is going.	<i>The organisation's vision should be related to its environment so there is need to adapt if the vision is to be accomplished.</i>
V ₅ Strategic management is equally appropriate in our organisation as it is in large companies.	<i>In a competitive environment, the knowledge that strategic management is not for big companies only is consistent with the existence of attribute 5.</i>
V ₆ My organisation is able to apply strategic management despite the challenges from the country's economic environment.	<i>The ability to apply strategic management despite challenges implies the possession of this attribute on the part of the business.</i>
V ₇ My organization adheres to statutory requirements.	<i>An organisation that does not adapt to its environment would not adhere to statutory requirements.</i>

Table 39: Attribute 5: Bumpy skin with special cells that change colour

Attribute 6: Careful and well calculated movements (A₆) n=15	
Effective strategy formulation, planning, design, appraisal, implementation, monitoring and evaluation	Justification
V ₁ Strategic management is important in the running of my organization.	<i>A positive response to this statement points to the possession of the attribute in question.</i>
V ₂ It is easy to incorporate strategic management in my organization.	<i>This statement establishes the extent to which it is feasible for the organisation to apply strategic management.</i>
V ₃ The owner(s) of this business appreciate the importance of strategic management.	<i>This would be a positive outcome for the organisation's ability to adopt strategic management.</i>
V ₄ The owner(s) of this organisation prefer running the business formally, with prior planning	<i>Where there are formal systems strategic management is implementable.</i>
V ₅ My organization is run following the fundamentals of strategic management	<i>This statement checks the existence of strategic management in the business.</i>
V ₆ Government and stakeholders support the application of strategic management in our business.	<i>This statement checks the extent to which the organisation's business environment is supportive of the introduction of strategic management.</i>
V ₇ My organization needs to devise adaptation strategies to ensure survival in its environment.	<i>An organisation that positively responds to this statement realises the need to emulate the chameleon.</i>
V ₈ Strategic management works in our organisation.	<i>A positive response means that the organisation appreciates the importance of the attribute in question.</i>
V ₉ My organization has a clear vision of where it is going.	<i>Where there is a clear vision the rationale for the adoption of strategic management is already set.</i>
V ₁₀ Strategic management is equally appropriate in our organisation as it is in large companies.	<i>A positive response here points to the organisation's readiness to adopt strategic management.</i>
V ₁₁ My organization works better with planning.	<i>This would be a positive foundation for strategic management if the organisation responds positively.</i>
V ₁₂ Planning in my organization is done by management in consultation with staff.	<i>An organisation with such an internal environment can easily implement strategic management.</i>
V ₁₃ My organization adheres to statutory requirements.	<i>This is an indication of the existence of standardised systems that enable strategic management.</i>
V ₁₄ Management systems in my organization facilitate the introduction of strategic management.	<i>An organisation with such systems can easily incorporate strategic management that is if it does not already have it.</i>
V ₁₅ My organization respects and follows its plans as expected .	<i>This is of paramount importance if strategic management is to be sustainable.</i>

Table 40: Attribute 6: Careful and well calculated movements

Attribute 7: Strategic positioning abilities (A₇) n=11	
Effective strategic positioning in the market	Justification
V ₁ Strategic management is important in the running of my organization.	<i>Strategic management enables strategic positioning so a positive response here points to the existence of this attribute in the organisation.</i>
V ₂ It is easy to incorporate strategic management in my organization.	<i>This is an indicator of the organisation's ability to achieve effective strategic positioning.</i>
V ₃ The owner(s) of this business appreciate(s) the importance of strategic management.	<i>This would be an indicator of the existence of an intra-organisational environment, conducive to the application of strategic management.</i>
V ₄ The owner(s) of this organisation prefer(s) running the business formally, with prior planning.	<i>Strategic positioning requires effective strategy formulation and implementation and these can only be achieved when systems are formalised and well organised.</i>
V ₅ My organization is run following the fundamentals of strategic management.	<i>This implies that the organisation is capable of positioning itself strategically.</i>
V ₆ My organization has a clear vision of where it is going.	<i>Where there is a vision the need for strategic positioning is well appreciated.</i>
V ₇ My organization works better with planning.	<i>Strategic positioning requires proper planning that is consistent with goals and objectives.</i>
V ₈ Management systems in my organization facilitate the introduction of strategic management.	<i>A positive response in this case points to either the existence of strategic management or readiness for its adoption.</i>
V ₉ My organisation has a clear mission statement that guides it.	<i>The mission statement articulates what the organisation aims at achieving, how, for whom and at what levels. The existence of a mission makes strategic positioning possible.</i>
V ₁₀ My organization engages in long term planning.	<i>Where there is long term planning strategic positioning is achievable.</i>
V ₁₁ My organization respects and follows its plans as expected.	<i>This is a precondition for effective strategic positioning the chameleon way.</i>

Table 41: Attribute 7: Strategic positioning abilities

Figure 56, presents a diagrammatic appreciation of how the Chameleon survival Strategy index is derived

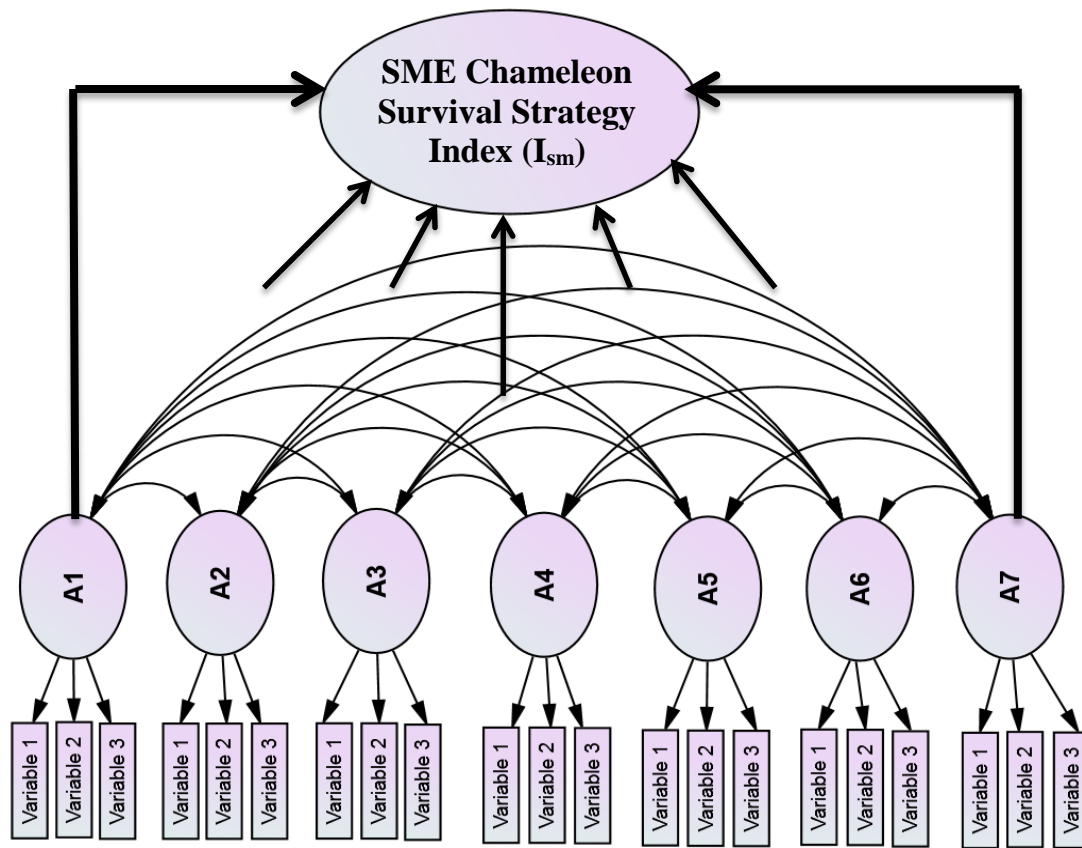


Figure 56: The SME Chameleon Survival Strategy Index

From Equation (1), it follows then that:

$$I_{sm} = \frac{1}{7} (A_1 + A_2 + A_3 + A_4 + A_5 + A_6 + A_7) \dots (3)$$

Substituting (2) in (3), results in the *SME Chameleon Survival Strategy Index* as being

$$I_{sm} = \frac{1}{7} \left(\frac{1}{n_1} \sum_{i=1}^{n_1} V_{1i} + \frac{1}{n_2} \sum_{i=1}^{n_2} V_{2i} + \frac{1}{n_3} \sum_{i=1}^{n_3} V_{3i} + \frac{1}{n_4} \sum_{i=1}^{n_4} V_{4i} + \frac{1}{n_5} \sum_{i=1}^{n_5} V_{5i} + \frac{1}{n_6} \sum_{i=1}^{n_6} V_{6i} + \frac{1}{n_7} \sum_{i=1}^{n_7} V_{7i} \right) \dots (4)$$

With 1 being the minimum rating and 5 being the maximum, the minimum expected index for each of the variables that constitute the attributes is given by:

$$\begin{aligned}
I_{sm(\min)} &= \frac{1}{7} \left(\frac{1}{5} \sum_{i=1}^5 V_{1i} + \frac{1}{6} \sum_{i=1}^6 V_{2i} + \frac{1}{7} \sum_{i=1}^7 V_{3i} + \frac{1}{8} \sum_{i=1}^8 V_{4i} + \frac{1}{7} \sum_{i=1}^7 V_{5i} + \frac{1}{15} \sum_{i=1}^{15} V_{6i} + \frac{1}{11} \sum_{i=1}^{11} V_{7i} \right) \\
&= \frac{1}{7} \left(\frac{1}{5}(5) + \frac{1}{6}(6) + \frac{1}{7}(7) + \frac{1}{8}(8) + \frac{1}{7}(7) + \frac{1}{15}(15) + \frac{1}{11}(11) \right) \\
&= \frac{1}{7}(7) \\
&= 1 \dots (5)
\end{aligned}$$

The maximum expected index is also given by:

$$\begin{aligned}
I_{sm(\max)} &= \frac{1}{7} \left(\frac{1}{5} \sum_{i=1}^5 V_{1i} + \frac{1}{6} \sum_{i=1}^6 V_{2i} + \frac{1}{7} \sum_{i=1}^7 V_{3i} + \frac{1}{8} \sum_{i=1}^8 V_{4i} + \frac{1}{7} \sum_{i=1}^7 V_{5i} + \frac{1}{15} \sum_{i=1}^{15} V_{6i} + \frac{1}{11} \sum_{i=1}^{11} V_{7i} \right) \\
&= \frac{1}{7} \left(\frac{1}{5}(25) + \frac{1}{6}(30) + \frac{1}{7}(35) + \frac{1}{8}(40) + \frac{1}{7}(35) + \frac{1}{15}(75) + \frac{1}{11}(55) \right) \\
&= \frac{1}{7}(5 + 5 + 5 + 5 + 5 + 5 + 5) \\
&= \frac{1}{7}(35) \\
&= 5 \dots (6)
\end{aligned}$$

From Equations (5) and (6), the solution set for *the Chameleon Survival Strategy Index* is therefore finite, and thus can best be expressed as:

$$\{I_{sm} \in \mathbf{R} : 1 \leq I_{sm} \leq 5\}$$

That is, the possible solution set for I_{sm} is a **subset of real numbers**, and ranges from 1, being the minimum index, up to a maximum index of 5.

We can further regularize the index to fit onto the standard centennial proportion scale by:

$$\begin{aligned}
I_{CSS} &= \left(\frac{1}{I_{sm(\max)} - I_{sm(\min)}} \right) (I_{sm} - I_{sm(\min)}) \\
&= \frac{1}{5-1} (I_{sm(1)} - 1) \\
&= 0.25 (I_{sm(1)} - 1) \dots (7)
\end{aligned}$$

Where,

I_{CSS} : The standardized SME Chameleon Survival Strategy Index based on the percentage scale

I_{sm} : The unstandardized SME Chameleon Survival Strategy Index based on the 1-5 scale

$I_{sm(max)}$: The maximum possible SME Chameleon Survival Strategy Index on the 1-5 scale

$I_{sm(min)}$: The minimum possible SME Chameleon Survival Strategy Index on the 1-5 scale

Substituting Equation (4) in Equation (7) gives us,

$$I_{CSS} = \frac{1}{4} \left[\frac{1}{7} \left(\frac{1}{n_1} \sum_{i=1}^{n_1} V_{1i} + \frac{1}{n_2} \sum_{i=1}^{n_2} V_{2i} + \frac{1}{n_3} \sum_{i=1}^{n_3} V_{3i} + \frac{1}{n_4} \sum_{i=1}^{n_4} V_{4i} + \frac{1}{n_5} \sum_{i=1}^{n_5} V_{5i} + \frac{1}{n_6} \sum_{i=1}^{n_6} V_{6i} + \frac{1}{n_7} \sum_{i=1}^{n_7} V_{7i} \right) - 1 \right]$$

$$= \left[\frac{1}{28} \left(\frac{1}{n_1} \sum_{i=1}^{n_1} V_{1i} + \frac{1}{n_2} \sum_{i=1}^{n_2} V_{2i} + \frac{1}{n_3} \sum_{i=1}^{n_3} V_{3i} + \frac{1}{n_4} \sum_{i=1}^{n_4} V_{4i} + \frac{1}{n_5} \sum_{i=1}^{n_5} V_{5i} + \frac{1}{n_6} \sum_{i=1}^{n_6} V_{6i} + \frac{1}{n_7} \sum_{i=1}^{n_7} V_{7i} \right) - \frac{1}{4} \right] \dots (8)$$

$$\forall \{ I_{CSS} \in \mathbf{R} : 0 \leq I_{CSS} \leq 1 \}$$

Figure 6.3 can be summarised by the following equations.

$$I_{sm} = \frac{1}{7} (A_1 + A_2 + A_3 + A_4 + A_5 + A_6 + A_7) \dots (3)$$

$$I_{sm} = \frac{1}{7} \left(\frac{1}{n_1} \sum_{i=1}^{n_1} V_{1i} + \frac{1}{n_2} \sum_{i=1}^{n_2} V_{2i} + \frac{1}{n_3} \sum_{i=1}^{n_3} V_{3i} + \frac{1}{n_4} \sum_{i=1}^{n_4} V_{4i} + \frac{1}{n_5} \sum_{i=1}^{n_5} V_{5i} + \frac{1}{n_6} \sum_{i=1}^{n_6} V_{6i} + \frac{1}{n_7} \sum_{i=1}^{n_7} V_{7i} \right) \dots (4)$$

6.11.1 SME Chameleon Survival Strategy Index Implementation

Having refined the SME Chameleon Survival Strategy Index, it was implemented against the sampled respondents' dataset with a view of ascertaining the respective indices for each corresponding respondent in SPSS.

The attributes' respective indices, that is, A1, A2, A3, A4, A5, A6 and A7 were computed each from its corresponding set of variables using Equation 2, as the formula. Upon computing these indices, the unstandardized index was then computed, that is, I_{sm} , the SME Chameleon Survival Strategy Index as prescribed in Equation 4. Further computation of the standardised index, I_{css} , was also done, and the results are presented in Table 42 below.

		A1	A2	A3	A4	A5	A6	A7	I _{sm}	I _{css}
N	Valid	297	297	297	297	297	297	297	297	297
	Missing	0	0	0	0	0	0	0	0	0
Mean		2.2532	2.5741	2.6518	2.1672	2.5630	2.6056	2.4428	2.4654	.3663
Std. Error of Mean		.02743	.03978	.0144	.02953	.02624	.02591	.02658	.02194	.00548
Std. Deviation		.47277	.68554	.54177	.50884	.45217	.44660	.45806	.37804	.09451
Skewness		-1.291	.144	-1.480	-.821	-.907	-1.622	-1.452	-2.079	-2.079
Std. Error of Skewness		.141	.141	.141	.141	.141	.141	.141	.141	.141
Kurtosis		.983	.497	2.275	-.007	1.853	2.362	2.138	4.055	4.055
Std. Error of Kurtosis		.282	.282	.282	.282	.282	.282	.282	.282	.282
Range		2.00	3.33	2.71	2.00	2.67	2.33	2.27	1.90	.48
Minimum		1.00	1.00	1.00	1.00	1.00	1.07	1.00	1.08	.02
Maximum		3.00	4.33	3.71	3.00	3.67	3.40	3.27	2.98	.50
Percentiles	10	1.4000	1.6667	1.7143	1.3500	2.0000	1.9333	1.8182	1.9893	.2473
	20	1.8000	2.1667	2.5714	1.7500	2.2857	2.4000	2.1818	2.3230	.3307
	25	2.2000	2.3333	2.5714	2.0000	2.4286	2.5333	2.2727	2.4090	.3523
	30	2.4000	2.3333	2.5714	2.0000	2.4286	2.6667	2.3636	2.4848	.3712
	40	2.4000	2.5000	2.7143	2.2500	2.5714	2.7333	2.5455	2.5516	.3879
	50	2.4000	2.5000	2.7143	2.3750	2.5714	2.7333	2.5455	2.5819	.3955
	60	2.4000	2.6667	2.8571	2.3750	2.7143	2.8000	2.6364	2.6117	.4029
	70	2.4000	2.8200	2.8571	2.3750	2.7143	2.8000	2.6364	2.6520	.4130
	75	2.4000	3.0000	2.8571	2.5000	2.8571	2.8667	2.7273	2.6754	.4189
	80	2.6000	3.0000	3.0000	2.5000	2.8571	2.8667	2.7273	2.7023	.4256
90	2.8000	3.6133	3.1429	2.7500	3.0000	3.0000	2.9091	2.7686	.4421	

Table 42: SME Chameleon Survival Strategy Index Implementation

- Where: A1: Constant multi-pronged monitoring of the environment
A2: Use of unique attributes and competences to gain competitive advantage
A3: Consolidation of position in the market
A4: Standardisation and stability of operations
A5: Adaptation to changes and developments in the environment
A6: Effective strategy formulation and implementation
A7: Strategic positioning

6.11.2 Average Index

Relative to the possible upper threshold of 5, it is worth noting that the unstandardized indices for all of the 7 attributes were less than 3. This is an indication that the sampled organisations

were generally characterised by poor strategic management practices. This, in essence, means that when statistically analysed against the ‘Chameleon Survival Strategy Model’, the majority of the organisations were not compliant, or consistent with the key attributes of the model. This is in line with the results of the qualitative analysis (§6.10) which was based on responses during the interviews.

The Figure 57 below further illustrates the results presented in the table above.

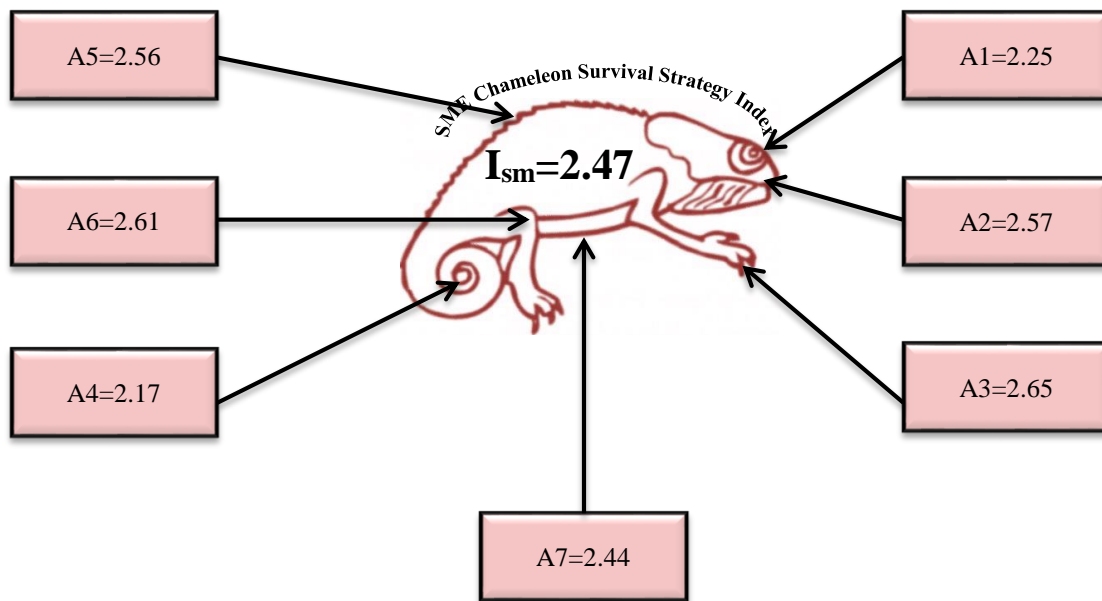


Figure 57: The SME Chameleon Survival Strategy Index Parameters

A1: The average index for attribute A1 (Constant Multi-Pronged Assessment and Monitoring of the Environment) was 2.25. This is a low index when compared to the possible maximum index of 5. Of all the 297 sampled organisations, the minimum observed A1 Index was 1.0, with the maximum observed being 3.0, as shown in the table above. The fact that none of the organisations exceeded the half-way index of 3.0 is a strong indicator that generally, the majority of the SMEs in Harare do not engage in constant multi-pronged assessment and monitoring of their business environment. This was also confirmed in the interviews by the three clusters of respondents which included employees, key informants and founding entrepreneurs.

A2: With regards to the second attribute, that measured the use of unique attributes and competencies by the SMEs to gain competitive advantage, the average observed index was 2.574. Again, this was too low an index, relative to the maximum possible index. However, despite the least observed index being 1.0, a relatively high index of 4.33 was observed in one of the organisations. Furthermore, from the assessment of the percentiles in the table above, it can be seen that 80% of the organisations had an A2 Index of 3.0 or less. Thus, approximately, only 20% of the sampled organisations were performing well in relation to their use of unique attributes and competencies to gain competitive advantage.

A3: Consolidation of the market defined the third attribute, A3. The average attribute index was 2.6518. From the table above, the index distribution across the sampled organisations was characterised by a significant negative skewness, with a corresponding statistic of -1.480, and a notable leptokurtic distribution, as confirmed by the very high positive kurtosis statistic of 2.275. In other words, the majority of the organisations portrayed a significant tendency towards high indices, and that there was a very large distribution of organisations about the observed mean of 2.6518. From the percentile analysis, only less than 20% of the organisations had an index of less than 2.5, with 60% of them lying between 2.5 and 3.0. The rest had an index of more than 3.0, the highest observed being, however, 3.61. These findings, although not as good relative to the best case scenario, tend to indicate that there were significant strategic management traits that were evident in as much as the consolidation of position in the market was concerned.

A4: The fourth attribute denoted the standardisation and stabilisation of operations by the sampled organisations. The overall index for all the organisations was found to be 2.1672, with a range of 2.0, the minimum observed index being 1.0 and the maximum being 3.0. In other words, none of the organisations exceeded an index of 3.0. In contrast with the third attribute, only 25% of the organisations had an index greater than 2.5. The observed kurtosis statistic of -0.007, approximating to 0, suggested a rather mesokurtic distribution of indices, that is a wider spread of indices about the mean. Generally, the outcome suggests that the majority of the organisations were rather weak in terms of standardizing and stabilising operations.

A5: An overall mean A5 Index of 2.5630 was computed for all the 297 organisations. Again, this index was less than 3.0, the median of the scale. The maximum observed index was 3.67, with the minimum was 1.00. From the assessment of the percentiles, at least 60% of the organisations had an A5 Index greater than 2.5. This general tendency towards a higher index can also be seen from the somewhat high positive kurtosis statistic of 1.853, and the rather marginal standard deviation of 0.45217. Again, despite this somewhat high concentration of indices about the central tendency, that fact that the greater majority had low indices suggest that the organisations did not strategically adapt themselves to changes and developments in the environment.

A6: The sixth attribute assessed the effectiveness of strategy formulation, planning, design, appraisal, implementation, monitoring and evaluation. The computed average A6 Index was found to be 2.6056, with a very marginal standard error of the mean, as in other prior attributes, however, the rather least observed standard deviation suggests that there were more coherently high indices for A6 than any other attribute. Furthermore, the highest skewness statistic was observed for this attribute, -1.622, implying that there were even more coherently high observed A6 indices in the sampled organisations, further confirmed by the highest observed positive kurtosis statistic of 2.362, and hence a distinctive platykurtic distribution. Despite the highest observed A6 Index being 3.4, it is worth noting that at least 75% of the companies had an A6 index of greater than 2.5, which in other words signals a significantly high number of organisations exhibiting this strategic management trait, though of course, not the best expected practice.

A7: The last attribute from the hypothesised analogy between the chameleon and strategic management best practices was the effective positioning of the organisation in the market. A mean index of 2.4428 was computed for this attribute. The maximum observed index was 3.27, with the least being 1.00. Despite the observed relatively high kurtosis and skewness statistics of 2.138 and -1.452 respectively, from the analysis of the percentiles, 60% of the organisations had an index of at least 2.5, a rather similar trend as observed for the attributes A2 and A5. Again, as had been experienced with the rest of the other attributes, the aggregate A7 index was not good enough – a statistic, tending to suggest that there were numerous strategic management loopholes that characterised the sampled organisations. In contrast with the third attribute which

characteristically portrayed traits of the consolidation of the organisations' position in the market; we can see that relatively, the self-same organisations rather lacked effective strategic positioning abilities in the market.

An overall comparison of the mean attribute index across all the studied 7 attributes is illustrated in the Figure below. From the figure, A3 and A6 had the greatest mean indices, followed by attributes A2, A5 and A7. The least indices were witnessed in the attributes A1 and A4.

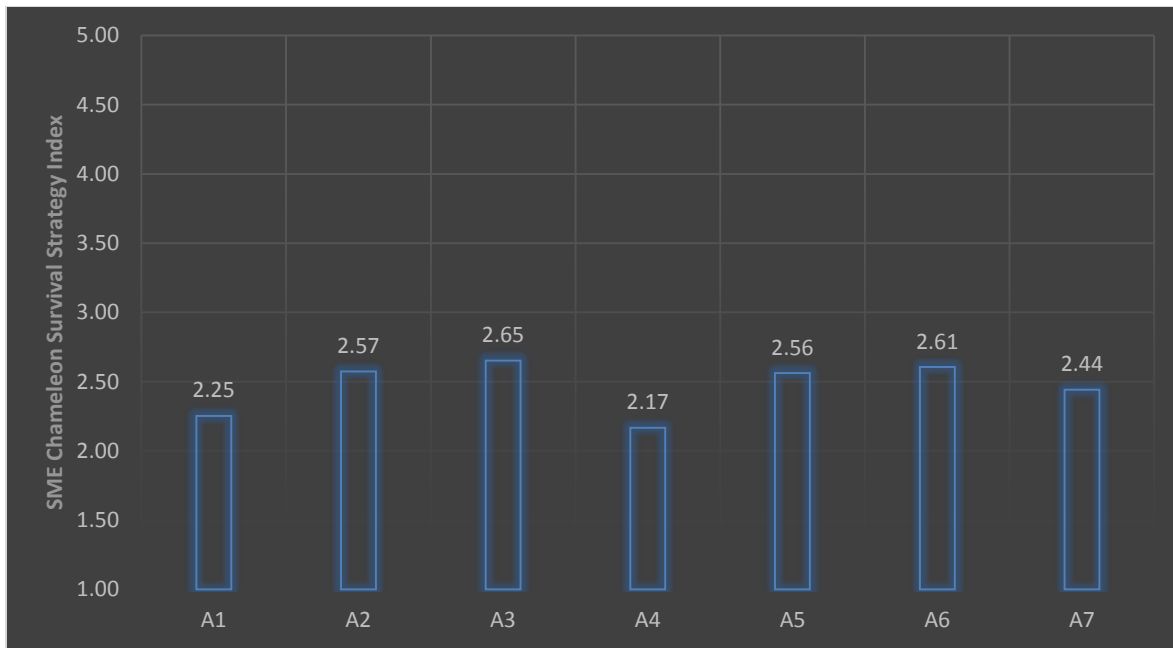


Figure 58: The SME Chameleon Survival Strategy Indices Graph

Based on the I_{sm} Scale, the median index is given by:

$$\begin{aligned}
 I_{sm(\text{median})} &= \left(\frac{I_{sm(\text{max})} + I_{sm(\text{min})}}{2} \right) \\
 &= \left(\frac{5 + 1}{2} \right) \\
 &= 3
 \end{aligned}$$

Having observed that the average attribute indexes were all below the median value, but however with A3 and A6 being the most outstanding and approximating 3, to ascertain whether there were

significant deviations of the computed indexes from the median index, a two-tailed one-sample t-test was considered. This test was done at the 95% Confidence Level, and at 296 degrees of freedom, with the following hypothesis:

H₀: $\mu(I_{Ax}) = 3$; there is no difference between the attribute index and the median index

H₁: $\mu(I_{Ax}) \neq 3$; there is a difference between the attribute index and the median index

Rejection Criteria: If $p > 0.05$, we accept the null hypothesis

If $p \leq 0.05$, we reject the null hypothesis

The results are shown in the table below.

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
A1	-27.223	296	.000	-.74680	-.8008	-.6928
A2	-10.707	296	.000	-.42593	-.5042	-.3476
A3	-11.078	296	.000	-.34824	-.4101	-.2864
A4	-28.205	296	.000	-.83277	-.8909	-.7747
A5	-16.657	296	.000	-.43704	-.4887	-.3854
A6	-15.220	296	.000	-.39443	-.4454	-.3434
A7	-20.962	296	.000	-.55716	-.6095	-.5049
I _{sm}	-24.372	296	.000	-.53462	-.5778	-.4915

Table 43: One-sample t-test

From the table above, the p-values for all the variables, {A1, A2, A3, A4, A5, A6, A7} and the aggregate I_{sm} all were less than 0.05. We therefore reject the null hypothesis and conclude that there was sufficient evidence at the 95% confidence level to suggest that the observed attribute indexes were significantly lower than the median index. From this, we therefore conclude that, on the overall, all the SMEs in Harare were somehow lacking the best-practice of strategic management, in one way or the other.

The attributes with the greatest mean difference, also denoted by very high t-statistics, were A1 and A4 respectively. These attributes were the least practiced, with the better practiced attributes being attributes A3 and A6.

From Table 43, the aggregate standardized SME Chameleon Survival Strategy Index (I_{css}) was found to be 0.3663, with its unstandardized index, I_{sm} , being 2.4654. In other words, on aggregate, there was minimal strategic management being implemented in the sampled small-and-medium enterprises.

6.12 Strategic Management Challenges to SMEs

From the findings of the research, the researcher extracted key challenges and problems that SMEs needed to overcome for them to be able to incorporate strategic management in their value chains. A comparative analysis of the response rates to the questionnaire survey and the qualitative data obtained during the interviews enabled the development of a detailed analysis. It was observed that it was advantageous to use quantitative and qualitative data concurrently. The challenges faced by SMEs in the sample are outlined below.

6.12.1 Lack of adequate knowledge and capacity

The analysis of both quantitative and qualitative findings of the research revealed that SME business owners lacked adequate knowledge of what strategic management entailed. This came out in their confirmation of the need for training as well as their lack of appreciation of the fundamental principles of strategic management. Their lack of appreciation of what strategic management entailed, made it difficult for them to effectively incorporate it in their value chains. Due to the fact that some entrepreneurs started their businesses out of necessity, without having received any kind of business management training, the majority of them lacked the capacity to introduce strategic management. Without capacity building, entrepreneurs who would have not been to management school would always find it difficult to adopt strategic management in their organisations. Some entrepreneurs confirmed that they had heard about it but explained that they did not have the capacity to incorporate it in their businesses.

6.12.2 Use of inappropriate management systems

The management systems applied by SMEs in the study made the introduction of strategic management very difficult or impossible. Key informants from stakeholders supporting SMEs, employees and some entrepreneurs, confirmed this fact. Failure to establish standardised

operational structures and systems and to motivate staff as well as the tendency to employ staff without well-structured contracts among other tendencies, made any form of futuristic or strategic planning difficult to sustain.

6.12.3 Poor Leadership Styles

After listening to the testimonies of employees on the leadership styles used by entrepreneurs, the researcher deduced that this was one of the major impediments to the adoption of strategic management by SMEs. In the majority of cases in the interviews, entrepreneurs controlled their businesses at personal level without taking best practice business leadership principles into consideration. In some businesses the owner took up almost all the key roles in the business; from being the cashier, the accountant, and the head of procurement to being the head of marketing. This lack of delegation skills made strategic management, which calls for leaders to empower those around them, a very difficult option.

6.12.4 Lack of transparency, accountability and formal guidelines.

Business owners were described by their employees as lacking transparency in the way the organisation was run. Due to the lack of formal guidelines decisions were more whimsical; rather than logical and consistent with the needs of the organisation.

6.12.5 Failure to separate the organisation from personal business

SME owners failed to separate the business of the organisation from their personal lives. Due to this tendency, strategic management was very difficult to adopt given the need for the business processes to be systematic and consistent with the vision.

6.12.6 Failure to link up with stakeholders

The research found out that entrepreneurs were not in touch with the various initiatives that had been put in place in their favour by stakeholders, including government. The tendency to operate independently without linking up with developments in their environments, made SMEs continue to go round in circles without introducing any new strategies, consistent with the dictates from the business environment.

6.12.7 Negative Perception of Strategic Management

When asked why it was difficult for them to adopt strategic management, some entrepreneurs explained that it was a theoretical approach, which did not work in practical scenarios. Some perceived strategic management as a waste of time and the preserve of business persons who are educated. Because of these negative perceptions, the adoption of strategic management was quite a difficult decision, unless entrepreneurs were effectively sensitised of its benefits.

6.12.8 Lack of political will

Employees stated that SME owners lacked the political will to introduce strategic management in their businesses, despite knowing the benefits they stand to enjoy from this move. Some of the conditions necessary for the establishment of strategic management, which include the need for a logical structure, employee role clarity and a professional approach to business management, made its introduction quite a significant obstacle to some entrepreneurs. Entrepreneurs who were not willing to let-go some of their powers and allowed the organisation to move in a professional way, found it difficult to accept the introduction of strategic management.

6.12.9 Lack of focus

Owing to the fact that some SMEs lacked a clear vision and mission to guide them towards specific objectives and goals, it was difficult for them to appreciate the value of incorporating strategic management in their organisations. Key informants stated that some SMEs had the tendency to shift from one line of business to another and that their planning was not futuristic. Attempts to promote the adoption of strategic management were jeopardised by such characteristics among SMEs.

6.12.10 Ineffective financial management

Strategic management advocates for a systematic approach to the management of funds, which is aligned to the visions and missions at hand. Lack of transparency in the management of funds made strategic management difficult to adopt, given that this is a strategic requirement.

6.12.11 Lack of employee motivation

Due to the poor human resources management strategies applied in SMEs, there was low employee morale and lack of motivation. In view of the fact that strategic management should be a team effort, for as long as employees were not well motivated, strategic management remained very difficult to introduce in SMEs. In organisations where employees did not have fixed contracts as evidenced by the findings and where human resources management was not seriously considered, strategic management would be almost impossible to introduce.

6.12.12 Conflict of Interest

Entrepreneurs found it difficult to abandon the informal way of running their businesses due to the need to protect their often counter-productive interests. The priveledges associated with informal business management tendencies, which included tax-evasion, freedom from checks and balances and accountability made entrepreneurs opt to avoid strategic management.

6.13 Conclusion

The analysis of findings from the research, led to the discovery of the challenges that SMEs faced in their efforts to incorporate strategic management in their businesses. The challenges, which mainly emanated from the SMEs' internal environments, needed to be reviewed by all stakeholders working towards the support and empowerment of SMEs. Using the Chameleon survival strategy index which emanated from the model, the majority of businesses failed the test, thus pointing to the absence of strategic management in their value chains. In this chapter the outcome of the analysis of data was presented leading to the arrival at conclusions on the interrelationships that existed between the characteristics of SMEs and their ability to adopt strategic management in their value chains. Chapter seven (7), which follows this chapter presents the general conclusions reached and the recommendations to the different stakeholders, which include SMEs and Government.

CHAPTER 7

IMPLICATIONS, RECOMMENDATIONS AND CONCLUSIONS

7.0 Introduction

The research project having been effectively executed and the resultant findings analysed, the researcher came up with some recommendations regarding the promotion of strategic management in SMEs. The major findings from the research were that SMEs did not generally practise strategic management, due to a number of challenges. Using the best practice presented by the Chameleon Survival Strategy Model, SMEs in Harare were analysed with the objective of establishing the range of challenges they faced in their efforts to incorporate strategic management in their management systems. The majority of SMEs failed the Chameleon Survival Strategy Index test, pointing to the need for stakeholders supporting SMEs to put in place measures to address the challenges. The recommendations presented in this chapter, seek to assist stakeholders on approaches they could use to effectively encourage the introduction of strategic management in SMEs. In light of the advantages and value addition associated with strategic management in any business, it is the researcher's view that SMEs would benefit a lot from the adoption of this approach to management. Respondents interviewed, confirmed that the lack of strategic management structures was negatively affecting their organisations in a significant way.

7.1 General recommendations

7.1.1 Adoption of the Chameleon survival Strategy model by stakeholders.

After testing the Chameleon Survival Strategy Model on the SMEs, the researcher further refined the model's variables to develop a generic index that could be applied in any country or environment. The number of variables in the questionnaire was reviewed to a total of 49, with each attribute having 7 variables. To avoid the need for the justification of the classification of variables under a specific attribute, all variables were reformulated with a direct link to the relevant attribute. No changes were made to the attributes and the strategic management best

practices. Figure 59 presents the improved Chameleon Survival Strategy Model and the resultant index.

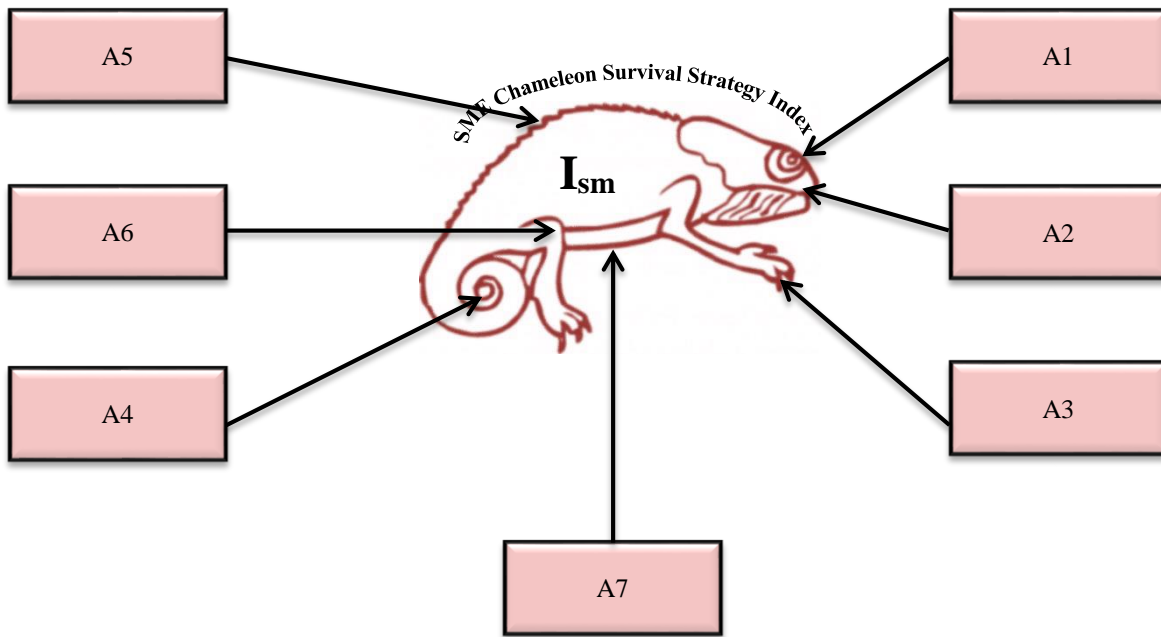


Figure 59: The Recommended SME Chameleon Survival Strategy Model

Table 44 presents the new set of variables per attribute that go with the model.

Attributes	Variables on the 5-point Likert scale
<p>A1: Constant multi-pronged assessment and monitoring of the environment.</p> <p><i>Eyes that can revolve around independently of each other.</i></p>	<ol style="list-style-type: none"> 1. My organization constantly studies its business environment. 2. My organisation assesses the different aspects of its operations considering the past, the present and the future. 3. The internal systems of my organization constantly respond to developments in the business environment. 4. My organization reviews its strengths, weaknesses, opportunities and threats from time to time. 5. Leaders in my organization benchmark their strategies and decisions against best practices. 6. Planning in my organization takes into consideration developments in the economic environment. 7. The quality of products and services in my organization is often reviewed in accordance with trends.
<p>A2: Use of unique attributes and competences to gain competitive advantage.</p>	<ol style="list-style-type: none"> 1. The leaders in my organization make use of staff expertise to enhance competitive advantage. 2. The special abilities of staff are valued in my organization.

<p><i>Projectile, ballistic and sticky tongue to catch prey.</i></p>	<ol style="list-style-type: none"> 3. Members of staff in my organization have expertise in the key areas. 4. My organization uses the unique attributes of its products and services to gain competitive advantage in the market. 5. The products and services produced by my organization are of competitive standards. 6. My organization has quality managements systems in place. 7. My organization invests in the protection of its intellectual property.
<p>A3: Consolidation of position in the market.</p> <p><i>Specially designed feet with a human like grasp.</i></p>	<ol style="list-style-type: none"> 1. Leaders in my organization invest in the consolidation of its position in the business environment around it. 2. My organization targets specific segments of its market. 3. My organization devises strategies to cushion it from threats from the economic environment. 4. My organization needs to develop adaptation strategies to ensure survival. 5. My organization uses its core competencies to position itself strategically in the market. 6. Leaders in my organization capitalize on the strengths of the organization. 7. My organization makes the most out of the opportunities available in its environment.
<p>A4: Standardisation and stability of operations.</p> <p><i>Long prehensile tail for stability.</i></p>	<ol style="list-style-type: none"> 1. My organization has a standard organizational structure. 2. Employees in my organization have structured contracts. 3. Operations in my organization run according to a specific plan of action. 4. My organization respects and follows its plans as expected. 5. My organization has a clear vision of where it is going. 6. My organization has a mission statement that guides it. 7. Financial management in my organization is done by competent professionals.
<p>A5: Adaptation to changes and developments in the environment.</p> <p><i>Bumpy skin with special cells that change colour.</i></p>	<ol style="list-style-type: none"> 1. My organization needs to devise adaptation strategies to survive in its environment. 2. My organization is able to apply strategic management despite the challenges in its economic environment. 3. My organization adheres to statutory requirements. 4. Leaders in my organization plan with developments in the business environment in mind. 5. Employees in my organization are constantly trained to keep up to date with trends. 6. My organization has evolved over time in response to factors of the business environment. 7. Planning in my organization is strategic in nature.
<p>A6: Effective strategy formulation, planning, design, appraisal,</p>	<ol style="list-style-type: none"> 1. Strategies in my organization are developed with the involvement of staff. 2. Leaders in my organization are aware of what strategic

<p>implementation, monitoring and evaluation.</p> <p><i>Careful and well calculated movements.</i></p>	<p>management entails.</p> <ol style="list-style-type: none"> 3. Management systems in my organization allow the introduction of strategic management. 4. Leaders in my organization monitor and evaluate the implementation of its strategies. 5. The owners of my organization run it in a professional manner. 6. Planning in my organization is done with meaningful involvement of staff. 7. Decisions in my organization are appraised first before implementation.
<p>A7: Effective strategic positioning in the market.</p> <p><i>Strategic positioning abilities.</i></p>	<ol style="list-style-type: none"> 1. My organization is run following the fundamentals of strategic management. 2. My organization invests in the strategic positioning of its products and services in its market. 3. Marketing management in my organisation is done in accordance with the strategic needs of the organization. 4. My organization is strategically positioned in its market. 5. My organization's viability is sustainable. 6. My organization is competitive enough against the standards of its competitors. 7. My organisation's internal systems ensure sustainable quality management.

Table 44: Proposed Adoption of the Chameleon survival Strategy model

Developing from the established unstandardized index, based on the above tool, with each attribute having 7 variables, the standard formula for the calculation of the unstandardized index is therefore:

$$\begin{aligned}
I_{sm} &= \frac{1}{7} \left(\frac{1}{n_1} \sum_{i=1}^{n_1} V_{1i} + \frac{1}{n_2} \sum_{i=1}^{n_2} V_{2i} + \frac{1}{n_3} \sum_{i=1}^{n_3} V_{3i} + \frac{1}{n_4} \sum_{i=1}^{n_4} V_{4i} + \frac{1}{n_5} \sum_{i=1}^{n_5} V_{5i} + \frac{1}{n_6} \sum_{i=1}^{n_6} V_{6i} + \frac{1}{n_7} \sum_{i=1}^{n_7} V_{7i} \right) \\
&= \frac{1}{7} \left(\frac{1}{7} \sum_{i=1}^7 V_{1i} + \frac{1}{7} \sum_{i=1}^7 V_{2i} + \frac{1}{7} \sum_{i=1}^7 V_{3i} + \frac{1}{7} \sum_{i=1}^7 V_{4i} + \frac{1}{7} \sum_{i=1}^7 V_{5i} + \frac{1}{7} \sum_{i=1}^7 V_{6i} + \frac{1}{7} \sum_{i=1}^7 V_{7i} \right) \\
&= \frac{1}{7} \left(\frac{1}{7} \right) \left[\sum_{i=1}^7 V_{1i} + \sum_{i=1}^7 V_{2i} + \sum_{i=1}^7 V_{3i} + \sum_{i=1}^7 V_{4i} + \sum_{i=1}^7 V_{5i} + \sum_{i=1}^7 V_{6i} + \sum_{i=1}^7 V_{7i} \right] \\
&= \frac{1}{49} \left[\sum_{i=1}^7 V_{1i} + \sum_{i=1}^7 V_{2i} + \sum_{i=1}^7 V_{3i} + \sum_{i=1}^7 V_{4i} + \sum_{i=1}^7 V_{5i} + \sum_{i=1}^7 V_{6i} + \sum_{i=1}^7 V_{7i} \right] \\
&= \frac{1}{49} \left[\sum_{i=1}^{49} V_i \right] \quad \forall \{I_{sm} \in \mathbf{R} : 1 \leq I_{sm} \leq 5\}
\end{aligned}$$

For the ease of interpretation of the index, the standardised index was proposed in Chapter 6 on page 148. Thus, developing from the proposed formula for calculating the standardised index, it follows then that, with regards to the new proposed tool, this standardised index can be calculated as:

$$\begin{aligned}
I_{CSS} &= \left[\frac{1}{28} \left(\frac{1}{n_1} \sum_{i=1}^{n_1} V_{1i} + \frac{1}{n_2} \sum_{i=1}^{n_2} V_{2i} + \frac{1}{n_3} \sum_{i=1}^{n_3} V_{3i} + \frac{1}{n_4} \sum_{i=1}^{n_4} V_{4i} + \frac{1}{n_5} \sum_{i=1}^{n_5} V_{5i} + \frac{1}{n_6} \sum_{i=1}^{n_6} V_{6i} + \frac{1}{n_7} \sum_{i=1}^{n_7} V_{7i} \right) - \frac{1}{4} \right] \\
&= \left[\frac{1}{28} \left(\frac{1}{7} \sum_{i=1}^7 V_{1i} + \frac{1}{7} \sum_{i=1}^7 V_{2i} + \frac{1}{7} \sum_{i=1}^7 V_{3i} + \frac{1}{7} \sum_{i=1}^7 V_{4i} + \frac{1}{7} \sum_{i=1}^7 V_{5i} + \frac{1}{7} \sum_{i=1}^7 V_{6i} + \frac{1}{7} \sum_{i=1}^7 V_{7i} \right) - \frac{1}{4} \right] \\
&= \left(\frac{1}{7} \right) \left(\frac{1}{28} \right) \left(\sum_{i=1}^7 V_{1i} + \sum_{i=1}^7 V_{2i} + \sum_{i=1}^7 V_{3i} + \sum_{i=1}^7 V_{4i} + \sum_{i=1}^7 V_{5i} + \sum_{i=1}^7 V_{6i} + \sum_{i=1}^7 V_{7i} \right) - \frac{1}{4} \\
&= \left(\frac{1}{196} \right) \left(\sum_{i=1}^7 V_{1i} + \sum_{i=1}^7 V_{2i} + \sum_{i=1}^7 V_{3i} + \sum_{i=1}^7 V_{4i} + \sum_{i=1}^7 V_{5i} + \sum_{i=1}^7 V_{6i} + \sum_{i=1}^7 V_{7i} \right) - \frac{1}{4} \\
&= \left(\frac{1}{196} \right) \left[\left(\sum_{i=1}^{49} V_i \right) - \frac{1}{4} \right] \\
&= \left(\frac{1}{4} \right) \left[\frac{1}{49} \left(\sum_{i=1}^{49} V_i \right) - 1 \right] \\
&= \frac{1}{4} (\mu(V_i) - 1) \quad \forall \{I_{CSS} \in \mathbf{R} : 0 \leq I_{CSS} \leq 1\}
\end{aligned}$$

Where $\mu(V_i)$ is the average rating for all the 49 variables.

7.1.2 Application of the Model

It is recommended that stakeholders seeking to analyse businesses could adopt the Chameleon Survival Strategy Index for the purposes of measuring the extent to which a business is consistent with strategic management best practices. The higher the score out of five, the more consistent the organization would be. It is however also recommended that quantitative and qualitative approaches be used. For the quantitative approach, the variables for every attribute can be included in a questionnaire, while the same variables can be included in an interview guide. The use of both quantitative and qualitative approaches helps researchers to establish a richer picture of the situations on the ground.

7.2 Recommendations to SME practitioners

Respondents interviewed during this research had a lot to say about what Government and other stakeholders were not doing or needed to do in support of SMEs. It is the researcher's view that entrepreneurs also have a role to play and that they need to address the following issues:

7.2.1 Establishment of formal and standardized operational systems

SMEs need to put in place measures that ensure the establishment of standardised operational systems to support and sustain strategic management. The organisations need to be structured in a logical manner, which ensures clarity of roles and synergy across departments. Only a few of the SMEs are departmentalized but a lot of them just operate following the whims of the owner without structures and hierarchical frameworks being visible. Strategic management is difficult to introduce in an unstructured organization, with no operational guidelines.

7.2.2 Establishment of Human Resources Management Systems

The subject of poor or ineffective human resources management systems in SMEs came up a lot in interviews with all the three clusters of respondents. In the majority of cases, employees are engaged without fixed contracts, while some are not clear about their roles within the business. This lack of well-coordinated human resources management systems leads to demotivation of staff, causing lack of commitment and dedication to duty. The necessary alignment of individual employee goals to those of the organisation is not feasible in such organisations. It is a fact that where there is no job security and good quality of work life, employees' commitment to the organization is compromised. The establishment of viable human resources management systems in SMEs would help ensure the success of strategic management, leading to improved productivity.

7.2.3 Engagement in Constant Benchmarking

Benchmarking is one process that helps SMEs keep up to date with trends and developments in their business environment. Following the logic of the systems theory, SMEs would position themselves strategically in their business environments, if they practise constant benchmarking, in accordance with the dictates of their environments. An organization that survives as an island, without reviewing trends in its environment risks becoming obsolete or finding itself completely

out of touch with the expectations of its clients and stakeholders. SMEs need to appreciate that good strategies are born out of the effective scanning of one's environment, followed by relevant strategic planning. From environmental scanning, they would also be able to establish the nature and range of support programmes, which stakeholders put in place in support of their business activities.

7.2.4 Adherence to Statutory Requirements

Entrepreneurs need to appreciate the fact that operating a business without respecting the laws of the country is counterproductive and constitutes a serious risk. One of the key reasons why the chameleon has managed to survive in the wild, in spite of the harsh and hostile conditions is that it strictly follows the rules of its environment. Once it breaks any of the rules, it finds itself so vulnerable that it can easily be crushed to death by bigger stakeholders in its environment. According to the laws of the country, all businesses are expected to adhere to statutory obligations such as the remittance of taxes, levies and other obligations. SMEs that deliberately violate the laws of the country by ignoring statutory requirements risk total collapse at the hands of bigger stakeholders such as Government Agencies.

7.2.5 Introduction of Internal Business Monitoring and Evaluation Systems.

The establishment of internal business monitoring and evaluation systems would enable entrepreneurs find out if all the components of the business are operating in harmony, towards the accomplishment of set goals. The chameleon can successfully execute its strategies and achieve its goals because all its organs work in harmony, focusing on specific goals. An organisation that lacks internal harmony at personal, unit and departmental levels finds it difficult to introduce strategic management. Operating without self-evaluation or real-time monitoring of organisational processes leads to a situation where the organisation might seem to be running well, when it is drifting into bankruptcy, without the leaders knowing it. This is often the case in retail businesses, which seem to be enjoying brisk business as customers frequent the businesses, only to realize that not much profit has been realized by the business due to latent losses resulting from lack of effective monitoring and control systems.

7.2.6 Separating the Business from Personal Life

Entrepreneurs or founding directors are advised to allow their businesses to develop professionally outside their personal lives for them to become entities with their own strengths and opportunities. Running the organization from one's pocket or as if it is a personal affair makes the business lack innovation and sustainability. In a lot of cases, as revealed by respondents, the weaknesses of the founding director become the weaknesses of the business. The strategic involvement of employees in decision-making and strategy formulation helps introduce new ideas to the organisation leading to the enhancement of competitiveness.

7.2.7 Adoption of the Chameleon Survival Strategy Model

The adoption of the Chameleon Survival Strategy Model by SMEs enables them to carve a niche in their business environments, in which their businesses develop and grow without being easily affected by negative factors of their environment. An SME that gets a high score on the Chameleon Survival Strategy Index, as illustrated in Figure 55 on page 141 is deemed to have the capacity to effectively introduce strategic management in its value chain, with no difficulties. SMEs are advised to draw lessons from the Chameleon Survival Strategy Model to enhance their capacity to fully embrace strategic management.

7.3 Recommendations and Implications to Stakeholders Supporting SMEs

Stakeholders supporting SMEs need to improve on the aspects of their services in a variety of ways. These recommendations are derived from the views of respondents as well as their responses to questions from the researcher.

7.3.1 Training in the Nature and Application of Strategic Management.

From the findings of the research, it is evident that entrepreneurs are in need of training in the nature and application of strategic management. This recommendation is inspired by the fact that SMEs do not have much knowledge of what strategic management entails, while some perceive it as a cumbersome process, which is only effective in theoretical organisations. Following the attributes of the model, the adoption of the content presented in Figure 60 is proposed.

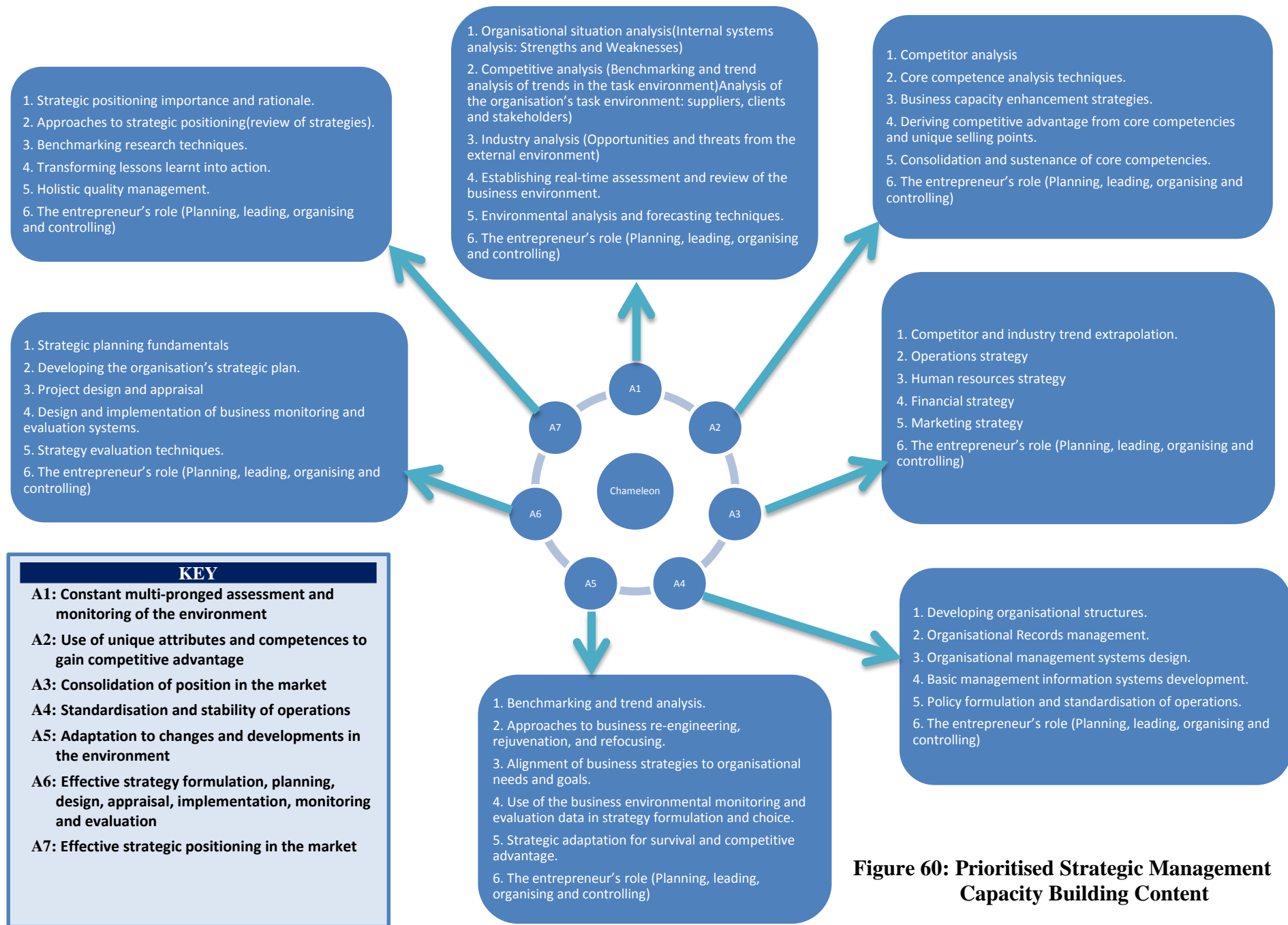


Figure 60: Prioritised Strategic Management Capacity Building Content

In view of the fact that the seven attributes of the model are not arranged in hierarchical order, stakeholders can choose a framework to follow, depending on the needs at hand. In view of these observations, the researcher recommends that stakeholders combine efforts to effectively build capacity in entrepreneurs for them to meaningfully embrace strategic management.

7.3.2 Business Planning Training in Vernacular Languages

Training in business planning, design, implementation, monitoring and evaluation is of necessity to entrepreneurs. It was mentioned by a number of respondents in the interviews that training programmes needed to be offered in the languages that SME owners understand. The fact that business planning modules and books written in vernacular languages are scarce, business management principles seem to be only applicable in businesses run by the educated. The development of business training modules in vernacular languages is therefore recommended. This approach would help demystify professional approaches to business management and make the average entrepreneur interested in exploring best business management best practices.

7.3.3 Capacity Building in Records Management

Though entrepreneurs generally state that they have record keeping systems running in their organisations, a closer look at the nature and quality of records has proved that in most cases, the records are neither logical nor useable. Record keeping is the key to the establishment of a strategic management system that makes use of historical, contemporary and futuristic information, for the purposes of strategic positioning. It is also in the records that organizational intelligence and memory are stored for future use and reference, in the absence of the employees and managers. Capacity building or development in the management of organisational records is therefore recommended.

7.3.4 Financial Management Training

The majority of SMEs have financial management systems that are inconsistent with business management best practices. In some cases finances are managed by the owner of the business in a whimsical manner, with no transparency and proper planning. It is recommended that

stakeholders develop user-friendly financial management training packages that transcend language and literacy barriers, to help demystify the belief that professional financial management is not feasible in SMEs. Through the use of training packages developed with the beneficiary in mind, possibly in vernacular languages, SMEs can appreciate the importance of standardized and professional management of funds. This can also help change the negative perceptions entrepreneurs have of formalised financial management systems, which they fear will bring too much transparency, which takes away the owner's privileges of using money, following his or her own needs and of doing things without requiring authorization.

7.3.5 Human Resources Management Training

From the findings of the research, SMEs lack the application of human resources management techniques and the ability to empower and motivate staff. This results in leadership styles and management systems that are counterproductive and incompatible with strategic management. Stakeholders supporting SMEs such as SMEAZ, SEDCO, EMPRETEC Zimbabwe and the relevant Government Ministry need to revisit their capacity building programmes and consider developing training toolkits that are user-friendly and follow the specific needs of entrepreneurs. Toolkits also need to mainstream the participatory or bottom-up approach to training, as opposed to a teacher-student approach. The more participatory and involving the programmes are, the more interesting and empowering they will be to the participants. Training workshops need to be more practical, interesting and participatory, for them to be well-received by the participants.

7.3.6 Training in Corporate Governance

It was evident that the majority of entrepreneurs lacked corporate governance knowledge in view of their practices and tendencies. This is one area that requires capacity development if strategic management is to be effectively implemented in SMEs.

7.4 Recommendations and Implications to Government

From the findings of the research, the following recommendations need to be considered by Government as the key stakeholder in the empowerment and support of SMEs. The adoption of

strategic management by SMEs is envisaged to immensely benefit the Government of Zimbabwe in a variety of ways which include:

- increased adherence to statutory requirements by SMEs, leading to an increase in revenue inflows from these businesses;
- improved respect for legal and policy guidelines, leading to enhanced professionalism and service quality from SMEs to the general populace;
- improved value addition to the economy from the work of SMEs, resulting from increased productivity, inspired by strategic management; and
- improved livelihoods and quality of life on the part of SME owners and their employees, leading to social stability.

In view of these benefits it was recommended that the Government addresses the following:

7.4.1 Review of Empowerment Programmes

The review of SME empowerment programmes and the establishment of the extent to which entrepreneurs have access to such programmes, is highly recommended. The Ministry responsible for SMEs development, needs to constantly carry out research to establish the extent to which new and old SMEs are catered for by existing empowerment and support programmes. The fact that a significant number of SMEs as illustrated in Figure 23 on page 75, are of the view that the legal and policy framework in Zimbabwe does not support the introduction of strategic management in SMEs, means that a review is necessary. This is mainly because feedback from stakeholders reveals a different scenario altogether and document review also confirms that the legal and policy framework actually promotes strategic management in SMEs.

7.4.1.1 Proposed partners in the development of SME empowerment programmes

The effective empowerment of entrepreneurs for the adoption of strategic management is of paramount importance if the recommendations of this study are to be useful and value adding. In light of this fact the network of partners proposed in figure 61 needs to work together towards the holistic empowerment and capacity development of the SME sector. Through the exchange of information and strategic cooperation, the stakeholders can combine their efforts and offer a well-coordinated empowerment package to SMEs. Such a network would enhance information

sharing and the accumulation of intelligence and memory that would form a data base of information for use by all stakeholders. The Government, through the Ministry of Small and Medium Enterprises and Cooperative Development would coordinate the network and mobilise resources for the establishment of a computer based information sharing platform for all stakeholders. This could also be coordinated through the Ministry’s website with the full involvement of all stakeholders as illustrated below

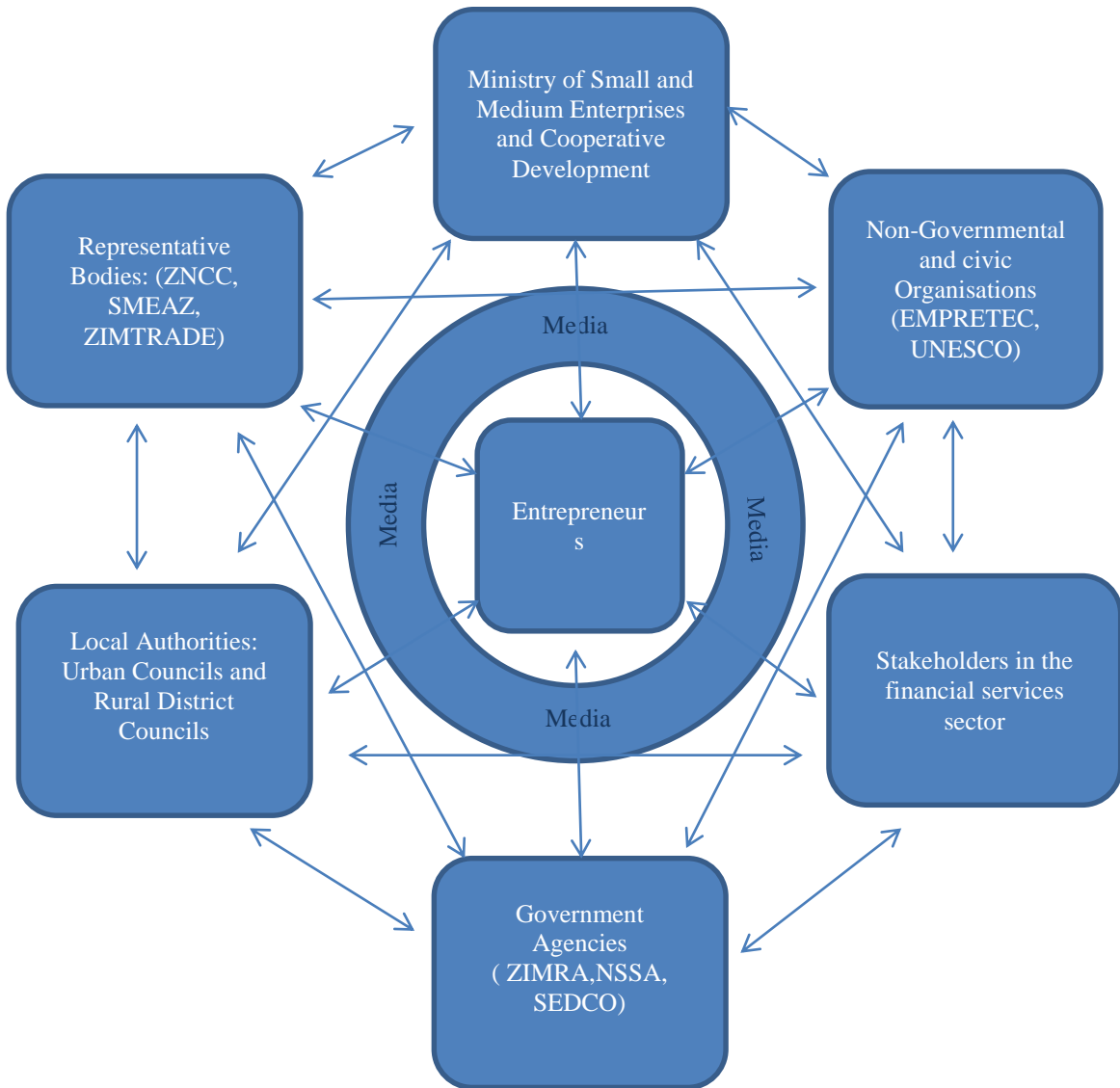


Figure 61: The SMEs Empowerment Partners’ Network

7.4.2 Monitoring and Evaluation of the Effectiveness of Interventions

There is also a need for the Ministry to constantly monitor and evaluate the effectiveness of the efforts put in place by other stakeholders, such as NGOs, financial institutions and associations to ensure that they are value adding and are not in conflict with the Ministry's efforts. This would help establish the gaps that exist and ensure the establishment of a holistic approach to the empowerment of SMEs at all levels.

7.4.3 Consistency of Legal and Policy Provisions with the Needs of SMEs

There is need to ensure that legal and policy provisions are consistent with the needs of SMEs, through a participatory policy development process. The more SMEs get involved in the formulation and evaluation of policies that affect them, the more they will be willing to adhere and respect them. A bottom-up policy development, monitoring and review strategy is therefore recommended in which SMEs and their representative boards play a pivotal role.

7.5 Areas for Further Research

Further research is recommended in the following areas so as to enhance stakeholders' understanding of SMEs and their business operations.

- 7.5.1 Research on the characteristics and survival strategies of very small low-input SMEs, which are subsistence in nature and whose owners do not think are actually in business but are just whiling up time needs to be carried out to establish more about their characteristics.
- 7.5.2 Research on the training needs of SME owners regarding financial management, human resources management and marketing is also necessary. This would assist stakeholders in developing capacity development programmes that meet the exact needs of entrepreneurs.
- 7.5.3 Further research is also recommended on the range of leadership styles applied in SMEs and their effectiveness.

- 7.5.4 An investigation of the extent to which language barriers could be an impediment to the adoption of business management best practices presented in stakeholder training modules by SMEs. This would help establish if the idea of translating training toolkits into vernacular languages is necessary to ensure the effective empowerment of SMEs.
- 7.5.5 A review of the extent to which SMEs comply with statutory requirements. This would add value to researches conducted by Government and help establish the correct statistics on the ground.
- 7.5.6 The range of employee motivation and empowerment strategies applied in SMEs.
- 7.5.7 The range and nature of support services offered by stakeholders to SMEs in Zimbabwe.

7.6 Conclusion

The research process leading to the production of this document was executed according to plan and intended objectives were effectively fulfilled as expected. The SMEs targeted by the research as the sample, exhibited characteristics that were consistent with those outlined in literature review. The major observation established by the researcher was that SMEs faced a wide range of challenges in their efforts to introduce strategic management in their value chains. Challenges ranged from self-inflicted problems, emanating from leadership and management systems, to challenges associated with the nature and application of strategic management. The use of the Chameleon Survival Strategy Model assisted the researcher in carrying out an in-depth study of SMEs, which enabled the discovery of the variety of challenges that SMEs needed to overcome for them to be capable of effectively adopting strategic management. In the questionnaire survey, the research targeted three clusters of SMEs in the retail, manufacturing and hospitality and tourism sectors, with the hope of carrying out a comparative analysis of findings across the clusters. It was however discovered through this research, that SMEs in the different sectors, faced similar challenges with regards to the implementation of strategic management and that a comparative analysis would not yield much.

The research findings revealed that the nature of governance, operational and administrative characteristics across the three clusters of SMEs were quite similar. To this end, the researcher recommended that stakeholders supporting SMEs should equally consider the needs of enterprises in the three sectors and only introduce variations in special case scenarios. It was clear in the findings that SME owners needed a lot of support, in the form of capacity development in the application of strategic management. This observation was supported by the realisation that some entrepreneurs were not aware of what strategic management entailed, how to incorporate it in their businesses and how it could benefit their organisations.

The researcher also emphasised that entrepreneurs had a role to play in their empowerment towards the ability to adopt strategic management. The lack of an intra-organisational environment, which was conducive enough, was identified as one of the major impediments to the adoption of strategic management. It was recommended that entrepreneurs establish well-structured organisational frameworks with logically arranged units and departments. The lack of professionalism, standardisation and stability of operations in SMEs was another problem that entrepreneurs needed to address. This would help create the necessary organisational conditions to support the implementation of strategic management.

The adoption of the Chameleon Survival Strategy Model was recommended as an effective approach, which would make the average SME consistent with the conditions necessary for a more strategic approach to business management. Using the Chameleon Survival Strategy Index, stakeholders could measure the extent to which SMEs were consistent with the requirements for the effective incorporation of strategic management. Using the Index in conjunction with qualitative data from target groups, stakeholders that support SMEs can also review the effectiveness the programmes they put in place, in support of entrepreneurs and their businesses. The study ends with recommendations and the identification of areas requiring further research. The proposed areas for research should focus on the collection and analysis of data that would enable stakeholders to better understand the ways in which SMEs operate. It is the researcher's view that it is only through the insightful understanding of the nature and characteristics of SMEs that stakeholders can craft interventions and initiatives that yield positive results. Any interventions developed without focusing on the exact needs of SMEs would not work and their

acceptance by target groups would be difficult. It is through the achievement of buy-in and the meaningful involvement of entrepreneurs, using participatory and bottom-up approaches that the successful incorporation of strategic management in SMEs could be achieved for the benefit of all stakeholders.

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APPENDIX A: LETTER OF CONSENT

UNIVERSITY OF ZIMBABWE



FACULTY OF COMMERCE

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.....
Date: 23/07/13

Dear Sir/Madam

We kindly request you to be one of the respondents in the survey entitled '*Strategic Management Challenges to Small and Medium Scale Enterprises: A Case Study of Small and Medium Scale Enterprises in Harare*'. The main objective of the research is to establish the range of challenges faced by small and medium scale businesses in their efforts to incorporate strategic management in their value chains. The survey also seeks to establish the importance attached to this approach to business management and find out if there are any training needs amongst entrepreneurs. The information gathered will solely be used for academic and professional purposes, by the University and various industry stakeholders to assist entrepreneurs in their endeavours to enhance business effectiveness. In this study **strategic management is defined as a continuous and iterative process aimed at keeping the organisation as a whole appropriately matched to its environment (Certo and Peter, 1999).**

Please read the questionnaire carefully and respond honestly to its contents. All the information you provide will be handled and treated confidentially and following research ethics.

Yours faithfully

A. Mhizha

APPENDIX B: ADMINISTERED QUESTIONNAIRE

I. Demographic data (Please tick or place an 'X' in the appropriate box.)

Gender	Male		Female	
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Age	30 yrs and below		31 -50		50 and above	
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Level of education	PhD (Doct orate)		MA/MSc (Master's)		BA/BSc/Bcom (Bachelor's)		Diploma		Other(<i>specify</i>)
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Position in the company/business	Founding director		Managing director		Manager		Other(<i>specify</i>)
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Nature of Business	
--------------------	--

Number of employees	
---------------------	--

My company has been operating for:(Put an 'X')	Less than 2yrs		2-5 yrs		5-10 yrs		10 -15 yrs		More than 15 yrs	
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II. Please tick or place an 'X' in the appropriate box.

Key: SA – Strongly Agree, A – Agree, N- Neutral, D – Disagree, SD – Strongly Disagree

		SA	A	N	D	SD
1	Strategic management is important in the running of my organisation.					
2	It is easy to incorporate strategic management in my organisation.					

3	Small and medium scale business owners do not appreciate the importance of strategic management.					
4	Entrepreneurs prefer running their businesses informally, with little or no planning.					
5	As an entrepreneur I need training for me to be able to do appropriate long-term business planning responding to the environment.					
6	The legal and policy framework in Zimbabwe encourages the application of strategic management in Small and Medium Scale businesses.					
7	My organisation is run following the fundamentals of strategic management.					
8	Government and industry stakeholders support the application of strategic management in SMEs.					
9	Lack of knowledge and skills hinders the introduction of strategic management in Small and Medium Scale enterprises.					
10	My organisation has no record keeping system in place.					
11	My organisation does not need to devise adaptation strategies to ensure survival in its environment.					
12	My organisation has a record keeping system in place.					
13	Strategic management does not work in Small and Medium Scale Enterprises.					
14	Leadership styles and management systems in my organisation do not allow the introduction of strategic management.					
15	My organisation has a clear vision of where it is going.					
16	Strategic management is only appropriate in larger companies.					

17	Lack of futuristic planning is negatively affecting my organisation.					
18	My organisation works better without planning.					
19	The country's economic environment makes strategic planning difficult for my organisation.					
20	Leadership styles in my organisation allow the introduction of strategic management.					
21	Planning in my organisation is done by management without consulting staff.					
22	My organisation has a bank account and funds are managed in a systematic manner.					
23	My organisation adheres to statutory requirements (e.g ZIMRA, NSSA)					
24	Employees in my organisation have structured contracts.					
25	Management systems in my organisation make the introduction of strategic management difficult.					
26	My organisation has a clear mission statement that guides it.					
27	My organisation engages in long term planning					
28	My organisation uses short term planning					
29	Financial management and accounting in my company is done by the owner of the business.					
30	My organisation respects and follows its plans as expected.					

-----End-----

APPENDIX C: NORMALISED QUESTIONNAIRE

II. Demographic data (Please tick or place an 'X' in the appropriate box.

Gender	Male		Female	
--------	------	--	--------	--

Age	30 yrs and below		31 -50		50 and above	
-----	------------------	--	--------	--	--------------	--

Level of education	PhD (Doct orate)		MA/MSc (Master's)		BA/BSc/Bcom (Bachelor's)		Diploma		Other(specify)
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Position in the company/business	Founding director		Managing director		Manager		Other(specify)
----------------------------------	-------------------	--	-------------------	--	---------	--	-------------------------

Nature of Business	
--------------------	--

Number of employees	
---------------------	--

My company has been operating for:(Put an 'X')	Less than 2yrs		2-5 yrs		5-10 yrs		10 -15 yrs		More than 15 yrs	
--	----------------	--	---------	--	----------	--	------------	--	------------------	--

II. Please tick or place an 'X' in the appropriate box.

Key: SA – Strongly Agree, A – Agree, N- Neutral, D – Disagree, SD – Strongly Disagree

		SA	A	N	D	SD
1	Strategic management is important in the running of my organisation.					
2	It is easy to incorporate strategic management in my organisation.					

3	The owner(s) of this business appreciate the importance of strategic management.					
4	The owner(s) of this organisation prefer running the business formally, with prior planning					
5	I need training to be able to do long-term business planning responding to the environment					
6	The legal and policy framework in Zimbabwe encourages us to apply strategic management.					
7	My organisation is run following the fundamentals of strategic management.					
8	Government and stakeholders support the application of strategic management in our business.					
9	We have sufficient knowledge and skills that enable us to introduce strategic management.					
10	My organization continually devises adaptation strategies to ensure survival in its environment.					
11	My organisation has a record keeping system in place.					
12	Strategic management effectively and efficiently works in our organisation.					
13	Leadership styles in my organization allow the introduction of strategic management.					
14	My organisation has a clear vision of where it is going.					
15	Strategic management is equally appropriate in our organisation as it is in large companies.					
16	My organisation works better with planning.					
17	We do manage to strategically plan despite the macro-economic					

	challenges that may prevail					
18	Planning in my organization is done by management in consultation with staff.					
19	My organization's funds are managed in a systematic manner.					
20	My organisation adheres to statutory requirements (e.g ZIMRA, NSSA)					
21	Employees in my organization have structured contracts.					
22	Management systems in my organization facilitates the introduction of strategic management.					
23	My organisation has a clear mission statement that guides it.					
24	My organisation engages in long term planning					
25	There is a dedicated financial management and accounting function in my company.					
26	My organisation respects and follows its plans as expected.					

-----End-----

APPENDIX D: INTERVIEW GUIDE

Question		Response <i>(Continue on a separate sheet where necessary)</i>
1	Is strategic management important in the running of your organisation?	
2	How easy is it to incorporate strategic management in your organisation?	
3	In your view, do small and medium scale business owners appreciate the importance of strategic management?	

4	Is it a fact that entrepreneurs prefer running their businesses informally, with little or no planning?	
5	As an entrepreneur, do you need any training for you to be able to do appropriate long-term business planning responding to the environment?	
6	The legal and policy framework in Zimbabwe encourages the application of strategic management in Small and Medium Scale businesses. What are your views on this statement?	
7	Is your organisation run following the fundamentals of strategic management?	

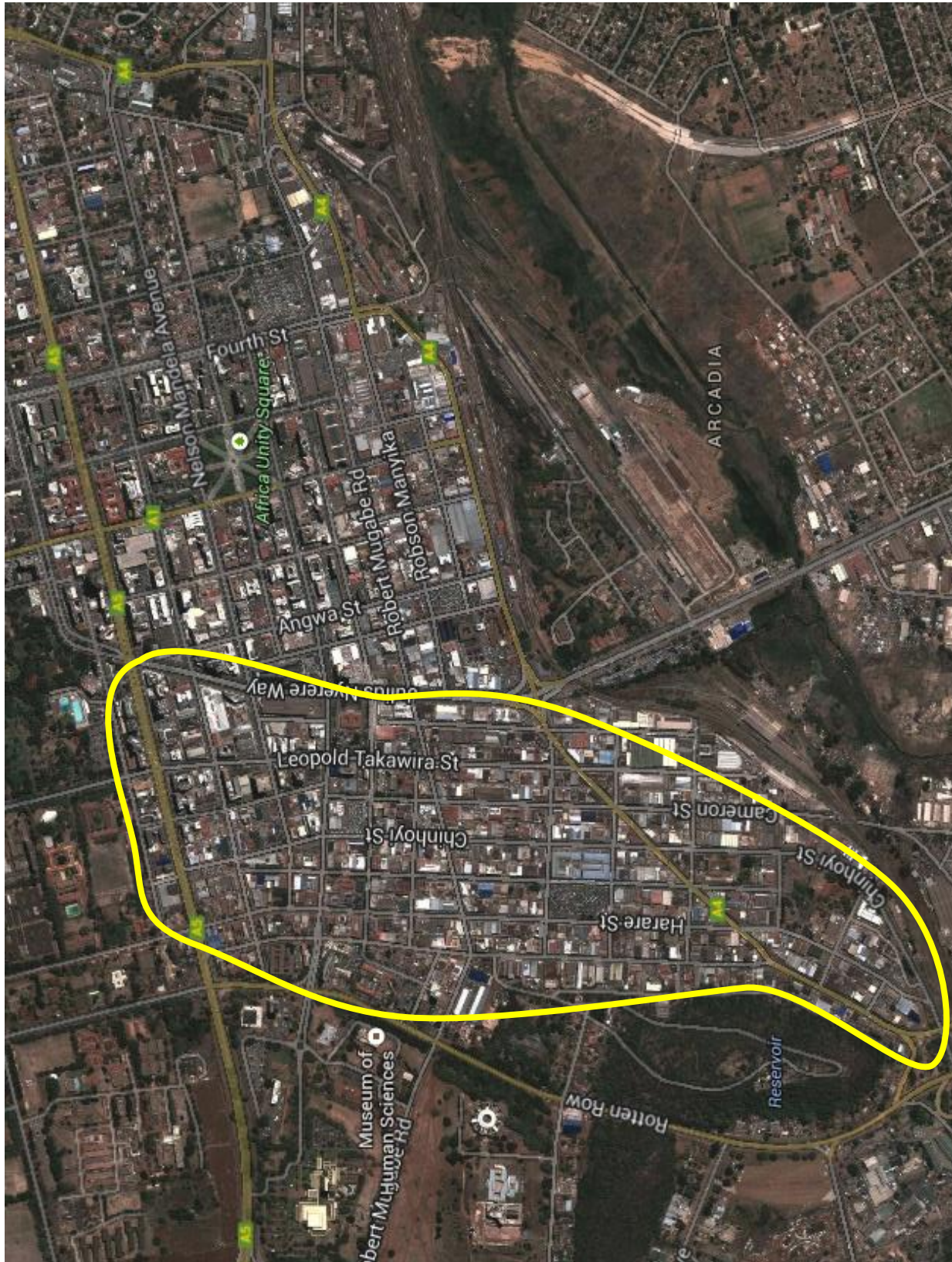
8	To what extent do Government and industry stakeholders support the application of strategic management in SMEs?	
9	Does the lack of knowledge and skills hinder the introduction of strategic management in Small and Medium Scale enterprises?	
11	Does your organisation need to devise adaptation strategies to ensure survival in its environment?	
12	Is there a record keeping system in place in your organization?	

13	Strategic management does not work in Small and Medium Scale Enterprises. Comment on this statement.	
14	Do leadership styles and management systems in your organisation allow the introduction of strategic management?	
15	Does your organisation have a clear vision of where it is going?	
16	Is strategic management only appropriate in larger companies?	

18	Does your organisation work better without planning?	
19	Is the country's economic environment making strategic planning difficult for your organisation?	
21	Is planning in your organisation is done by management in consultation with staff?	
22	Is financial management in your organisation done in a systematic manner? Does the organisation have a bank account?	

23	Does your organisation adhere to statutory requirements (e.g ZIMRA, NSSA)?	
24	Do the employees in your organisation have structured contracts?	
26	Does your organisation have a clear mission statement that guides it?	
30	Does your organisation respect and follow its plans as expected?	

APPENDIX E: HARARE CBD SME LOCATION



APPENDIX F: HARARE - GLENVIEW SME LOCATION



APPENDIX G: HARARE – KOEFMANNS - MAGABA SME LOCATION

