


Strategic decision-making in small and medium enterprises in South Africa



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Background: Effective strategic decision-making (SDM) is a key element to ensure the sustainability and continuous business performance in any business. This is especially true in large organisations. Limited research has been conducted to understand SDM processes in small and medium enterprises (SMEs) in South Africa.

Aim: To determine whether SMEs apply SDM in their businesses and if benchmark methodologies and process can be defined for SMEs in a South African context.

Setting: Participants in this research study were managers and/or owners of South African SMEs.

Methods: This study employed a qualitative approach, implementing the Delphi technique. Open-ended questions were used in round one and thematic analyses assisted to identify themes. In round two, rating scales were used with the aim to reach consensus. Consensus was reached after the second round. A total of 20 SME owners and/or managers participated in round one and 10 in round two (50% drop-out rate).

Results: The study reveals a benchmark SDM process, highlighting and/or validating unique activities, such as internal reasons for SDM, analysing financial information, developing alternatives, choosing an alternative that preserves the entity in terms of cost, gathering non-financial information, communication and lastly, reviewing the effectiveness of the strategic decision.

Conclusion: The findings will allow SME managers and/or owners to gain insight into SDM. Such knowledge can lead to comprehensiveness in SDM, consistency in SDM activities and, ultimately, improved SDM.

Contribution: The theoretical contribution includes a benchmark process for SDM in SMEs, adding to the SMEs' SDM body of knowledge.

Keywords: small and medium enterprises; SMEs; SMMEs; strategic decision-making; sustainable SMEs; strategy; Delphi technique; South Africa.

Introduction

Small businesses are important role players in any economy (Gamage et al. 2020; Inyang 2013; Jamali, Lund-Thomsen & Jeppesen 2015; Olawale & Garwe 2010; Painter-Morland & Dobie 2009). However, small and medium enterprises (SMEs) experience high failure rates because of the major challenges they experience. Some of these challenges include resource limitations, significant competition and SMEs being particularly vulnerable to factors in their external business environment (Popa et al. 2019; Smit & Watkins 2012). In addition, leadership skills and the behaviours and qualities of SME managers and/or owners have been identified as critical factors that influence their long-term survival, growth and sustainability (Hisham et al. 2020; Lekhanya 2015).

In the South African context, SMEs also face additional challenges, such as crime, corruption, challenges to market access and a lack of managerial skills (Mhlongo & Daya 2023; Viviers & Venter 2008). Tax legislation also does not always provide the necessary support and encouragement in aiding small business with lower tax incentives and initiatives (Painter-Morland & Spence 2009). Similar to large organisations, SMEs also face bureaucracy challenges that result in poor business and management skills, decisions and practices (Bureau for Economic Research 2016; Gopaul 2019; Mhlongo & Daya 2023). In addition to all these challenges, can the lack of or inadequate strategic decision-making (SDM) skills also be a stimulus for poor performance and failure in SMEs (Gopaul & Rampersad 2020; Hang & Wang 2012).

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Strategic decision-making has become an important research inquiry as it influences business performance (Hurt & Abebe 2016; Sinnaiah, Adam & Mahadi 2023). Research within this field aims to understand the SDM process and its influences (e.g. Brouthers, Andriessen & Nicolaes 1998; Jocumsen 2004; Mintzberg, Raisinghani & Theoret 1976; Witte, Joost & Thimm 1972). There remains a need for additional research in this field to assist managers to make good strategic decisions (Shafie et al. 2017). However, a trend observed in SDM research is that most research has been done within large organisations (Hang & Wang 2012; Liberman-Yaconi, Hooper & Hutchings 2010; Meyer, Lubbe & Pelsler 2013; Musso & Francioni 2012; Popa et al. 2019). These SDM models and frameworks are deemed inadequate for application to SMEs (Liberman-Yaconi et al. 2010). In South Africa, the context of this study, this gap is also evident (Gopaul 2019; Gopaul & Rampersad 2020).

Against this backdrop, the main objective of this paper is to determine whether SMEs apply SDM processes and if benchmark methodologies and process can be defined for SMEs in a South African context.

Literature review

The significance of the small and medium enterprise sector

Small and medium enterprises (SMEs) are significant contributors to any economy. Worldwide, they account for more than 90% of business enterprises, employing 60% – 70% of employees, thereby contributing to employment opportunities (Gamage et al. 2020; Inyang 2013; Jamali et al. 2015; Olawale & Garwe 2010; Painter-Morland & Dobie 2009). In the South African formal sector, SMEs account for 91% – 92% of formal business, employ 56% – 61% of employees and contribute 52% – 57% to the economy's gross domestic product (GDP) (Madzimure 2019; Mhlongo & Daya 2023; Nene 2017; Olawale & Garwe 2010). Because of them being important contributors to economies, the South African government has declared sustaining and developing SMEs a key national strategy (Bruwer 2020; Fatoki & Chilya 2012). To this end, the South African government has developed strategies, such as policies and programmes, to develop an enabling environment for these enterprises (Bureau for Economic Research 2016; Mhlongo & Daya 2023).

Essential SMEs must remain operational, sustainable and survive over the long term, especially considering the high failure rate of South African SMEs (Gopaul & Rampersad 2020). In addition, effective and well formulated strategic and managerial practices, including SDM, are important managerial tools to assist in mitigating risks from their operating environments (Mashingaidze, Phiri & Bomani 2021).

Strategic decision-making processes

Strategic decision-making is a series of actions aimed at reaching a strategic goal and is linked to business

performance (Elbanna, Thanos & Jansen 2020; Vorobyova, Alkadash & Nadam 2022). Various SDM processes are evident in the extensive body of knowledge, of which most of these processes were developed within the context of larger organisations. The SDM body of knowledge indicates that SDM can be summarised into five broad actions or stages, namely, the identify stage, information gathering stage, developing alternatives stage, selecting stage and implementation stage. Four of these actions are based on the SDM model of Mintzberg et al. (1976), although the information stage has been identified and extended in other SDM models (Jocumsen 2004; Witte et al. 1972). Table 1 summarises the SDM process identified from literature in larger organisations.

Strategic decision-making research has investigated various influencing factors, such as the influence that top management teams have on SDM speed of decision-making and external environmental factors (Elbanna et al. 2020; Murphy & Seriki 2021; Nahum & Carmeli 2020; Shepherd et al. 2021). A few observations were identified in the literature. Firstly, accumulated knowledge on SDM process has limited capabilities in teaching practitioners how to act or guide them on improving performance. However, the spatial and chronological ordering of SDM activities allows scholars to determine the way in which SDM occurs. Secondly, this research field has been dominated by quantitative studies, providing limited in-depth insights. Qualitative research designs in this field will assist with additional insight needed. Thirdly, additional research is needed in developing countries (Elbanna et al. 2020). Lastly, SDM research in SMEs is underrepresented with limited frameworks that are relevant to SMEs.

Strategic decision-making process in small and medium enterprises

There are limited SDM frameworks that specifically focus on the SDM process and its influencing factors. In literature, eight SDM processes for SMEs were identified, summarised in Table 2. Of these SDM processes, one was specifically identified within micro enterprises (Liberman-Yaconi et al. 2010), and another specifically set in small family enterprises (Ibrahim, Dumas & McGuire 2001). Hauser, Eggers and Guldenberg (2020) identified the 'ad hoc' and 'inconsistent' nature of SDM in SMEs.

These SDM processes provide for a variety of different SDM processes; however, all provide insight into SDM for SMEs. Table 2 highlights the steps and the context (country and type of entity, where specified) in which it was identified, as well as the type of research methodology employed.

Three frequently occurring steps are evident across the eight SDM processes, namely, the need to make a strategic decision (Gopaul & Rampersad 2020; Jocumsen 2004), information processing (Hang & Wang 2012; Huang 2009) and implementation (a committed strategic decision)

TABLE 1: Summary of the steps and the relevant strategic decision-making frameworks.

Broad actions and/or stages	Steps and/or activities	Authors
Identify stage	Recognition of the strategic decision or issue. Diagnose (clarify and define) the decision or issue.	Mintzberg et al. (1976)
	Acknowledge that an opportunity or issue exists. A need arises for the decision maker to make a decision.	Jocumsen (2004)
	Analysis of the situation.	Fredrickson (1984)
Information stage	Gathering and analysing information.	Jocumsen (2004)
	Gathering information.	Witte et al. (1972)
Developing alternatives stages	Determine whether there are ready-made solutions. Develop custom-made solutions. Modify and adapt ready-made solutions.	Mintzberg et al. (1976)
	Analysis of the situation. Develop decision criteria and weights. Develop and evaluate alternative options. Identify favoured option.	Jocumsen (2004)
	Determine alternative options. Evaluate alternative options.	Witte et al. (1972)
	Generate alternative options. Evaluate alternative options.	Fredrickson (1984)
Selection stages	Screening and discarding unpractical options. Evaluate the remaining choices (use of judgement, analysis of alternatives and comparing alternatives to the relevant decision criteria). Authorising (approval to implement the selected decision).	Mintzberg et al. (1976)
	Identify favoured option. Final detailed assessment of selected option. Commitment to the selected decision.	Jocumsen (2004)
	Choosing the best solution.	Witte et al. (1972)
Implementation stage	Commitment to a decision.	Jocumsen (2004)
	Choosing the best option.	Witte et al. (1972)
	Integrating the selected decision.	Fredrickson (1984)

Source: Adapted from Van Wyk, I., 2022, 'An Ethical Strategic Decision-Making Framework for South African Small and Medium Enterprises', doctoral dissertation, University of South Africa

TABLE 2: Strategic decision-making processes identified in small and medium enterprises.

Process	Steps	Entity	Research design	Country
SDM process of Ibrahim et al. (2001)	Inputs <ul style="list-style-type: none"> Reviewing the internal capabilities of the entity. Reviewing the external environment of the entity. Power filter <ul style="list-style-type: none"> Management and/or ownership filter. Family values and/or preferences filter. Outputs <ul style="list-style-type: none"> Final strategic decision. 	Small family enterprises	Quantitative	Canada and US
SDM process of Hang and Wang (2012)	Initial stage <ul style="list-style-type: none"> Identifying the need for a decision. Initial screening of existing and current information. Development of initial solution. Second stage <ul style="list-style-type: none"> Obtaining information. Refinement of initial solution. Analyses of finances. Commitment to a decision. 	Various SMEs of different sizes (minimum seven employees, maximum 170)	Mixed methods	Australia
SDM process of Huang (2009)	<ul style="list-style-type: none"> Identifying the idea. Information search and analysis. Reviewing technical expertise and analysis of finances (internal factor analysis). Commitment to a decision. 	Various SMEs, including family-owned SMEs	Qualitative	China
SDM process of Jocumsen (2004) for SMEs	<ul style="list-style-type: none"> Decision initiating. Gathering information and doing research. Analysis of financial information. Review of internal entity-related matters. Final commitment. <i>Steps 2 to 4 are characterised as loosely defined, non-sequential and iterative.</i>	SMEs	Qualitative	No mention
SDM process of Brouters et al. (1998)	<ul style="list-style-type: none"> Searching of information search. Analyses of information. Selection phase. 	SMEs	Quantitative	the Netherlands
SDM process of Liberman-Yaconi et al. (2010)	<ul style="list-style-type: none"> Informing (information search and analysis). Developing options. Deliberating over alternative options. Final strategic decision. 	Micro enterprises	Qualitative, multiple-case	Australia
SDM process of Hauser et al. (2020)	<ul style="list-style-type: none"> No intended or developed strategy (absence of strategy). No observable consistency in SDM or SDM-related actions. Approach to problem solving is <i>ad hoc</i>. 	Variety of micro, small and medium enterprises (minimum six employees, maximum, 108)	Qualitative	Swiss
SDM process of Gopaul and Rampersad (2020)	<ul style="list-style-type: none"> Decision trigger (reactive to and external market environment factor). Gathering external market environmental information. Analysing information (use of interpretation). Generating alternative options. 	Small and micro enterprises	Qualitative	South Africa

Source: Adapted from Van Wyk, I., 2022, 'An Ethical Strategic Decision-Making Framework for South African Small and Medium Enterprises', doctoral dissertation, University of South Africa
SDM, strategic decision-making; SMEs, small and medium enterprises; US, United States.

(Ibrahim et al. 2001; Liberman-Yaconi et al. 2010). In four SDM processes, there is a need to make a decision (i.e., idea formulation, decision trigger, decision identification and decision initiating) (Gopaul & Rampersad 2020; Hang & Wang 2012; Huang 2009; Jocumsen 2004). These steps or actions are concurrent with the broader literature on SDM (see Fredrickson 1984; Jocumsen 2004; Mintzberg et al. 1976; Witte et al. 1972).

Idea formulation and decision trigger may indicate a proactive (idea formulation) and a reactive (decision trigger) approach to this activity. In literature, the reason for making strategic decision seems to mostly emanate from an external factor (Hang & Wang 2012; Huang 2009). However, internal factors also result in the need to make strategic decisions (Liberman-Yaconi et al. 2010), but it seems to be to a lesser degree.

Processing of information is evident in six models. This includes gathering and analysing information (see Brouthers et al. 1998; Huang 2009; Jocumsen 2004; Liberman-Yaconi et al. 2010). In the SDM process of Hang and Wang (2012), there is an initial processing of information phase and then an additional information processing stage. In family enterprises specifically, the input (information) that they gather includes reviewing the internal capabilities and the external competitive environment (Ibrahim et al. 2001). Reviewing internal capabilities may be related to reviewing internal matters.

The review of internal matters and internal capabilities were unique characteristics of SDM in SMEs. These activities may be infused in the SDM processes of larger organisations. In SMEs, these activities may be a significant activity and a prominent step in SDM, because of their resource limitations, and internal capabilities or limitations.

In two models, there is a distinctive step or activity of financial analysis (Huang 2009; Jocumsen 2004). Financial analyses are not an explicitly identified step in the broader SDM literature (see Table 1). That is not to say that it does not happen, but it is infused into the SDM process. However, financial analyses may be more of a prominent or significant step in SDM for SMEs, given their resource limitations and the lack of access to finances.

A lesser observed activity in SDM in SMEs is generating options (Gopaul & Rampersad 2020; Liberman-Yaconi et al. 2010). Literature seems to be mixed about SMEs developing options or only reviewing one option during SDM (Hang & Wang 2012; Huang 2009; Jocumsen 2004). According to Hang and Wang (2012), the importance of this step improves the quality of SDM. This activity is evident in the broader SDM literature (see Table 1) (Mintzberg et al. 1976; Witte et al. 1972).

The last prominent action is that of implementing the strategic decision, which includes the selection of and making of a committed decision. Six models highlight this step

(Brouthers et al. 1998; Hang & Wang 2012; Huang 2009; Ibrahim et al. 2001; Jocumsen 2004; Liberman-Yaconi et al. 2010). The model of Ibrahim et al. (2001) depicts the SDM process of inputs, power filter and outputs. The inputs are internal capabilities and the external environment, the power filter contains management or ownership and family values and output is the strategic decision. In this family business context, the preferences and values of family are highlighted, as well as the role of the external environment as inputs into this system (Ibrahim et al. 2001).

Some scholars maintain that the SDM process or certain activities in SDM are characterised as loosely defined, iterative and with no specific sequence (non-sequential) (Hauser et al. 2020; Jocumsen 2004; Liberman-Yaconi et al. 2010). In one study, Hauser et al. (2020) highlighted that there are no intended or developed strategies, and decision-making occurs on an *ad hoc* basis or as they arise, indicating a reactive approach. There was also no observable consistency in SDM actions (Hauser et al. 2020). The latter provides for a possible divergent perspective on SDM, highlighting and concurring that SDM in SMEs is dynamic and fuzzy, with possible inconsistent activities.

It is also important to highlight the SDM process of Gopaul and Rampersad (2020), which is specific to the South African context, the focus of this study. In this SDM process, the need for SDM is because of a decision trigger and being reactive to the market environment. This indicates a reactive approach towards external factors. Evident in this study was the gathering of information on the market environment, indicating the gathering of external information. The analyses of market information were informal and interpreted casually. Option generating was evident in this SDM process. The SDM process was also characterised as being iterative and non-sequential (Gopaul & Rampersad 2020). The authors made an interesting observation, in that SDM in SMEs is more flexible and situational. Being more flexible than their larger counterparts is an advantage; however, a robust SDM process may lead to good strategies (Hang & Wang 2012).

The identified SDM processes provide a unique understanding of SDM in SMEs and the important activities. The SDM processes identified provide a basis on which to explore the SDM process followed in SMEs and its essential activities. Similarities between broad and SME-specific literature on SDM include identifying the need to make a strategic decision, information processing and implementing the decisions. Albeit mixed findings, generating options were also identified, which is concurrent with broader literature. Another difference seems to be the emphasis on financial analysis as a prominent step in SDM in SMEs.

Lastly, it is possible to identify a spatial and chronological ordering of SDM activities, indicating the way in which SDM may occur in SMEs. While the SDM research field has been dominated by quantitative studies, the SDM studies in SMEs lean more towards qualitative designs providing the needed in-depth insights. However, additional research is needed

across developed and developing countries. The limited SDM processes identified in the South African context further justify the need for additional research into SDM.

Research methodology

Research design

This study employed a qualitative research design, using the Delphi technique. The Delphi technique was used to develop theory, incorporating elements of induction and deduction. The use of induction and deduction ensured that the data could be defined and refined and facilitated continuous feedback and member-checks throughout the data gathering and analysis process. This technique consists of a number of rounds, referred to as feedback loops, and the aim is to reach consensus among participants (Hsu & Sandford 2007; Rosslyn-Smith & Pretorius 2022). The feedback loops allow participants to reevaluate their judgements provided in the previous rounds (Fefer et al. 2016). By implementing elements of deduction, the study was able to refine the initial findings.

This technique is effective when investigating complex issues, such as SDM, and capitalises on expert knowledge (Fefer et al. 2016). The Delphi technique is inexpensive, minimises group conflict, maintains anonymity, with the feedback process being controlled (Hsu & Sandford 2007; Rosslyn-Smith & Pretorius 2022). The technique is an effective method to combine knowledge from various experts across different geographical locations (Fefer et al. 2016). It relies on the participants to define and refine the data collected during various rounds of iterations, reducing researcher bias. It was also an effective technique as the data collection stage was during the COVID-19 pandemic.

Sampling

Two non-probability sampling techniques, convenience and snowball sampling, were used to recruit South African SMEs. The criteria for inclusion were value added tax (VAT)-registered SMEs, with less than 100 employees (Kloppers & Kloppers 2006; Liberman-Yaconi et al. 2010; Nene 2017).

Various institutions and organisations were approached to include and distribute the Delphi questionnaire to their SME members and vendors. Two institutions agreed to distribute the Delphi questionnaire. The one institution is a multinational organisation with an office in South Africa. The second institution was a membership-type organisation providing members with managerial development services and management structures skills. A few additional SMEs were recruited through snowball sampling. The Delphi questionnaire was distributed to SME vendors and members of these two institutions, as well as the additional identified SMEs.

There were 27 SMEs that responded to the first round of questionnaires. Seven responses were removed as they did not adhere to the inclusion criteria. The remaining 20 responses

were included and analysed. Seven of these SMEs were small enterprises, five were very small enterprises, four were micro enterprises and the remaining four were medium-sized enterprises (Department of Trade and Industry 1996). Of the participants, as SME managers and/or owners, 16 were men and four were women. The demographics pertaining to home language were reasonably inclusive of different cultures and/or languages. Of these cultures and/or languages, IsiZulu ($n = 3$), Sesotho ($n = 1$), Shangaan ($n = 1$), IsiXhosa ($n = 1$), Tswana ($n = 1$), English ($n = 5$) and Afrikaans ($n = 8$) featured.

Table 3 summarises the profiles of the participants, indicates the products and/or services they provided and size of the entity. The geographical coverage of SMEs included

TABLE 3: Profile of participants.

Participant (P)	Products and/or services	Size of the company (employees)	Geographical cover	Size of entity
P1	Mechanical and civil work	11–20	Mpumalanga	Very small
P2	Retailer	0–5	Gauteng KwaZulu-Natal	Very small
P3	Advisory services, capital raising	6–10	Gauteng KwaZulu-Natal	Very small
P4	Construction	6–10	KwaZulu-Natal	Very small
P5	Health, safety and environmental consulting services	0–5	Mpumalanga	Micro
P6	Property management services, real estate, supply and delivery, construction	0–5	Western Cape	Micro
P7	Legal services	51–100	KwaZulu-Natal	Medium
P8	Manufacturing services – Oil and gas and/or marine	51–100	Western Cape Northern Cape Eastern Cape Free State KwaZulu-Natal Gauteng Mpumalanga	Medium
P9	Maintenance services and plant hire	11–20	North West Gauteng Limpopo Mpumalanga	Small
P10	Mining engineers	0–5	North West Free State Gauteng	Micro
P11	Accounting and auditing	21–50	Western Cape	Small
P12	Steel and hardware	51–100	Gauteng	Medium
P13	Animal health remedies	21–50	All nine provinces	Small
P14	Industrial instrumentation	11–20	North West Free State KwaZulu-Natal Gauteng	Very small
P15	Location intelligence solution and spatial data asset and inventory management systems for the telecommunications industry	11–20	Gauteng	Small
P16	Retail meat and deli products	51–100	Gauteng	Medium
P17	Strategic brand and marketing communication services	21–50	Western Cape Gauteng	Small
P18	Litho and digital printing	11–20	Western Cape North West Gauteng Limpopo Mpumalanga	Small
P19	Training and development	0–5	All nine provinces	Micro
P20	HR consultancy	11–20	Gauteng	Small

Source: Adapted from Van Wyk, I., 2022, 'An ethical strategic decision-making framework for South African small and medium enterprises', doctoral dissertation, University of South Africa

HR, human resource.

operations across all nine South African provinces. The majority (14 SMEs) were operational in Gauteng, and two SMEs had operations across all nine regions.

Ethical considerations

Ethical clearance was obtained, and ethical standards were followed throughout the study. Identifiers were removed and pseudonyms were used to ensure privacy, confidentiality and anonymity of the SME participants. There was no direct contact with the participants, and participation in this study was voluntary. At any stage during this study, the participants could decline and/or withdraw their consent to participate in this research study. The author maintained objectivity as much as possible in the analyses of data and the reporting of the findings.

Data collection and analyses

For this study, the first round of the Delphi technique included open-ended questions, followed by subsequent round to determine and reach consensus. During the first round of the Delphi technique, participants were given two instructions, firstly, to provide an example of a strategic decision, and secondly, to reflect on all the actions they typically engaged in when making this strategic decision. The first Delphi round yielded 20 usable responses, and the second round gave 10 usable responses. This is well within the needed panel size for the Delphi technique (Sobaih, Ritchie & Jones 2012). In most cases, the participants gave practical and entity-specific answers.

Sample fatigue was minimised by identifying the most frequently occurring themes (activities) in the data. Identifying the universal descriptions and key opinions are within the parameters of the Delphi technique (Grisham 2009; Hasson, Keeney & McKenna 2000). The most frequent occurring themes (actions) were reviewed and compared against the original data, to ensure that important statements, albeit not a frequent activity, were not overlooked. Included in the draft statements provided to participants were examples of original answers or examples. Group generic statements were drafted from the frequent identified themes and presented to the participants in round two.

In round two, participants had to indicate how much a group generic statement relates to their SDM, and they could add, remove and/or correct group decision statements. The aim of the feedback rounds is to reach consensus. Percentage ranges, a common method of interpretation and observation for consensus, were used to determine consensus (Avella 2016; Giannarou & Zervas 2014; Hsu & Sandford 2007; Powell 2003). Consensus was determined at 70% or more for responses (Sekayi & Kennedy 2017), with responses either falling on the negative or positive side of a Likert scale. A seven-point Likert scale was used, providing the needed freedom and distinction for qualitative research (Grisham 2009). Two rounds were needed to reach consensus, which is within the documented rounds (two to six) needed for

consensus (Hallowell & Gambatese 2010). A third round was included to provide participants with feedback.

The Delphi technique and documenting the inherent process allowed for paper trails, ensuring transferability, credibility, dependability and confirmability (Given & Saumure 2008). The Delphi technique assisted to obtain real work knowledge from SME owners, as the experts, and the feedback loops provided for member checks. In addition, participants played a role in the data analysis stages and defined and refined the data, minimising researcher bias.

The use of thematic analysis allowed for simplifying the analysis of the dependable data and provided flexibility. Through thematic analyses, common patterns and important actions were identified across the empirical data (Schutte, Niemann & Kotzé 2019; Uys, Meyer & Niemann 2019). Data were analysed by means of a notebook and ATLAS.ti. Answers were mostly paragraph answers, and through 'in vivo' (85 codes in vivo) coding, open coding and research notes, the specific codes were identified (Babbie 2016; Saunders, Lewis & Thornhill 2019; Sekayi & Kennedy 2017).

Through axial coding (19 recurring codes), open codes with similar meaning were grouped, and redundant codes were identified. Practical statements were reworded to create generic statements (Babbie 2016; Saunders et al. 2019; Sekayi & Kennedy 2017). Remaining codes were revised and grouped under the relevant and overarching themes (Schutte et al. 2019).

Data analysis

Seven broad actions were identified during round one, highlighting overarching activities (or themes) in SDM. Concurrent with the broad literature and SME literature on SDM, the overarching activities identified were identifying the need to make a strategic decision, gathering or processing information and choosing a strategic decision. Based on the empirical data, the activity of gathering or processing of information could be divided into gathering financial and non-financial information. Gathering or processing of information is concurrent with the SDM literature in SMEs, in which SMEs analyse internal matters and/or capabilities, and they analyse financial information.

While not specifically a theme, the action of developing alternatives was also evident in the data. This action, together with other actions pertaining to deciding on a solution that best addressed the identified issue, was placed under a theme titled 'the strategic decision' (deliberations). There was another action that the study identified, and that the researcher felt best fitted under the above-mentioned theme: the action of not following formal steps in deciding on a strategic decision.

Communication and determining the effectiveness of SDM were also identified, actions that were not explicitly evident in the broad and SDM in SME literature. During the data-

TABLE 4: Identified themes.

Theme	Subtheme	Frequency (per sub-theme)	Frequency (total)
Theme 1: Reason for the strategic decision	External reason	6	11
	Internal reason	5	-
Theme 2: Analysis of financial information	Financial impact	4	8
	Financial analysis	4	-
Theme 3: The strategic decision	-	-	20
Theme 4: Information gathering	External	9	19
	Internal	10	-
Theme 5: Communication	Stakeholders	3	7
	Shareholders	4	-
Theme 6: Implementation	-	-	6
Theme 7: Evaluation	Monitoring	4	9
	Reflection	5	-

Source: Adapted from Van Wyk, I., 2022, 'An ethical strategic decision-making framework for South African small and medium enterprises', doctoral dissertation, University of South Africa

gathering phases, sufficient opportunities were given to participants to define and refine or to correct statements and to provide input on the identified generic statements drafted. Table 4 lists the seven themes and sub-themes identified and indicates the number of times they were observed in the data.

Empirical findings

The verbatim statements from which the generic statements were drafted are presented in Table 5. As the themes and data were continuously reviewed, additional statements were also identified and presented in the table.

The formulated generic statements were forwarded to the participants in round two of the Delphi technique. The purpose of this round was for participants to indicate their agreement with the formulated generic statements. They were given the opportunity to correct and/or change the statements. Their respective and original answers were also provided; however, each participant could only see their own answers. Most of the responses were on the positive side of the rating scale used, with a few responses in the negative side, indicating disagreements with the statement provided. The statements were left as presented, and there were no added activities to the SDM process by the participants. Consensus was reached on all statements. Table 6 summarises the findings of round two.

The findings above provide insights into the SDM activities in SMEs, within the South African context and among the SMEs who participated in this study.

Theme 1: Reason for decision-making

From the empirical data, it was evident that the reason for making a strategic decision arises (GS 1). The decision may arise from an internal (GS 2) or an external need (GS 3). An internal need, for example, may be to grow the business or may be because of internal financial aspects. External needs were, for example, the closure of a significant role player in the area and the subsequent effect the closure had on surrounding businesses or because of the need to be aligned

with government regulations. It was evident from the overall data that the approach to strategic decisions can be proactive or reactive.

Theme 2: Analysis of financial information

Analysis of finances was evident in the data (GS 4), more specifically, financial analyses of the opportunity or the issue (GS 5), financial analysis considering the strategic decision (GS 6), the financial state of the entity (GS 7) and the possible impact of the strategic decision (GS 8). Simplistic financial analyses were evident in the empirical data, such as reviewing the financial state (i.e. financial statements) and the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis was mentioned:

'I follow the SWOT analysis as a guideline, taking into effect the financial impact, keeping in mind the effect of decisions on personnel and the local community.' (Participant 11, Accounting and auditing, Small enterprise)

Theme 3: The strategic decision

In this theme, the consensus was reached on activities such as determining a solution (GS 9), evaluating outcomes of options and solutions (GS 10) and the costs of implementing (GS 11). Interestingly, a consensus was reached on the activity of choosing the alternative with the lowest cost route (to preserve the entity) (GS 12). In addition, a consensus was also reached on not necessarily following formal steps during strategic decisions (GS 13).

Theme 4: Gathering non-financial information

A consensus was reached on gathering non-financial information (GS 14), which includes both internal (GS 15) and external non-financial information (GS 16). Non-financial information concerns information pertaining to the strategic decision, the industry and customers. Internal matters included reviewing the purpose of the entity and the vision of the entity.

Theme 5: Communication

The empirical findings highlighted the importance of communication with shareholders and stakeholders in SDM. The consensus was reached on communication and getting inputs (GS 17 and GS 18) or buy-in (GS 18 and GS 20) from the relevant parties. Examples of shareholders and stakeholders include management (or co-owners), customers, employees, stakeholders, suppliers and unions.

Theme 6: Implementation

The implemented strategy was evident throughout the data, and a consensus was reached that this activity occurs in SDM (GS 21).

Theme 7: Evaluation of the effectiveness of the strategic decision

A consensus was reached on evaluating the effectiveness of the implemented strategic decision, either through formal or

TABLE 5: Generic statements.

Verbatim statements	Generic statements	
Theme 1: Reason for the strategic decision		
'... [D]ue to financial implications of supply and delivery which sometimes you are paid later or make no profit.' (Participant 6, Poverty management, Micro enterprise)	1.1.1 I/we identified the reason for strategic decision-making, which was either a problem or an opportunity (e.g., the national lockdown, financial implications, high expenses, the opportunity to grow the business).	GS 1
'Its origin was financial, we started to become cash flow negative. The lower demand for our products resulted in us being unable to meet our monthly cash flow requirements despite not having debt or having rent to pay.' (Participant 10, Mining engineers, Micro enterprise)	1.1.2 I/we identified an internal factor that caused my enterprise to engage in strategic decision-making (e.g., high operational expenses or the need to increase turn-over or to grow the business).	GS 2
'Selling 51% of our business to be aligned with Government Regulations.' (Participant 8, Manufacturing services, Medium enterprise)	1.1.2 I/we identified an external factor that caused my enterprise to engage in strategic decision-making (e.g., national lockdown, changes in the industry and changes in the external environment).	GS 3
'With the closing down of [removed identifier or company name] we had to re-evaluate our future services and personnel composition.' (Participant 11, Accounting and auditing, Small enterprise)		
Theme 2: Analysis of financial information		
'With the closing down of [information not relevant] we had to re-evaluate our future services and personnel composition. The closing down of [information not relevant] is a major threat to any local business. It affected all businesses [our clients], which filters through to our turn-over.' (Participant 11, Accounting and auditing, Small enterprise)	2.1 I/we analysed financial information pertaining to the problem or opportunity identified (e.g., reviewing the financial implications or financial statements or the [enterprise] entity).	GS 4
'Printing on [removed identifier or company name] machines are a long and expensive process.' (Participant 18, Digital printing, Small enterprise)	2.1.1 I/we reviewed the financial implications the identified issue or opportunity has on my enterprise (e.g., the financial impact high expenses have on profits and cash flow or the financial impact of the lockdown).	GS 5
'Develop working plan with clear direction and actions for each team member. Continuous open communication to finalise offering including clear description, FAQ's and financial repercussions.' (Participant 19, Training and development, Micro enterprise)	2.2 I/we conducted a financial analysis considering the strategic decision I/we decided to implement (e.g., reviewing financial statements, income streams, expenses).	GS 6
'I analysed my 2019 performance and I identified areas which I wasted time and finances.' (Participant 6, Poverty management, Micro enterprise)	2.2.1 I/we reviewed the current financial state of my enterprise (e.g., reviewing the current/past financial statements and income streams).	GS 7
	2.2.2 I/we evaluated the possible financial impact the chosen strategic decision may have on my enterprise (e.g., considering the costs or other financial impact of implementing the strategic decision).	GS 8
Theme 3: The strategic decision		
'Deciding the venture into property development business as the construction business was the primary business objective.' (Participant 4, Construction, Very small enterprise)	3.1 I/we decided on the solution that would address the identified issue or opportunity.	GS 9
'Strategic decision is almost like navigating through many different options with probably similar outcome but choosing at the least cost route specially to conserve the cash flow while growing.' (Participant 2, Retailer, Very small enterprise)	3.2 I/we evaluated the outcomes of more than one options and solutions.	GS 10
'Is to include construction on my service and reduce on supply and delivery due to financial implications of supply and delivery which sometimes you are paid later or make no profit.' (Participant 6, Poverty management, Micro enterprise)	3.3 I/we reviewed the cost of implementing the chosen solution.	GS 11
'To sell part of the business. Review the cost of selling the business.' (Participant 5, Health, safety and environmental consulting services, Micro enterprise)	3.4 I/we selected the outcome/solution with the least cost route to conserve the (enterprise) entity.	GS 12
'We decided to start producing only form [removed identifier/company name] facility and transporting the product instead of opening manufacturing facility in [removed identifier or company name] too. This will follow once volume justify.' (Participant 2, Retailer, Very small enterprise)	3.5 I/we do not follow specific, formal steps during my/our strategic decision-making process.	GS 13
Theme 4: Information gathering		
'Approximately 60% of our Cost of Goods are imported.' (Participant 13, Animal health remedies, Small enterprise)	4.1 I/we gathered non-financial information pertaining to the strategic decision (e.g., research the industry, customer needs, reviewed the effectiveness of the current strategy or the purpose of the [enterprise] entity).	GS 14
'Defining the purpose of ... [removed identifier or company name].' (Participant 9, Maintenance services and plant hire, Small enterprise)	4.1.1 I/we gathered internal non-financial information of my enterprise (e.g., reviewing the vision/purpose of my business, evidence of current business strategy).	GS 15
'I follow the SWOT analysis as a guideline, keeping in mind the effect of decisions on personnel and the local community.' (Participant 11, Accounting and auditing, Small enterprise)	4.1.2 I/we gathered external non-financial information (e.g., customer needs, benchmarking, input from suppliers, trends in the industry).	GS 16
'I researched construction industry and got a mentor in this field, and partnerships. Currently I am learning and aligning my business to be ready for construction opportunities.' (Participant 6, Poverty management, Micro enterprise)		
Theme 5: Communication		
'Engage with the team [employees and suppliers] and get everyone's input. Continuous open communication to finalise offering including clear description, FAQs and financial repercussions due to the lockdown we have implemented. Celebrate all successes [no matter how small] to keep team motivated.' (Participant 19, Training and development, Micro enterprise)	5.1 I/we communicated with shareholders regarding the strategic decision to get their input (e.g., input from the management team).	GS 17
'Just having a good relationship with our suppliers is a good strategy, keeping in contact, etc., so as to when there is a problem in the market, ... [information not relevant].' (Participant 12, Steel and hardware, Medium enterprise)	5.2 I/we communicated with shareholders regarding the strategic decision to get their buy-in (e.g., buy-in from the management team).	GS 18
'We discussed this with the 3 shareholders senior staff. Mail shots and focus on users and prospects in Telecommunications.' (Participant 15, Location intelligence solutions, Small enterprise)	5.3 I/we communicated with other stakeholders regarding the strategic decision to get their input (e.g., input from employees, suppliers, unions).	GS 19
'When making strategic decisions it is important to can input and buy in from everyone on management.' (Participant 7, Legal services, Medium enterprise)	5.4 I/we communicated with other stakeholders regarding the strategic decision to get their buy-in (e.g., buy-in from employees, suppliers, unions).	GS 20
Theme 6: Implement		
'Resource In-sourcing - Implementation.' (Participant 9, Maintenance services, Small enterprise)	6.1 I/we implemented the solution.	GS 21
'Once obtained, the action to execute the plan must be quick and swift to get maximum value.' (Participant 7, Legal services, Medium enterprise)		
Theme 7: Evaluation		
'This helped the company maintain a competitive advantage for the next 6 months as the current exchange rate is at R17.30 [a 22% improvement].' (Participant 13, Animal health remedies, Small enterprise)	7.1 I/we monitored the effectiveness of the implemented strategic decision (e.g., there are regular reporting or checks in place).	GS 22
'We decided to start producing only from [information not relevant] facility and transporting the product instead of opening manufacturing facility in [information not relevant] too. This will follow once volume justify.' (Participant 2, Retailer, Very small enterprise)		
'With the upgrade – We do the [information not relevant] and send a PDF file to the [information not relevant] directly where you hit one button and printing starts.' (Participant 18, Digital printing, Small enterprise)	7.2 I/we reflected on the effectiveness (success or failure) of the implemented strategic decision (e.g., reviewing the improvement success or failure of the implemented strategic decision).	GS 23
'It was a win-win outcome three years later we still operational and the ... [information not relevant].' (Participant 10, Mining engineers, Micro enterprise)		

Table 5 continues on the next page →

TABLE 5 (Continues...): Generic statements.

Verbatim statements	Generic statements
'We soon realised that selling product at a discounted price whilst paying prime retail rent and service fees that went up much quicker than inflation and price increases, we cannot focus on wholesale as a supplementary income source.' (Participant 16, Retail meat deli, Medium enterprise)	Additional statement 7.3 I/we reviewed how to improve elements in the strategic decision-making process (e.g., wasted time or finances and/or adapt the current strategy to be more effective).
	GS 24

Source: Adapted from Van Wyk, I., 2022, 'An ethical strategic decision-making framework for South African small and medium enterprises', doctoral dissertation, University of South Africa

Note: Some information in square brackets has been redacted to maintain anonymity.

SWOT, Strengths, Weaknesses, Opportunities, and Threats; VAT, Value Added Tax; FAQs, Frequently Asked Questions.

TABLE 6: Findings and consensus.

Generic statement	Strongly not applicable to my SDM process	Mostly not applicable to my SDM process	Not applicable to my SDM process	Neither is this applicable or not	Applicable to my SDM process	Mostly applicable to my SDM process	Strongly applicable to my SDM process	Consensus (%)
Theme 1 Reason for the strategic decision								
GS 1	-	-	1	1	-	4	4	80
GS 2	-	-	1	-	-	5	4	90
GS 3	-	-	-	-	1	5	4	100
Theme 2 Analysis of financial information								
GS 4	-	-	-	-	2	5	3	100
GS 5	-	-	-	-	1	6	3	100
GS 6	-	-	-	-	1	7	2	100
GS 7	-	-	-	-	3	4	3	100
GS 8	-	-	-	-	1	5	4	100
Theme 3 The strategic decision								
GS 9	-	-	-	-	2	3	5	100
GS 10	-	-	-	1	2	4	3	90
GS 11	-	-	-	-	1	7	2	100
GS 12	-	-	-	2	3	2	3	70
GS 13	-	-	-	1	-	5	4	90
Theme 4 Gathering non-financial information								
GS 14	-	-	2	-	1	5	2	80
GS 15	-	-	1	2	2	2	3	70
GS 16	-	-	-	2	4	2	2	80
Theme 5 Communication								
GS 17	-	-	2	-	1	2	5	80
GS 18	-	-	2	-	1	2	5	80
GS 19	-	-	1	-	5	3	1	90
GS 20	-	-	1	1	2	6	-	80
Theme 6 Implementation								
GS 21	-	-	-	-	2	3	5	100
Theme 7 Evaluation of the effectiveness of the strategic decision								
GS 22	-	-	-	-	5	4	1	100
GS 23	-	-	-	-	3	5	2	100
GS 24	-	-	1	-	3	4	2	90

Source: Adapted from Van Wyk, I., 2022, 'An ethical strategic decision-making framework for South African small and medium enterprises', doctoral dissertation, University of South Africa

GS, generic statement; SDM, strategic decision-making.

informal controls. Monitoring through formalised reports was evident (GS 22), or informally, through reflections on the added value gained (GS 23). A consensus was also reached on the activity of reviewing how to improve the SDM process (GS 24). Examples include reviewing where time or finances were wasted.

Discussion

The findings provide empirical evidence of SDM activities that SMEs engage in and a consensus on a benchmark SDM process for South African SMEs. The study addresses the current gap in the literature on SDM in SMEs, adding to the body of knowledge and understanding SDM in SMEs. The findings validate current SDM activities adopted by selected SMEs in South Africa.

Aligned with the broader SDM literature (Jocumsen 2004; Mintzberg et al. 1976) and SME-specific literature on SDM (Gopaul & Rampersad 2020; Hang & Wang 2012), the activities of SDM include the reason for strategic decisions. In the South African context, external reasons have been more evident. The present study's findings extend the reasons to include internal reasons in the South African context. However, the responses lean more towards the reason for strategic decisions being external. It could be that SME managers and/or owners are more aware of, and sensitive to, external business environmental variables. It is probable that SME owners and/or managers may have a more outward orientation when making strategic decisions, and looking for opportunities and risks in the external environment. However, external factors may be a greater risk to their long-term survival and hence, the greater sensitivity and awareness towards this environment.

Analysis of financial information, as an activity in SDM in SMEs, coincides with the SME-specific literature (Hang & Wang 2012; Huang 2009). While not explicitly evident in the South African context, the findings in the context of the present study highlight this activity in this context. It is reasonable to assume that, because of limited resources, financial analyses are an essential activity in SDM in SMEs. The findings related to this activity highlight that financial analysis includes reviewing the financial implications of the issue or opportunity, conducting financial analysis, considering the strategic decision, reviewing the current financial state of the entity and evaluating the possible financial impact that the strategy may have on the entity.

Aligned with broader literature (Jocumsen 2004; Witte et al. 1972) and SME-specific literature (Hang & Wang 2012; Liberman-Yaconi et al. 2010), a solution will be reviewed, including the evaluation of more than one option. However, the development of alternatives is less observed in SDM in SMEs. Two unique SDM actions identified from the data were that the option or outcomes with the least cost implications would be selected and that SMEs do not follow specific steps in their SDM. The latter partially coincides with the literature, in that SDM in SMEs is described as inconsistent (Chebo & Kute 2019). A lack of consistency in SDM is concerning, as it could possibly indicate poor strategy development (Chebo & Kute 2019). Given the resource limitations, it is reasonable to assume that cost implications would perhaps be a weighting criterion in SDM and a determining factor in whether to implement a strategic decision or not.

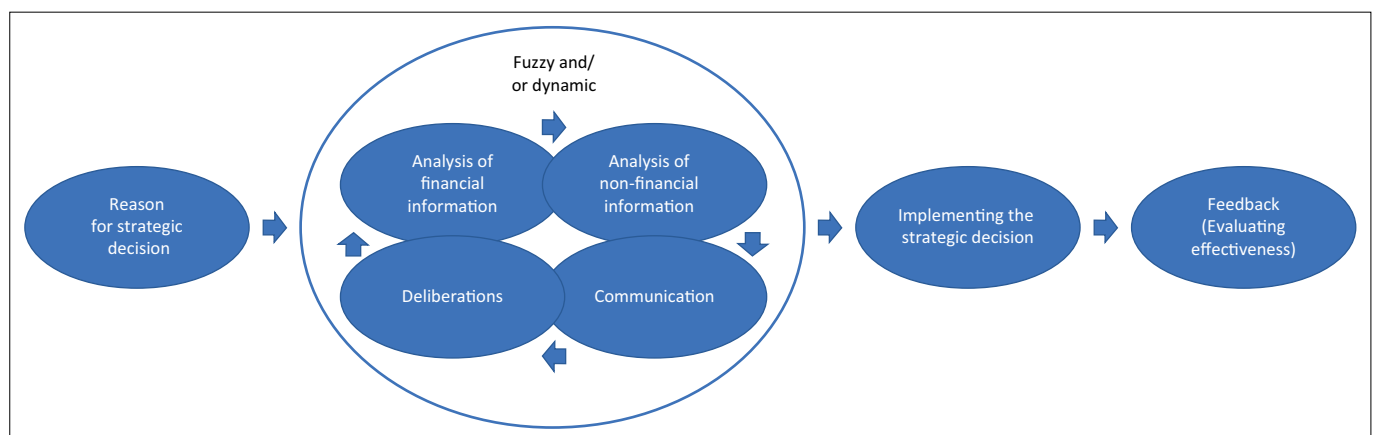
Gathering non-financial information coincides with the broader literature (Jocumsen 2004; Witte et al. 1972) and SME-specific literature (Brouthers et al. 1998; Jocumsen 2004). The findings indicate a greater consensus on external information being gathered (such as trends, inputs from suppliers, benchmarking and customer needs). This finding reiterates that SMEs may have a greater focus or awareness of their external business environment. For example, the SDM process of Gopaul and Rampersad (2020) distinctively has an external orientation.

Communication was evident in the empirical findings. The purpose of communication was to get buy-in and input. It is reasonable to assume that communication is an integral part of SDM, both in large organisations and SMEs. The findings, however, highlight the importance of communication in SMEs to get buy-in, over and above inputs from stakeholders and shareholders. In one particular SME, retrenchments were inevitable in an industry with formalised and industry-specific unions. Buy-in from the union was vital to the successful retrenchment of staff and the execution of the strategy (retrenchment or downsizing).

The implementation activity coincides with the broader and SME-specific literature (Fredrickson 1984; Witte et al. 1972) and in a few of the SDM processes of SMEs (Huang 2009; Liberman-Yaconi et al. 2010). In the South African context (see Gopaul & Rampersad 2020), this activity was not explicitly evident, but one can assume that, naturally, a strategic decision will be implemented. The implementation perhaps bears more significance if there were to be a feedback activity or phase, as in this context. The latter has not been observed in SDM literature, except in a financial context where checks, balances and audits are important (Kengne 2015).

Evaluating the effectiveness of strategic decisions was evident in the findings, both inside and outside the context of the financial industry. Evaluating the effectiveness of a strategic decision involved monitoring and/or reflecting on the strategy implemented. The findings also highlight that during SDM, SME owners and/or managers would evaluate how to improve the SDM process. For example, to evaluate where time or finances was wasted.

Strategic decision-making identified in this context and in SMEs can be illustrated in seven broad actions. This process is not sequential but rather dynamic. Findings highlighted that SDM in SMEs may be inconsistent, with no formalised activities. This may be aligned with literature describing SDM in SMEs as 'interlinked and overlapping', loosely defined, non-sequential and iterative (Hauser et al. 2020; Jocumsen 2004; Liberman-Yaconi et al. 2010). Perhaps SDM in SMEs is a fuzzy and dynamic process. The suggestion is



Source: Adapted from Van Wyk, I., 2022, 'An ethical strategic decision-making framework for South African small and medium enterprises', doctoral dissertation, University of South Africa

FIGURE 1: Strategic decision-making in small and medium enterprises.

that the actions between identifying the reason for SDM and implementation of the strategy, are 'fuzzy and dynamic'. Figure 1 depicts this benchmark process.

Conclusion and future recommendations

The purpose of this study was to provide additional insight into SDM in SMEs, a field of study that has limited knowledge, especially in South Africa. The study aimed to determine whether SDM processes are applied and if benchmark methodologies and processes can be defined for SMEs in a South African context, using a qualitative research design and the Delphi technique. The findings of the study concur with current SDM literature and highlight unique actions for SDM in selected SMEs, expanding on the current knowledge in this field.

In accordance with the broader literature and SME-specific literature, an SDM process in SMEs entails identifying the need for SDM, gathering non-financial as well as financial information, deliberations regarding the strategy to choose and implementing the strategic decision. This study's findings highlight, in addition to the current literature on SDM in SMEs, the activity of communication to gain inputs and buy-in from stakeholders and shareholders, as well as evaluating the effectiveness of the strategic decision. Additional research on communication and tools to determine the effectiveness of strategies in the context of SDM will assist in validating these steps in different contexts.

For SME practitioners, it is recommended that the benchmark process be used to compare, inform and evaluate current SDM practices to improve SDM. Such comparisons may lead to enhancing gaps in their SDM, communication and effectiveness in SDM and increases in rationality and consistency, as well as informed and proactive strategies. Given the limitations and scope of this study, it is recommended that additional research be conducted on the benchmark process to verify the process in different contexts, and/or among larger sample groups and/or to expand on the process.

The findings also highlight that SDM in SMEs is fuzzy, dynamic and inconsistent. While flexibility and adaptability are considered a strength for SMEs, it is recommended that SME practitioners implement the most relevant activities of the benchmark SDM process that would best cater for the situation. Given the dearth of research in SDM in SMEs, the benchmark process could be explored in SMEs in other developing countries.

The findings of this study assist in understanding SDM in South African SMEs, adding to the body of knowledge. These contributions could guide conversations on SDM between SME practitioners, policy-makers and academics. On a practical level, the findings increase awareness of SDM and activities in SDM and provide guidelines for SDM.

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Competing interests

The author declares that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Author's contributions

I.v.W. prepared and drafted the article, and I.v.W. refined the article.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of South Africa College Ethics Review Committee (No. 2018_CREREC_015(FA)).

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Data availability

The data that support the findings of this study are available from the corresponding author, I.v.W., upon reasonable request.

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