



**UNIVERSITY of the
WESTERN CAPE**

**STRATEGIC RESPONSES IN THE COVID-19 PERIOD: A STUDY OF SELECTED
SMALL AND MEDIUM ENTERPRISES IN THE WESTERN CAPE**

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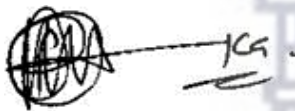
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05 May 2023

DECLARATION

I, Fungai Chiruka, hereby declare that the dissertation titled "Strategic Responses in the COVID-19 Period: A Study of Selected Small and Medium Enterprises in the Western Cape" submitted for the Master of Commerce in Management at the School of Business and Finance, University of the Western Cape, is entirely my original work. I confirm that I have not submitted this dissertation to any other Institute of Higher Learning for any academic qualification. Furthermore, I affirm that all sources cited in the dissertation were acknowledged through a comprehensive list of references and indicated in the text.



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Fungai Chiruka

May 2023



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ABSTRACT

The COVID-19 pandemic devastated businesses globally, leading to significant economic and social challenges. Small and Medium Enterprises (SMEs) have been particularly vulnerable, and their survival and resilience have become critical factors in the national economic recovery of countries globally. This study examines the strategic responses adopted by SMEs during the COVID-19 pandemic and the impact of the strategies on the survival and resilience of SMEs in Cape Town, Western Cape. A qualitative research approach was used in this study to examine a purposive sample of ten (10) SMEs drawn from different sub-sectors. The researcher made use of a semi-structured interview schedule to collect data. The key findings indicate that SMEs adopted strategic and operational turnaround strategies to mitigate the financial and cashflow problems, temporary business closures, and loss of markets and clients. This further indicates strong organisational capabilities in adapting to the COVID-19 pandemic environment disruptions changes. The main study conclusions are that SMES improved their chances of survival during the pandemic by adopting a combination of strategic and turnaround strategies through agility and resilience in responding to the COVID-19 pandemic environment. The study recommendations include the need for SMEs to enhance their capacity and competence in continuous monitoring of alignment of strategies with changes in the environment, government and stakeholders support investing in technology, training and development that fosters innovation, creativity, and adaptive organisation cultures that enhance resilience and survival during challenging times.

Keywords: Business environment, COVID-19, Disruptions, Resilience, Strategic agility, Strategic responses, Small and Medium Enterprises, Strategy, and Turbulent.

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CHAPTER ONE: INTRODUCTION

1.1 Introduction and Background of the study

Small and Medium Enterprises (SMEs) are recognised as the key drivers of employment creation and economic growth (Ayandibu and Houghton, 2017). Globally, SMEs account for about 90% of enterprises and employ about 63% of the global workforce (Organization for Economic Co-operation and Development (OECD), 2020) and contribute towards the reduction in poverty, unemployment, and inequality (Fiseha and Oyelana, 2015). SMEs in South Africa are recognised as the key drivers of employment creation and economic growth (van Scheers, 2016) and employ between 60% - 70% of the national workforce (Robu, 2013) and competitiveness (Mmbengeni, Mavhungu and Mamokhere, 2021).

The COVID-19 pandemic lockdowns, travel bans, and curfews negatively impacted business sectors worldwide (Albers and Rundshagen, 2020; Duarte Alonso, Kok, Bressan, O'Shea, Sakellarios, Koresis, Buitrago Solis and Santoni, 2020; Nguyen, Ngo and Tran, 2021; Le and Phi, 2021). In South Africa, the COVID-19 pandemic exacerbated the survival of SMEs already suffering from slowing national economic growth and limited capacity, making them less resilient to cope with the external COVID-19 induced environmental pressures (SEDA, 2021). Organisations adopted different survival strategies in response to the external environment disruptions experienced during the COVID-19 pandemic period (Bigelow and Chan, 1992). Globally, the COVID-19 pandemic resulted in decreased demand for goods and services, cash flow deficit, raw material constraints, and labour shortages (Dai, Feng, Hu, Jin, Li, Wang, Wang, Xu and Zhang, 2021). The level of organisational agility in responding to environmental disruptions determined the survival chances for large and small businesses during the COVID-19 pandemic (Seetharaman, 2020; Robu, 2013). This study examines the strategic responses adopted by SMEs in Cape Town during the COVID-19 pandemic period.

1.2 Problem Statement

This study examines how SMEs responded to the COVID-19 pandemic-induced external environment disruptions (Che Omar, Ishak and Jusor, 2020; Dai *et al.*, 2021; Duarte Alonso *et al.*, 2020). Seetharaman (2020) is critical of the strategic responses and the agility of SMEs in responding to environmental disruptions for business continuity and survival. Strategies adopted by organisations included the adoption of digital technologies (Papadopoulos, Baltas

and Balta, 2020), innovation (Caballero-Morales, 2021), and leveraging entrepreneurial and financial factors for growth (Nguyen *et al.*, 2021).

The research problem statement formulated:

The impact of the COVID-19 pandemic on SME sector business operations has been widely debated in the aftermath of the impact of the lockdowns on supply chains and operational viability, which threatened business survival. Globally, SMEs explored and crafted new strategies to ensure survival and business continuity aligned with the disruptive “new normal” of COVID-induced business environment disruptions. Therefore, there is a need to examine how the SMEs’ agility influenced strategic responses within the South African business context during the pandemic.

Consequently, the research question reads:

How do SMEs respond strategically to abrupt and disruptive uncertainty and turbulence in business environments?

Ten (10) SMEs were contacted to answer this question, and the responses shed light on the nature of the strategic responses during the COVID-19 era.

Notwithstanding the accumulating body of empirical evidence on SMEs' strategic responses during the COVID-19 era there is a dearth of empirical evidence on the strategic responses of SMEs in South Africa during the COVID-19 era (Le and Phi, 2021; Che Omar *et al.*, 2020; Dai *et al.*, 2021; Papadopoulos *et al.*, 2020; Caballero-Morales, 2021; Nguyen *et al.*, 2021; Giunipero, Denslow and Rynarzewska, 2021).

This study contributes to the body of knowledge on SMEs and how strategic responses create competitiveness within a developing country’s context. To address this gap in the body of knowledge, this study examines the strategic responses adopted by selected SMEs located in Cape Town, South Africa.

1.3 Aim of the Research

The study examines the strategic responses adopted by selected SMEs in Cape Town, South Africa, during the COVID-19 era. The research aims to understand the types of SME strategic responses to the disruptive COVID-19 business environment.

1.4 The Study Objectives

These include:

RO1: To evaluate the factors influencing the adoption of the strategic responses and alignment to the new business environment.

RO2: To examine the strategic responses adopted during the COVID-19 pandemic period.

RO3: To evaluate the focus of strategic responses during the COVID-19 pandemic period.

1.5 The Research Question

RQ1: Which factors influenced the strategic responses adopted by SMEs in Cape Town?

RQ2: What were the strategic responses to the COVID-19 business environment?

RQ3: What was the focus of the strategic responses adopted by SMEs during the COVID-19 pandemic?

1.6 Research Contributions

The importance of understanding the factors, nature and focus of the strategic responses adopted by SMEs in response to uncertain and disruptive business environments such as those experienced during the COVID-19 pandemic enhances the understanding of the SMEs' strategic preparedness to disruptive environmental changes. The specific contributions include the following:

- i. The findings of this study will enhance the understanding of the strategic preparedness and awareness by SMEs when faced with disruptive business environments and crises experienced during the COVID-19 pandemic.
- ii. The study findings will inform on the significance of strategic planning and strategy implementation that inform strategic responses and strategic agility during crises in the business environment.

- iii. The study findings will contribute to understanding the strategic management gaps in the SME ecosystem that enhance survival and business continuity within disruptive business environments.
- iv. The study provides insights to scholars and consultants on the significance of strategic responses that enhance strategic agility during periods of economic crisis, as experienced during the COVID-19 era.
- v. The study findings will inform key stakeholders in the SME ecosystem and the government agencies such as the Small Enterprise Development Agency (SEDA) on the appropriate upskilling training and support resources to enhance the resilience of SMEs to withstand future environmental shocks such as those experienced during the disruptive COVID-19 pandemic period.

1.6.1 Theoretical Framework

The study's theoretical framework draws on Hofer's (1980) turnaround model, which conceptualises strategic responses in terms of *strategic* and *operating* turnarounds in changing business environments. Hofer (1980) defines *strategic turnarounds* as strategic actions that involve changing the organisation's strategy for competing in the same business and for entering new business markets or businesses. While *operating turnarounds* are defined as focusing on changing the organisation's business-level strategy by emphasising increasing revenues, decreasing costs, decreasing assets, or a combination (Hofer, 1980). This study focuses on understanding the nature of the turnaround strategies (Hofer, 1980) adopted by SMEs during the COVID-19 pandemic era.

The environmental analysis adopted models by Lynch's (2015) and Porter (1980) to assess macro-environmental factors that triggered SMEs strategic responses during the COVID-19 pandemic. Further, the study utilises the PESTLE framework (Chofreh, Goni, Klemes, Moosavi, Davoudi and Zeinalnezhad, 2021) to examine the critical external factors that impacted SMEs during the COVID-19 pandemic. Moreover, the utilising of the SWOT analysis (Porter, 1985) in evaluating internal strengths and weaknesses and external opportunities and threats that influenced the strategic responses by SMEs during the COVID-19 pandemic (Merba, 2017).

1.7 Research Methodology

The study adopted a qualitative methodology approach to examine the strategic responses implemented by the selected SMEs during the COVID-19 era. In addition, an exploratory case study design and interpretivism paradigm enabled the researcher to understand the strategic responses by SMEs to the disruptive COVID-19 pandemic environment.

The study population comprised SMEs in Cape Town City Centre, Southern Suburbs, and Northern Suburbs in the Western Cape of South Africa. The purposive sample comprises ten (10) SMEs drawn from different subsectors. A case study design was adopted, and semi-structured interviews were used to collect data. Data analysis used content and thematic analysis. Chapter 3 presents and discusses the methodology in detail.

1.8 Organisation of the study

The study dissertation is arranged into five chapters, as shown below in the chapter outlines:

Chapter 1: The chapter presents the introduction, background, problem statement, aims, and objectives.

Chapter 2: The chapter is a discussion of the Literature review and the gaps in the current literature.

Chapter 3: This chapter highlights the research methodology and strategies adopted for the study.

Chapter 4: This chapter presents the data analysis, discussion, and interpretation of the key findings

Chapter 5: This chapter concludes and provides recommendations for further study.

1.9 Definition of terms

Small and Medium Enterprise

Small and Medium Enterprise with the acronym “SME” refers to enterprises with less than 250 employees (Ayandibu and Houghton, 2017:134).

Strategic Management

Refers to a set of decisions and actions managers take that determine a firm's long-term success (Wheelen and Hunger, 2012:5).

Strategy

The process of determining an enterprise's long-term goals and objectives, courses of action, and the allocation of resources required to achieve the goals (Chandler, 1962).

Strategic Agility

The ability of an organisation to quickly respond to shifts and trends inside the business as well as externally in the business environment they operate (Khoshnood and Nematizadeh, 2017).

Organisational Capabilities

Refers to the unique set of resources, skills, and competencies that an organisation possesses and leverages to achieve its goals and objectives (Barney and Hesterly, 2015:86).

Strategic Responses

An action taken by a business to adapt and align its operations with the perceived changes in the competitive environment (Chepkwony, 2001).

Asset Reduction

Refers to the sale of assets, primarily non-current or fixed assets (Hofer, 1980:27).

Revenue Generation

Refers to an attempt to improve sales by introducing or reintroducing new products, increasing promotion, increasing selling efforts, and lowering pricing (Hambrick and Schechter, 1983:233).

Cost Reduction

Refers to reductions in administrative, Research and Development (R&D), marketing, and other presumably discretionary expenses (Hambrick and Schechter, 1983:234).

External Environment

The external environment encompasses variables beyond the control of the organisation (Louw and Venter, 2013:153).

Internal Environment

Refers to all factors within the organisation that influence strategic decisions and performance, such as the organisational structure, management system, and human resources (Grant and Jordan, 2015:367).

Market/Task Environment

Refers to factors that have a direct influence on the organisation's ability to achieve business goals and include suppliers, distributors, customers, and competitors are those factors that can prevent an organisation from achieving its stated goals (Cant, 2021:33).

COVID-19

The coronavirus disease (COVID-19) is a virus-borne infection caused by the SARS-CoV-2 virus (World Health Organization (WHO), 2021)

1.10 Summary

This chapter presented the study background, problem statement, research questions, and objectives. Furthermore, it provided the theoretical framework and methods underpinning the study were presented and justified as well as the definitions of the key terms.

The next chapter presents the study literature review.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter presents the theoretical framework, literature review on SMEs, business environments, and responses to changing environments. The empirical evidence and theoretical frameworks are reviewed to identify the gap in the body of knowledge and the conceptual framework.

2.1 Theoretical framework

Hofer (1980) conceptualises strategic actions in response to the decline in organisational performance in terms of *strategic* and *operating* turnaround strategies. Strategic turnaround responses are viewed as those that involve changes in the organisation's strategy for competing in the same business and those that focus on entering new business niches or businesses. In turn, operating turnaround responses focus on changing the organisation's business-level strategy emphasising, increasing revenues, decreasing costs, decreasing assets, or a combination of efforts (Hofer, 1980). Further, Hofer (1980) proposes that organisational strategic responses focus on strategy, operational efficiency, financial flexibility, and leadership to improve performance and achieve long-term success.

Lynch's (2015) and Porter's (1980) conceptualises macro-environmental factors that prompted strategic responses among SMEs. A contemporary perspective on environmental analysis is offered by Lynch's (2015) model, while Porter's (1980) model has been recognized for its usefulness in understanding competitive forces within business environments. Lynch's (2015) and Porter (1980) postulate that external dynamics shape SMEs' strategies. In a dynamic and uncertain environment, the SWOT analysis allows for an integrated understanding of SMEs' internal capacities and external circumstances (Porter, 1985; Merba, 2017).

2.2 Strategic management

Strategic management entails setting objectives, and analysing the internal, competitive, and macro environment to formulate strategies that ensure organisational competitiveness (Chandler, 1992). While Wheelen and Hunger (2012:5) emphasise that strategic management outlines the decisions and actions taken by managers that determine a firm's long-term success. Relatedly, Reed (2022) defines strategic management as a continuous process used by firms

to develop strategies for achieving successful outcomes through defining the organisational vision and analysing the competitive, internal, and external environments. In many ways, strategic management is concerned with the overall organisation-wide decision-making for survival and growth within dynamic, complex, and ambiguous environments (Louw and Venter, 2013).

2.2.1 Strategy

Strategy refers to the process of determining an enterprise's long-term goals and objectives, which underpins the adoption of courses of action and the allocation of resources required to achieve these goals (Chandler, 1962). While, Andrews (1971:18) defines strategy as:

“the pattern of objectives, aims, or goals as well as the main policies and plans for achieving ... goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be”.

Mintzberg (1978) asserts that strategy embraces having a plan, set of guidelines, or an intended course of action that determines how to deal with or manage the situation. The strategy formulation process creates a unique competitive position by selecting a unique set of activities that deliver unique combinations of value and broad organisational objectives to survive, grow and succeed in the business environment (Reed, 2020; Porter, 1996). In addition the means by which individuals or organisations accomplish their goals (Grant and Jordan, 2015). The study adopts the process perspective that defines an intended course of action implemented by organisations to survive and remain competitive (Grant and Jordan, 2015; Mintzberg, 1978; and Chandler, 1962) to understand responses adopted by SMEs during the COVID-19 pandemic period.

2.2.2 Strategic response

Strategic responses refer to a collection of decisions and actions that lead to the creation and execution of plans to meet a company's goals (Pearce and Robinson, 2005) as well as actions taken by businesses to adapt and align operations with the perceived changes in the competitive environment (Chepkwony, 2001). Thus, strategic responses are triggered by trends and events in the organisation's business environment (Smart and Vertinsky, 1984) and provide the foundations for crafting strategic plans in response to competitive pressures (Porter, 1996).

2.2.3 Strategic agility

Strategy agility refers to the ability of organisations to sense changes and shifts inside the business and market conditions and implementation of new strategies quickly and decisively as and when necessary (Khoshnood and Nematizadeh, 2017). The level of agility differentiates first movers from first followers when it comes to creating new services, products, and offerings for external or internal customers and clients (Lungu, 2018); Nkuda, 2017; Doz and Kosenen, 2010).

2.3 Business environment

The business environment embraces the total of all things external to firms and industries which affect organisations and their operations (Wheeler, 1962) and generate internal and external factors that influence business operations (Delmar and Wiklund, 2008). Thus, external factors influence the company's decisions and performance (Grant and Jordan, 2015). Furthermore, the business environment provides a mechanism by which strategists develop techniques and mechanisms for assessing the economic, governmental, market, supplier, technological, geographic, and social factors to identify opportunities and threats (Glueck, 1980).

2.3.1 Internal environment

The internal environment refers to all factors within the organisation that influence strategic decisions and performance, such as the organisational structure, management system, and human resources (Grant and Jordan, 2015). More importantly, the internal environment comprises controllable factors within an organisation such as location, organisational culture, investment in current information technology, production cost, and owner's capital contribution Olawale and Garwe (2010) as well as resources and capabilities, which may affect intended actions or strategies that are typically under management's control (Louw and Venter, 2013). In many ways, an organisation's internal environment is influenced by organisational variables that constitute the strengths and weaknesses that are under management's immediate control (Wheelen and Hunger, 2012), which determine the strategic ability to create value for customers and competitive advantage (Louw and Venter, 2013).

2.3.2 Market/Task environment

The market or task environment refers to the collection of factors that affect the organisation's performance and daily activities, such as customers, the general public, competitors, marketing intermediaries, and suppliers (van Scheers, 2016). Factors in the task environment include suppliers, distributors, customers, and competitors, which directly influence the organisation's ability to achieve business goals (Cant, 2021).

2.3.3 Macro environment

Organisations operate within broader contexts that provide opportunities and threats (Beck, 2007). The macro-environment constitutes uncontrollable external factors such as political, economic, social, technological, legal, and ethical factors which collectively influence the company's decision-making (Wheelen and Hunger, 2012). The factors influence organisational performance (Reed, 2020) and are beyond the control of individual organisations (Louw and Venter, 2013). The external environment analysis models include Lynch's (2015) environmental analysis model and Porter's (1980) Five-forces model. Broadly the external environment models focus on understanding the influence of external environment factors on the performance of organisations. Lynch's (2015) environmental analysis model posits that organisations should evaluate the impact of the macro-environmental turbulence and formulate strategic responses to the changes. While Porter's (1985) Five Forces model provides a framework for understanding the key drivers of competition within an industry sector in terms of the threat of new entrants, suppliers, buyers, substitutes, and rivalry in the industry, as well as how these factors shape strategic decisions.

Beck and Demircuc-Kunt (2006) highlight the importance for SMEs to focus on both internal and external business environments when aligning to the constant environmental changes. The study draws on Lynch's (2015) environmental analysis model, Porter's (1980) framework and Whittington *et al.* (2020) to understand the main external factors within the SME ecosystem during the COVID-19 pandemic period.

2.4 Definition of SMEs

SMEs are defined differently in different countries in terms of indicators such as the number of employees, revenue per annum, capital, and total assets turnover (Yoshino and Taghizadeh-Hesary, 2018). The European Commission (1996) defines SMEs as companies with less than

250 employees, generating an annual turnover under EUR 50 million, and controlling less than 25% ownership of another company. Govori (2013) refers to SMEs as businesses employing no more than 250 people, having assets of no more than EUR 43 million, and generating revenues of no more than EUR 50 million annually. While SMEs are defined as firms with fewer than 200 employees and capital of less than \$12 million in countries such as China, Japan, Singapore, Malaysia, Thailand, and Vietnam (Chacko and Harris, 2006).

The South African government defines SMEs based on the number of paid employees they employ. Thus, very small businesses are classified as organisations with less than ten (10) employees, small businesses have less than fifty (50) employees, and medium businesses have a maximum of hundred or two hundred (100 or 200) employees (Department of Trade and Industry, 2018). However, further definitions in South Africa indicate variations in terms of the number of employees as well as annual turnover, for example, registered businesses with fewer than 250 employees (Pike, Puchert and Chinyamurindi, 2018) and enterprises that have less than 250 employees (Ayandibu and Houghton, 2017) and businesses with less than 200 employees, and generating an annual revenue of less than R5 million with capital assets that do not exceed R2 million (Rantseli, 2011). In turn, the South African Broad-Based Black Economic Empowerment (B-BBEE) legislation categorises owner-managed SMEs into three categories (Broad-Based Black Economic Empowerment Act, 2013:46-52): (i) Exempt Macro Small Enterprises (EMEs), defined as organisations with annual revenue of R10 million or less, (ii) Qualifying Small Enterprises (QSE), with a turnover of between R10 - R50 million per annum and (iii) Generic Enterprises (GE) with an annual turnover exceeding R50 million (Goldberg, 2015).

This study adopts the classifications by Olawale and Garwe (2010) that distinguish between small and medium-sized based on the number of employees, annual turnover, and total assets. Further stating that small enterprises employ less than 50 employees, with an annual turnover of not more than R13 million, while medium-sized enterprises employ not more than 200 employees and have an annual turnover of not more than R51 million.

Table 1: SMEs definition in the South African context

Type of firm	Number of employees	Annual turnover	Total assets
Small	≤ 50	≤ R13 million	≤ R5 million
Medium	≤ 200	≤ R51 million	≤ R19 million

Source: (Olawale & Garwe, 2010:730)

2.4.1 The role of SMEs in an economy

SMEs are responsible for the creation of approximately sixty to seventy per cent (60-70%) of jobs globally (OECD, 2009). The SME sector is widely recognised worldwide as an important facilitator for employment creation, expansion and creation of markets (Lloyd, 2003). In addition, SMEs are considered the most significant contributors to economic growth, contributing approximately 60% of the total GDP in major economies such as Japan and China, 65% in the USA, and 52% in Europe (Ayyagari, Demirguc-Kunt and Maksimovic, 2011). Thus, SMEs are key players in economic development through job creation and poverty alleviation in local areas (Hessels and Parker, 2013). In developing economies, SMEs play a critical role in addressing issues such as poverty, inequality, generation of revenue, and unemployment (Fiseha and Oyelana, 2015). For example, in Bangladesh, the SME sector contributes approximately 32% to the total GDP of the economy employing about 20.3 million people. It is the driving force for economic growth and employment creation as well as an enabler for economic inclusion and socio-economic stability (Sarker, Rahman, Islam, Bhuyan, Supra, Ali and Noor, 2022). Thus, SMEs play a vital role in the growth of economies worldwide in terms of greater impact on employment creation in both developing and emerging economies compared to developed economies (Robu, 2013). Broadly, SMEs are recognised as engines for economic development, potentially enabling developing countries to achieve projected growth objectives and significantly contribute to the GDP of different countries (Abor and Quartey, 2010).

2.4.2 SMEs in the South African Economy

The SME sector in South Africa plays an essential role in economic development and accounts for more than 70% of the workforce and 80% of new jobs (van Scheers, 2016). SMEs play a significant role in solving economic challenges such as unemployment, poverty, and inequality in South Africa (Fiseha and Oyelana, 2015). In addition, it drives job creation, wealth distribution, poverty reduction, and improvement of the quality of life of individuals, families, vulnerable groups, and communities (Mbedzi, 2011; Mmbengeni *et al.*, 2021).

Thus, SMEs contribute significantly to economic growth by providing new products, services, and innovation (Olawale and Garwe, 2010) especially as registered entities contribute towards the government fiscus for public sector expenditure in education, infrastructure, and health (Fiseha and Oyelana, 2015). In recognition of the SMEs' contribution to economic and social

development, the South African government has identified the SME sector as a key driver for accelerated economic growth (Ayandibu and Houghton, 2017).

2.5 Strategic agility in changing business environments

Strategy agility refers to the ability of organisations to see shifts inside the business as well as externally in the business environment they operate (Khoshnood and Nematizadeh, 2017). An organisation's strategic agility is defined by its ability to perceive opportunities in changing business environments, seizing the opportunities, and shifting (reconfiguring) assets to take advantage of strategic prospects (Tsilionis and Wautelet, 2021). Further proposing, the StratANoDrIGo framework which emphasises the importance of developing organisational cultures that promote the sensing of opportunities, seizing values, and focusing communications on what to implement at tactical and operational levels. Strategic agility is characterised by quick perceptions and responses to emerging opportunities and challenges in the business environment (Shams, Vrontis, Belyaeva, Farraris and Czinkota, 2021). Thus, strategic agility differentiates first movers from first followers, positively impacting the company's competitive advantage, long-term viability, and future opportunities in uncertain environments (Doz and Kosenen, 2010). Outcomes of strategic agility include the creation of new services, products, and offerings for external or internal customers and clients ahead of competitors (Lungu, 2018; Nkuda, 2017).

Dynamic business environments are characterised by the proliferation of technological innovations and increasing levels of market unpredictability hence the importance of business agility in responding to emerging trends (Lin *et al.*, 2020). Businesses respond to environmental changes by applying their expertise in adjusting and simplifying operational procedures to satisfy changing needs in complicated business environments (Lin, Li, Luo and Benitez, (2020). Organisations enhance agility by developing digitalisation skills that enhance organisational agility towards adapting to environment forces (Seetharaman, 2020). Moreover, Seetharaman (2020) states that agility enhances the organisational capacity for speedy product redevelopment, identification of new ecosystem partners, strategic decision-making, and value creation leveraging internal dynamic capabilities. The three vectors that characterise an organisation's strategic agility are strategic sensitivity, resource fluidity, and collective commitment (Doz, 2020).

The acceleration in technological advancement engenders sustainable agility for SMEs in the face of disruptive environments such as the COVID-19-induced environment (McKinsey, 2022). The COVID-19 pandemic raised agility levels for businesses, especially the adoption of technology by SMEs (Rashid and Ratten, 2021).

2.6 Strategic responses to changing environments

Economic downturns signal moments of severe environmental challenges and pose threats to the existence of businesses (Latham, 2009). Organisations respond to economic shocks as they seek to survive (Chakrabarti, 2015) by adopting strategic responses such as cost reduction, asset reduction, and revenue generation during the 2001-2003 economic crisis (Latham, 2009). Relatedly, the Asian financial crisis 1997-1998 and the 2008 global financial crisis prompted organisations to adopt strategic responses that included innovation and retrenchment (Wenzel, Stanske and Lieberman, 2020). They, further note that multinational corporations tend to adopt strategic responses that focus on mitigating high-risk and technological disasters in company locations.

Strategic responses by SMEs in Indonesia included operational realignments and forging strategic alliances during the Asian financial crisis between 1997-1998 (Marino *et al.*, 2008). In Greece, SMEs responded to the 1993-2007 economic downturn by re-engineering product processes, adjusting existing products and services, price fixing, collaborating with suppliers and enhancing information management (Bourletidis and Triantafyllopoulos, 2014). While, in Indonesia micro, small, and medium enterprises (MSMEs) responded to the 1997/1998 Asian financial crisis and the 2008/2009 global financial crisis by identifying new domestic and international markets, adjusting existing workforces, and reducing working hours and days (Tambunan, 2019). In turn, SMEs in Spain adopted innovation, strategic alliances, and strategic planning as the primary strategic responses during the 2007-2008 financial crisis. In many ways, the survival strategies adopted by SMEs during the 2008 global financial crisis included deferring investment and expansion plans, searching for new sources of funding, cost-cutting and adjusting output to the low market demand (OECD, 2009; Papaoikonomou, Segarra and Li, 2012).

2.7 The COVID-19 pandemic and global lockdowns

The coronavirus disease 19 (COVID-19) was first detected in Wuhan, China, in early December 2019. The virus quickly spread around the world as confirmed cases were reported in almost every country before it was declared a global public health crisis referred to as SARS coronavirus 2 (SARS-CoV-2) (Mohan and Nambiar, 2020). On March 11, 2020, the World Health Organization (WHO) coined COVID-19 and declared the novel coronavirus disease a pandemic (WHO, 2020). By the beginning of March 2020, there was a rapid increase in new cases and COVID-19-related deaths outside of China. As of June 8, 2020, 213 countries and territories had reported over 7 million confirmed cases and over 400 thousand deaths (World Population Review, 2020). The severity of the virus led to global lockdowns as countries attempted to control the spread of the virus (Globaldata, 2020; OECD, 2020).

The COVID-19 pandemic resulted in countries imposing domestic and international travel bans, stay-at-home lockdowns and social distance protocols, which virtually closed down business operations (Albers and Rundshagen, 2020; Duarte Alonso *et al.*, 2020; Nguyen *et al.*, 2021; Le and Phi, 2021). The COVID-19-induced lockdowns closed down contact economic and social activities. Organisations responded to the disruptions by introducing remote working and strategies to ensure business continuity and survival (Bigelow and Chan, 1992). The global lockdowns resulted in decreased demand, cash flow deficits, raw material constraints, and labour difficulties during the COVID-19 pandemic (Dai *et al.*, 2021). The level and extent of organisational agility determined the effectiveness of responses by SMEs to COVID-19-induced environmental disruptions (Seetharaman, 2020).

2.8 The impact of COVID-19 on the business environment

2.8.1 Market disruptions

Organisations were forced to operate at an unimaginable pace to align with the rapidly changing markets during the COVID-19 pandemic period (Meaney, 2020). Consumers responded to the pandemic by changing purchasing habits, reducing shopping expenditures and leisure activities (Güngördü-Belbağ, 2021). As a result, customers lowered their expenditure on non-essential goods and services such as alcohol, luxury goods and services, and entertainment. Businesses experienced low sales volumes, profitability levels, customer base, and low returns on investment in non-essential products (Yazdanparast and Alhenawi, 2022). The changing

consumer consumption and shopping patterns resulted in reduced demand for non-essential goods and services and closed business firms offering non-essential goods and services (Cranfield, 2020).

2.8.2 Supply chain constraints during COVID-19

The COVID-19 pandemic severely disrupted supply chains worldwide (Sajjad, 2021; Udofia, Adejare, Olaore and Udofia, 2021). The global supply chain and logistics challenges posed by the COVID-19 pandemic prompted service providers to implement reactive and proactive supply chain risk management strategies in adapting to external catastrophic disturbances (Hohenstein, 2022). The supply chain disruptions compelled distributors to explore alternative suppliers while manufacturers modified production schedules (Butt, 2021). In turn, business organisations faced a transformed network of resources, information, and service processing relationships within the supply chain (Chen and Paulraj, 2004).

In India, SMEs in the retail sector retailers who relied on local, regional, and global supply chains were severely impacted by the supply chain disruptions due to the COVID-19 pandemic (Sharma, Luthra, Joshi and Kumar, 2021). The global tourism industry began to halt during the COVID-19 pandemic period (Anguera-Torrell, Vives-Perez and Azuar-Alarcon, 2021). The COVID-19 pandemic posed survival challenges for the Egyptian SMEs in the tourism and hospitality industry which lost customers and suffered financial instability (Sobaih, Elshaer, Hasanein and Abdelaziz, 2021) due to the global lockdowns, stay home and social distancing regulations (Sobaih *et al.*, 2021).

2.8.3 Financial fragility during COVID-19

2.8.3.1 Access to finance

The unprecedented levels of uncertainty and instability for businesses around the world led to increased levels of insolvency risk due to cash flow and liquidity challenges as the crisis progressed (Khan, 2022). Pandemics create high levels of uncertainty in the external environment and create cash flow problems for organisations (Salunkhe, Rajan and Kumar, 2021). In turn, organisations struggle to maintain short-term cash flows and working capital to finance and sustain operations, forcing them to opt for dynamic financing and trade credit to manage working capital (Simon, Sawandi, Kumar and El-Bannany, 2021). Firms across all sectors need financial flexibility and large cash reserves during economic crises such as the

COVID-19 pandemic (Golubeva, 2021). Thus, the importance of access to funding sources such as equity and bond issuance during the COVID-19 pandemic (Zaid, Wang, Abuhijleh, Issa, Saleh and Ali, 2020).

Cash flow challenges during the COVID-19 period made it difficult for MSMEs in India to adopt technology, access international markets, and compete globally (Singh, Chamola, Kumar, Verma and Makkar, 2022). The pandemic reduced revenue inflows and raised liquidity demand, exposing enterprises to severe financial stress (Zhang and Sogn-Grundvåg, 2022). Business organisations increasingly relied on external financing, bank and trade credit during COVID-19 (Wellalage, Kumar, Hunjra and Al-Faryan, 2021). Credit-strapped businesses leveraged trade credit, deferred payments to suppliers and employees and relied heavily on government support to deal with liquidity and cash flow issues throughout the COVID-19 pandemic (Khan, 2022). The challenging economic climate caused by the pandemic forced SMEs in Norway to prioritise survival. Many businesses faced declining sales and cash flow challenges, leading to the difficult decision to downsize operations to stay afloat (Miklian and Hoelscher, 2021). Declining sales and increased cashflow challenges prompted SMEs in Norway in prioritising downsizing their operations to survive the pandemic (Zahoor, Golgeci, Haapanen, Ali and Arslan, 2022).

2.9 Strategic responses to the COVID-19 pandemic environment

SMEs were forced to respond in a variety in identifying potential opportunities and threats and making informed strategic decisions to adapt to changed market conditions caused by the pandemic (Chofreh *et al.*, 2021; Whittington, Regner, Angwin, Johnson and Scholes 2020). Strategic responses by SMEs focused on realigning, reconfiguring, and reorganising resources in alignment with changes in a dynamic environment (Ozanne, Chowdhury, Prayag and Mollenkopf, 2022). Dynamic capabilities critical for survival include perceiving, seizing, and reconfiguring operations in times of economic (Singh *et al.*, 2022). The survival of SMEs during the COVID-19 pandemic required agility, flexibility, collaboration, and reactive human resource management strategies (Ali, Suleiman, Khalid, Tan, Tseng and Kumar, 2021).

2.9.1 Digitalisation during the COVID-19 pandemic

The transition to digital technology stimulated demand from the traditional models of selling via physical stores towards digital platforms such as WhatsApp for shopping and ensuring

survival during the COVID-19 pandemic (Xu, Siqin, Chung and Choi, 2021). Thus, organisations invested in sociotechnical processes of utilising digital products or systems to create new organisational procedures, business models, or commercial offerings (Saarikko, Westergren and Blomquist, 2020:4). The paradigm shift to digitalisation allowed businesses to change business strategies swiftly during the COVID-19 pandemic period (Priyono, Moin and Putri, 2020). The COVID-19 pandemic became the “great accelerator” towards digitalisation and the “catalyst” for the acceptance and widespread usage of technologies, such as video telephony, 5G digital networks, the Internet of Things (IoT), cloud computing, machine learning, and artificial intelligence (Amankwah-Amoah, Khan, Wood and Knight, 2021). Thus, the world switched to the online environment, speeding up a decades-long digital transformation as businesses implemented digital strategies and models to keep operations running and income flowing during the COVID-19 pandemic (OECD, 2020).

2.10 Strategic responses by SMEs during the COVID-19 pandemic

Declining consumer purchasing power, shifting expectations, cash flow problems, and stringent and reduced business operating hours threatened the survival of SMEs during the COVID-19 pandemic (Hanafi, Abdullah, Toolib, Daud and Ahmad, 2021). Organisations implemented changes in organisational structures, decision-making processes, and strategies in response to the macroenvironmental level COVID-19 pandemic (Yüksel, 2012). SMEs are vulnerable to external factors such as pandemics which reduce their capacity to contribute towards national economic development (Beatrix and Irawan, 2021).

2.10.1 Cost-cutting strategy

Prolonged lockdowns during the COVID-19 pandemic resulted in declining sales and profits, forcing employee lay-offs and shutting down business operations (Shafi, Liu and Ren, 2020). The operational costs incurred by SMEs in the hotel sector in China, India, and Mexico during COVID-19 outweighed the 9/11 terrorism and 2008 recession in terms of combined costs for the hotel sector (Le and Phi, 2021). While SMEs in the United States of America (USA) restructured resource portfolios by lowering cost structures through employee layoffs (Giunipero, Denslow and Rynarzewska, 2021). In turn, the bar and restaurant industry in Germany implemented delivery and take-away service as a business resilient measure to mitigate the impact of high operating costs during the COVID-19 pandemic (Neise, Verfurth and Franz, 2021). Broadly, cost-cutting and growth-focused strategies improved the financial

performance and entrepreneurial orientation of SMEs in Vietnam during the COVID-19 pandemic (Nguyen *et al.*, 2021). Businesses in the USA resorted to downscaling their operations to reduce costs and maintain profitability amidst the economic challenges posed by the pandemic (Klößner, Schmidt, Wagner and Swink, 2023).

2.10.1.1 Retrenchment strategies

The COVID-19 pandemic forced SMEs to lay off employees to cope with cash flow shortages (Kahveci, 2021). More than half of airlines in Europe adopted the retrenchment strategy in response to the COVID-19 pandemic challenges, and global organisations implemented policies to reduce the impact of cash flow shortages by shortening working hours, temporary layoffs, and sick leave provisions (Albers and Rundshagen, 2020). Broadly, the COVID-19 pandemic led to weak growth, increased costs, and depletion of cash reserves forcing organisations, including SMEs, to retrench employees (Kumar and Ayedee, 2021). SMEs in the Czech Republic and Slovakia implemented mass layoffs to stabilise operations in response to reduced market demand, financial, and operating risks (Capel, Gavurova, Dvorsky and Belas, 2020; Katare, Marshall and Valdivia, (2021). While cash flow problems and income losses forced business organisations in the USA to employ cost-cutting retrenchment strategies and SMEs in the Egyptian agri-food sector minimised operational costs by laying off employees during the COVID-19 pandemic period (Abu Hatab, Lagerkvist and Esmat, 2021).

2.10.2 Innovation strategy

Innovation strategies included adopting digital communication platforms such as Skype, WhatsApp, and Zoom Meetings. International SMEs in the hospitality sector by firms in Argentina, Australia, Bolivia, Greece, Italy, Malaysia, and Spain. While business organisations in the United Kingdom adopted innovative and adaptive revenue generation strategies during the COVID-19 pandemic (Duarte Alonso *et al.*, 2020). SMEs in the manufacturing sector in Mexico adopted an innovation strategy to drive recovery strategies for performance improvement and minimisation of costs and risks (Caballero-Morales, 2021). The mitigation of supply-side shocks prompted government-supported initiatives to improve efficiency, innovation and service quality in SMEs in China during the COVID-19 pandemic (Dai *et al.*, 2021). Innovative and branding strategies such as contactless delivery, vacuum packaging, ready-to-reheat technologies, and sanitisation mitigated the impact of business closures and

financial constraints in Chinese restaurants during the COVID-19 pandemic crisis (Kim, Kim and Wang, 2021).

SMEs in Bangladesh adapted to the changing environment through innovation to diversify product and service offerings using online platforms and expanding mobile financial services (Das, Sarkar and Debroy, 2022). Relatedly, SMEs in the Turkish tourism industry adopted innovation and diversification as long-term strategies through investing in technology (Kahveci, 2022).

2.10.3 Digitalisation strategy

Digital technologies adopted by SMEs in the United Kingdom focused on securing business continuity, leveraging capability, and improving productivity and performance during the COVID-19 pandemic (Papadopoulos *et al.*, 2020). In turn, SMEs in Malaysia adopted financial and online marketing strategies as survival strategies during the COVID-19 pandemic (Che Omar *et al.*, 2020). The hotel industry in China adopted technology-based strategies to restructure operations and introduce contactless service-based technology and related self-service technology (SST) during COVID-19 (Liu and Yang, 2021). Digital technologies strengthened organisational resilience among Italian firms during the COVID-19 pandemic (Acciarini, Boccardelli and Vitale, 2021). While SMEs in the Swiss food and beverage industry implemented technology-driven business model innovations (BMIs) to transform internal and external knowledge exchange in response to the disruptive COVID-19 pandemic (Bivona and Cruz, 2021).

MSMEs in the Philippines deployed technological innovations such as green technology and automation to mitigate the impact of declining sales, limited accessibility to suppliers, and declining performance during the COVID-19 pandemic period (Laorden, Sarmiento, Romo, Acuna and Acopiado, 2022). SMEs adopted digital technology to boost productivity, restructuring, and upskilling to increase sales through digital marketing during the COVID-19 pandemic (Hamburg, 2021). The COVID-19 pandemic prompted businesses to adopt technology and online applications such as online shopping to satisfy new customer realities in compliance with the public health lockdown restrictions and temporary closure of non-essential businesses during the COVID-19 pandemic period (Rashid and Ratten, 2021). Thus, the adoption of technology in business operations creates value during social and economic crises such as the COVID-19 pandemic (Bhattacharyya and Thakre, 2021).

2.11 Limitations and gaps in the empirical evidence

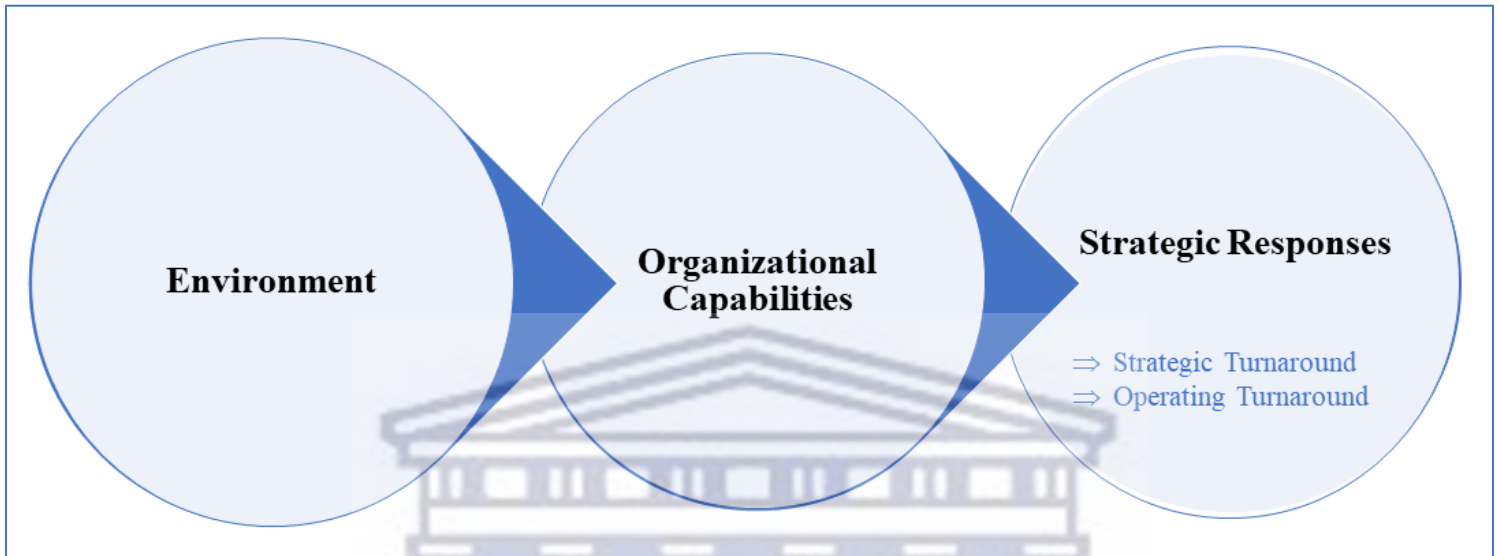
The COVID-19 pandemic negatively impacted the performance of SMEs (Che Omar *et al.*, 2020; Dai *et al.*, 2021; Duarte Alonso *et al.*, 2020). SMEs in diverse sectors such as hotel, hospitality, and aviation implemented retrenchment and cost reduction strategies (Albers and Rundshagen, 2020; Duarte Alonso *et al.*, 2020; Le and Phi, 2021). In turn, SMEs responded to the COVID-19 pandemic by adopting digital technologies (Papadopoulos *et al.*, 2020) as well as innovation strategies adopted by SMEs in Mexico, Caballero-Morales (2021) and Vietnam (Nguyen *et al.*, 2021). This study contributes to the body of knowledge on strategic responses adopted by SMEs during the COVID-19 period in South Africa, a developing country.

2.12 Conceptual framework

The conceptual framework draws on the theories on strategy, and strategic responses in alignment with the disruptive COVID-19 pandemic external environment. The theoretical framework on turnaround strategies, environmental analysis, and industry analysis provides an understanding of the selected SMEs' strategic responses and agility levels to the external environment disruptions induced by the COVID-19 pandemic.

- i. The characteristics of the external business environment and impact on organisational performance (Porter, 1985a).
- ii. Organisational capabilities: The ability of organisations to leverage their unique set of resources, skills, and competencies to achieve their goals and objectives (Singh *et al.*, 2022; Seetharaman, 2020; Olawale and Garwe, 2010).
- iii. Strategic responses: The need for organisations to adopt and align their strategies to environmental changes has been cited by several researchers for example, (Albers and

Rundshagen, 2020; Caballero-Morales, 2021; Che Omar *et al.*, 2020; Le and Phi, 2021; Nguyen *et al.*, 2021; Papadopoulos *et al.*, 2020; Hofer, 1980).



2.13 Summary

The chapter presented the literature review, theoretical perspectives, empirical evidence, and the gap in the body of knowledge. The conceptual framework underpinning the study has been developed. The following chapter presents the methodology used to answer the research objectives.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This chapter presents a detailed outline of the study methodology. The main sub-sections include the research approach, research design, data collection methods, sampling methods, data analysis, and ethical considerations. This chapter also examines the trustworthiness and credibility of the research.

3.1 Research Paradigm

The study adopted an interpretivist paradigm to explore the subjective reality and overarching and interconnected set of assumptions (Maykut and Morehouse (1994) on the phenomena of research interest. Further explicating the set of interrelated practices and principles that define the nature of the research inquiry (Blanche and Durrheim, 1999). Thus, the interpretivist paradigm provided the researcher with in-depth insights and an understanding of the phenomena of research interest (Guba and Lincoln, 1994) from the participants' point of view. Table 2 contrasts the merits and demerits of alternative paradigms that could have been considered, such as positivism, constructivism, and critical theory with interpretivism (Rehman and Alharthi, 2016; Sobh and Perry, 2006; Patton, 2005)

Table 2: Four Approaches to Research Paradigm

Positivism	Interpretivism	Constructivism	Critical theory
Based on truth and reality	Believes that realities are constructed using multiple views	Contains a philosophical stand	Entities exist independently
The logical analysis explained actual events assertively	Understand and interpret how individuals interact in social phenomena	Constructs reality in a study	Freedom enhancement
The viewpoint focuses on the unchanging laws that rule human behaviour	Requires events to be understood through the eyes of the participants	Focus emphasizes on the existence of multiple views	Explain and analyse societal conflict
Its investigation is not measured based on individuals and social phenomena	Analysing approach generates inductive data using a semi-structure interview	Understand the historical, cultural, and settings of the participants	Use realist ontology to effect change

Source: Patton, (2005:1-3); Rehman and Alharthi, (2016:52-58); Sobh and Perry, (2006:1195)

3.1.1 Interpretivism paradigm justification

The study adopted the interpretivism paradigm to explore, decipher, translate, and come to terms with the nature of multiple meanings and interpretations of the respondents on events in the social world roles they performed with respect to the research problem (Cooper and Schindler, 2013:167). In addition, the interpretivist paradigm enabled the collection of qualitative data from participants using interviews, documents and observations (Rehman and Alharthi, 2016; Grix, 2010), which enabled obtaining new insights from the narratives, stories, perceptions, and interpretations of the respondents on SMEs' strategic responses during the COVID-19 period in the Western Cape Province, South Africa.

3.2 Research approach

The qualitative research approach enabled the collection of rich data, which enhanced the in-depth understanding of the phenomena of the study research interest (Creswell and Creswell, 2018). Further, the approach enabled the exploration of the multiple interpretations, elucidations, and accessing realities of the phenomena of research interest through the subjective interpretations and insights of the respondents (Saunders *et al.* 2016). The quantitative approach was deemed unsuitable for the study as it focuses on establishing causal relationships that require statistical confirmation through inferential statistics. Relatedly, the mixed methods approach was deemed unsuitable for the study as it involves the collection of both quantitative and qualitative data (Creswell and Creswell, 2018).

3.2.1 Qualitative approach justification

The qualitative approach enabled the researcher to explore the multiple interpretations, elucidations, and realities of phenomena of research interest (Saunders *et al.*, 2016:136) with respect to what motivated the strategic responses and implications for the SMEs during the COVID-19 pandemic period. The qualitative approach, therefore, provided a holistic understanding of SMEs' responses and adaptation to environmental disruptions and the speed at which they responded to the COVID-19 pandemic environmental disruptions. Despite the advantages and disadvantage of the chosen research methodology, it also has some inherent limitations that need to be acknowledged. The sample size of ten (10) respondents is within the general recommendations for qualitative research sample sizes. The researcher tried to make the sample size as diverse as possible by having respondents from different business sectors,

but the sample may limit the understanding of the nuances within the broader population of SMEs. Furthermore, due to the sample size, it may be difficult to capture the full spectrum of the strategic responses by SMEs during the COVID-19 period. This could impact the depth and comprehensiveness of the qualitative analysis, potentially missing important nuances within the data.

3.2.2 Research design

The study adopted the case study research design for analysing and examining the relationships between multiple meanings and understanding by respondents of the research questions (Cooper and Schindler, 2013). Further, the design enabled outlining of the study procedures and a detailed description of data collection and analysis methods (Creswell and Creswell, 2018.) The basic considerations of alternative research designs that could have been considered for the study are presented in Table 3 below.

Table 3: Five qualitative approaches

Basis of Considerations	Narrative Research	Phenomenological Research	Grounded Theory	Ethnography	Case Study
Focus of research approach	Explore lives of individuals	Drive the understanding of lived experiences	Develop a hypothesis that is grounded in data collection from the field	Describe and interpret cultural group overtime	Develop in-depth illustration and analysis of a case or multiple cases
Unit of analysis	Examination of one or more individuals	Investigate of several individuals with same experience	Using process, actions and interaction to study event that involves many individuals	Study people that share same culture, behaviour, language, and actions	Focus on studying an event or activities that has more than one individual
Types of research problem best suited	Tell individual experience stories	Describe the lived phenomenon	Theories are gathered based on participants view	Give interpretation to the shared culture group patterns	Present an in-depth understanding of a case or cases
Nature of disciplinary origins	Drawing focus is on humanities such as literature, history, anthropology, psychology, and sociology	It is centred on philosophy, psychology, and education	Information is drawn from sociology	From anthropology and sociology	Drawing focus on psychology, law, political science, and medicine

Source: Creswell and Creswell, (2018:50-51)

3.2.3 Case study design

This study adopted a case study design to explore a contemporary phenomenon in its real-world context (Yin, 2018). The design facilitated the development of thick individual case descriptions and themes (Creswell and Creswell, 2018), emerging from the settings and individuals, which were then analysed to determine the main themes and issues (Stake, 1995); (Wolcott, 1994) to gain a deeper understanding of the phenomenon by combining multiple narratives of the participants with supporting documentary evidence.

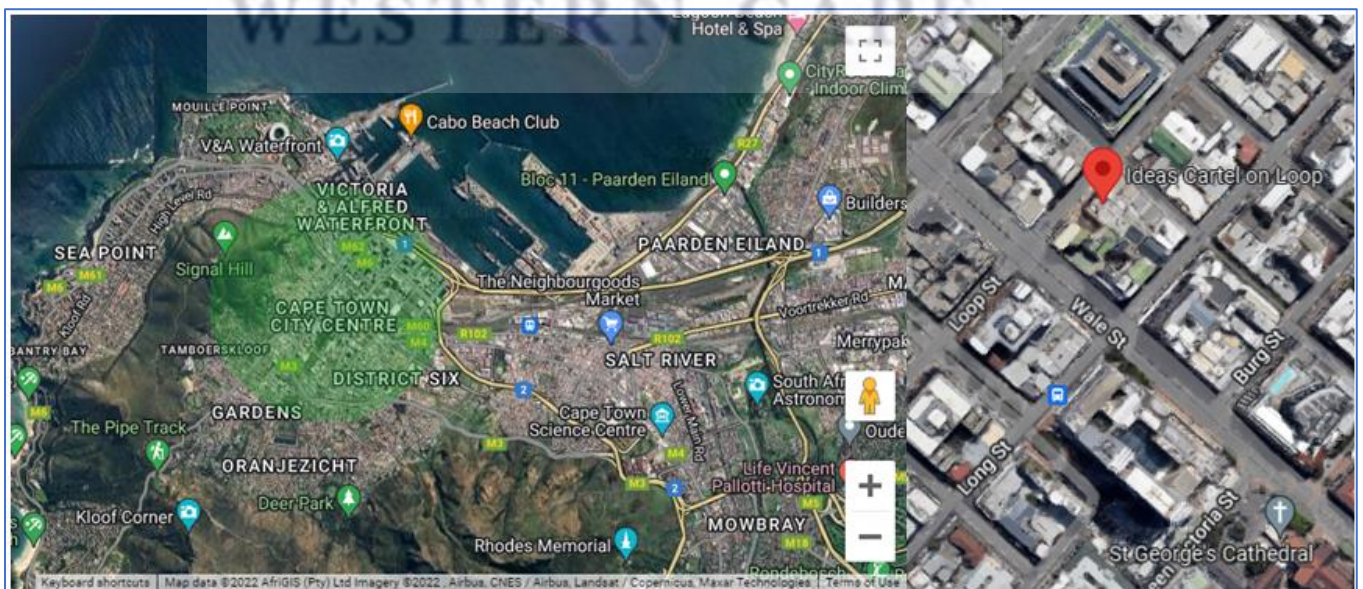
3.2.4 Justification of the case study research

The study adopted an exploratory case study design to gain a deeper understanding of the phenomena through the lenses of ambiguous variables and theories (Creswell and Creswell, 2018); (Morse, 1994) on strategic responses adopted by selected SMEs located in the Western Cape Province, South Africa, during COVID-19 pandemic period.

3.3 Research Setting

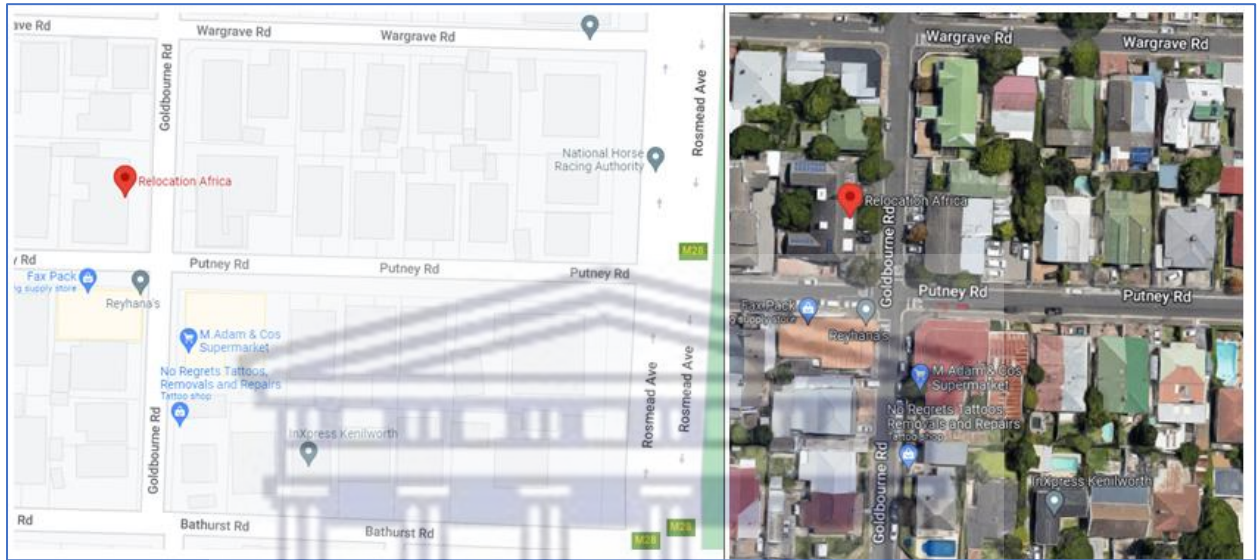
The study was conducted within the Cape Town City Centre – Central Business District (CBD), Southern Suburbs - Kenilworth, and Northern Suburbs - Parow, located in Cape Town, Western Cape Province. The study sites also provided a broader range of SME sub-sectors.

Figure 1: Cape Town City Centre – CBD



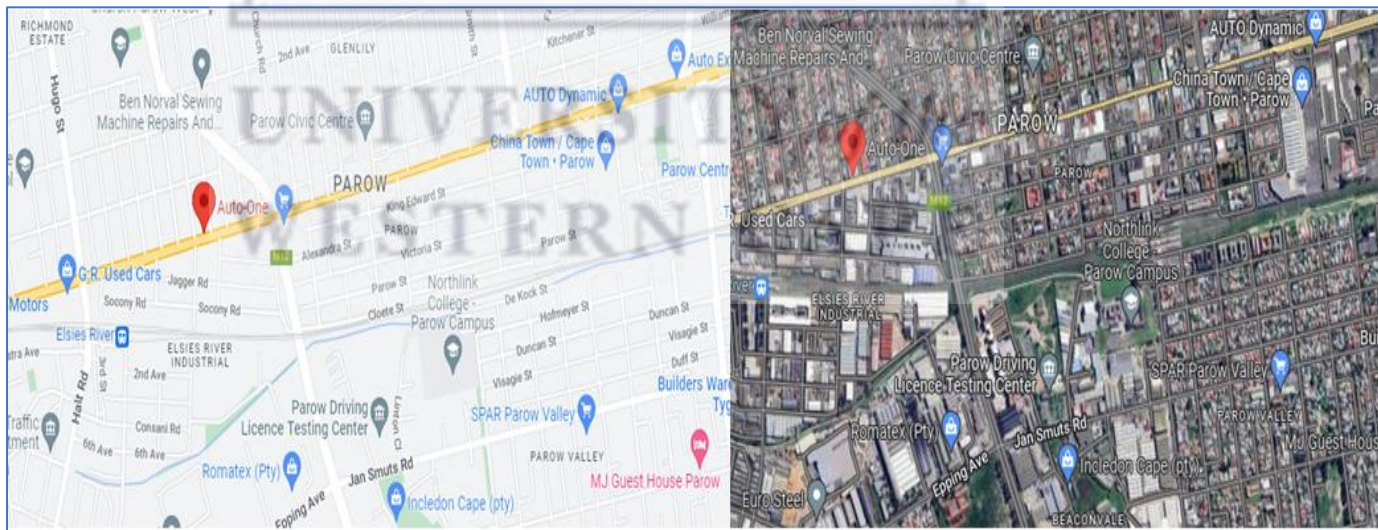
Source: CoWorker, (2022); Google Maps, (2022)

Figure 2: Southern Suburbs – Kenilworth



Source: Google Maps, (2022b)

Figure 3: Northern Suburbs – Parow



Source: Google Maps, (2022c)

3.4 Sampling

Purposive sampling was used to select participants based on their unique characteristics and suitability to provide insights into study research questions on strategic responses by SMEs

during the COVID-19 pandemic (Cooper and Schindler, 2013:663). The sampling strategy chosen for this study provided an in-depth understanding of the strategic responses implemented by SMEs to their business operations, which was an important consideration. Purposive sampling allowed the researcher to select participants who had experienced the COVID-19 pandemic's effects and implemented strategic responses in their businesses. The researcher was able to obtain rich and detailed data from participants who were relevant to the research topic. Additionally, it allowed the researcher to obtain data from a specific group of SMEs that were relevant to the research.

3.4.1 Population

A population refers to the total number of participants in a research study (Saunders *et al.*, 2016). The population for the study included all SMEs in Cape Town.

3.5 Sample Size

The study sample comprises ten (10) SMEs drawn from Cape Town City Centre, Southern Suburbs, and Northern Suburbs (Leavy, 2017). A sample size of ten (10) is adequate when sampling a homogeneous population in case-oriented qualitative research (Sandelowski, 1995). A sample size is considered adequate if it has a range of 20-30 in a qualitative research study (Creswell, 1998; Totter, 2012). Furthermore, qualitative research studies typically have smaller sample sizes than quantitative studies. This research aimed to explore in depth the strategic responses of SMEs during the pandemic and a sample size of 10 SMEs was deemed sufficient to accomplish this objective.

The ten (10) SMEs were contacted and agreed to participate in the study. The researcher employed different communication methods, such as WhatsApp messages, emails, face-to-face meetings, and telephone calls, to contact the owners and managers of chosen companies. The study's aim and importance were clearly communicated to the participants, who were informed that their participation was voluntary.

3.5.1 Sample techniques

Purposive sampling was used to select participants based on their unique characteristics and that they are best placed to answer the study research (Cooper and Schindler, 2013:663). The

participants were selected from a small number of individuals (Leavy, 2017) drawn from the Small business directory and Small Enterprise Development Agency (SEDA) databases.

SMEs from Cape Town City Centre, Southern Suburbs, and Northern Suburbs consented and agreed to participate in the study. In this study, SMEs that were established before the COVID-19 pandemic were selected. A summary of the SMEs drawn from the motor, media and advertising, arts and hospitality, beauty, manufacturing, construction, education, relocation, marketing, and business consulting is shown in Table 4 below.

Table 4: Profile of sample cases

<i>Pseudonym</i>	<i>SME Category</i>	<i>Business Sector</i>	<i>Years in Operation</i>	<i>Position</i>	<i>Gender</i>
01ME	Medium Enterprise	Motor Industry	7	Owner	Female
02SE	Small Enterprise	Media and Advertising	16	Owner	Male
03SE	Small Enterprise	Arts and Hospitality	4	Owner	Male
04SE	Small Enterprise	Beauty	30	Owner	Female
05SE	Small Enterprise	Manufacturing	8	Owner	Male
06ME	Medium Enterprise	Construction	40	Owner	Female
07SE	Small Enterprise	Education	17	Senior Manager	Female
08ME	Medium Enterprise	Relocation	29	Senior Manager	Female
09SE	Small Enterprise	Marketing	10	Owner	Male
10SE	Small Enterprise	Business Consulting	3	Owner	Male

Source: Researcher's construct

3.6 Data Collection Methods

Primary data was collected for the first time by the researcher specifically for the problem at hand (Cooper and Schindler, 2013), and secondary data was drawn from data collected by other researchers and other bodies for different purposes.

3.6.1 Primary Data

The open-ended interview method involved asking open-ended questions (Cooper and Schindler, 2013) to all the participants. Open-ended interviews were used to probe and seek clarification on participant responses. Questions were sequentially asked the same questions, and the researcher probed for clarification when needed. Permission to record interviews and informed consent were obtained before the interviews were conducted. Participants were interviewed face-to-face at their workplaces in all ten (10) cases. All the interviews were conducted in English, and all participants were conversant with this mode of communication which also avoided translating the recorded interviews. All interviews were recorded for accuracy and consistency.

The researcher conducted all the interviews and took detailed notes during each interview. The length of each interview was approximately thirty (30) to forty (40) minutes, which allowed for meaningful discussions on the critical research questions (Creswell and Creswell, 2018). All the interviews were done face-to-face. COVID-19 regulations and protocols were in place during the time the study was conducted, such as the mandatory wearing of face masks and social distancing during interviews.

3.6.2 Secondary Data

The secondary data sources consulted for the study include SME reports and online academic databases obtained through the University of the Western Cape library databases.

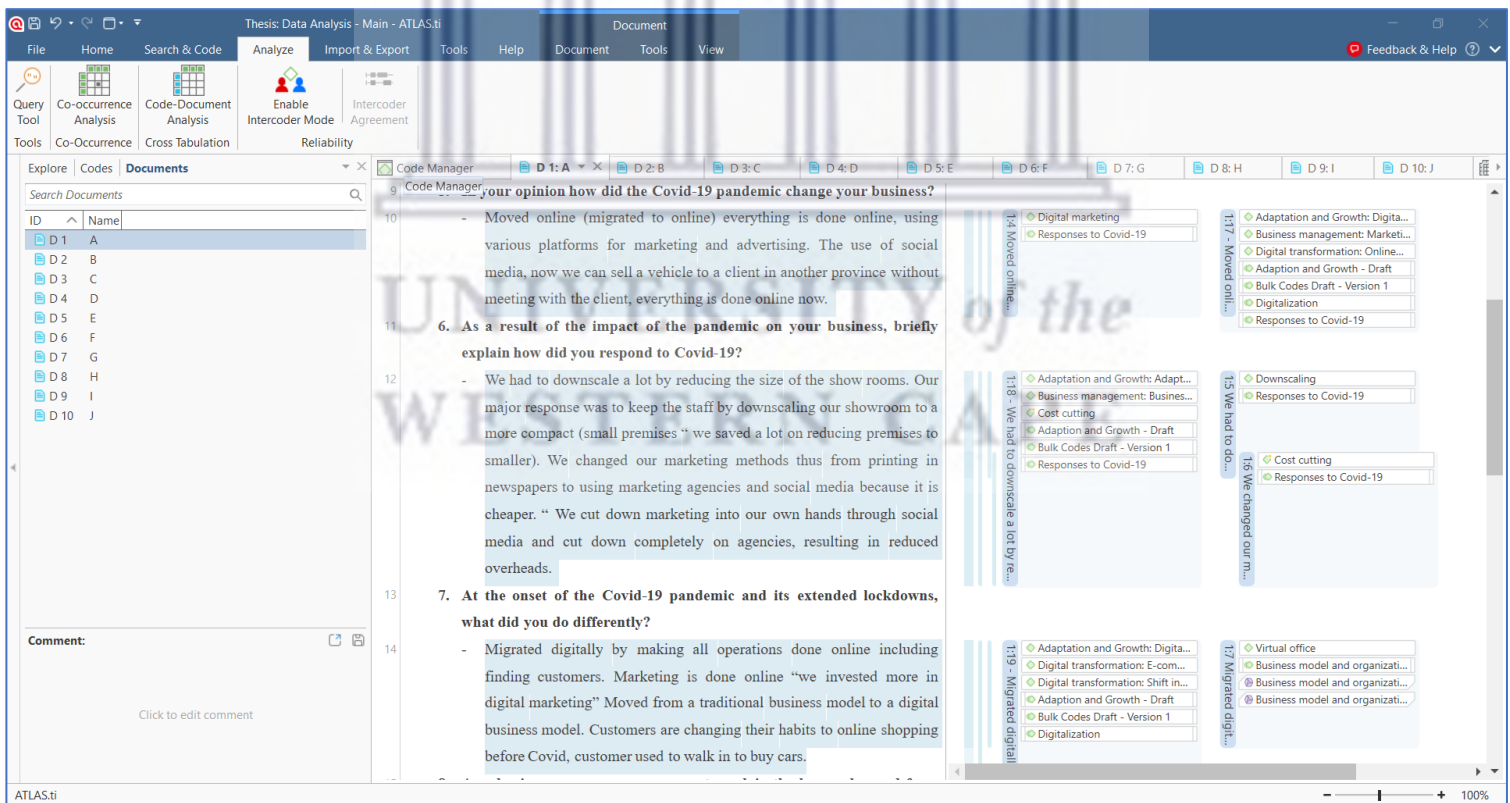
3.7 Data Analysis

The data analysis process involved going through the interview notes and transcriptions of recorded interviews to identify patterns in data, such as repetitive terms, words, or phrases that were then coded and interpreted (Creswell and Creswell, 2018). The process involved going back and forth, reading and listening to the recordings, field notes and transcribed notes. For all intentions and purposes, the process was interactive, iterative and reflective (Saunders *et al.*, 2016). The researcher attempted to make sense and draw similarities from the participants' responses. The process involved editing and reducing the data to a manageable size, uncoiling summaries, searching for patterns, and, where appropriate, using statistical techniques (Cooper and Schindler, 2013).

The analysis of the coded words and their meaning with respect to the respective questions enabled the integration of disparate and diverse coded messages from the responses and the identification of patterns and inferences concerning the contents (Creswell, 2018; Cooper and Schindler, 2013).

The data from the semi-structured interviews was analysed using content analysis. Archive for Technology, Lifeworld and Everyday Language (Atlas.ti) software was specifically used to aid data coding and analysis (see Figure 4). Transcribing the interviews and reading the data to identify key themes and patterns were the first steps in the content analysis process (see Figure 6). Following that, codes were created to categorise the data based on these themes. The codes were refined and revised iteratively by comparing and contrasting the data. After the coding was completed, the data was organised into categories and subcategories using the software. The frequency of each code was determined to identify the most common themes that emerged from the data.

Figure 4: ATLAS.ti coding window

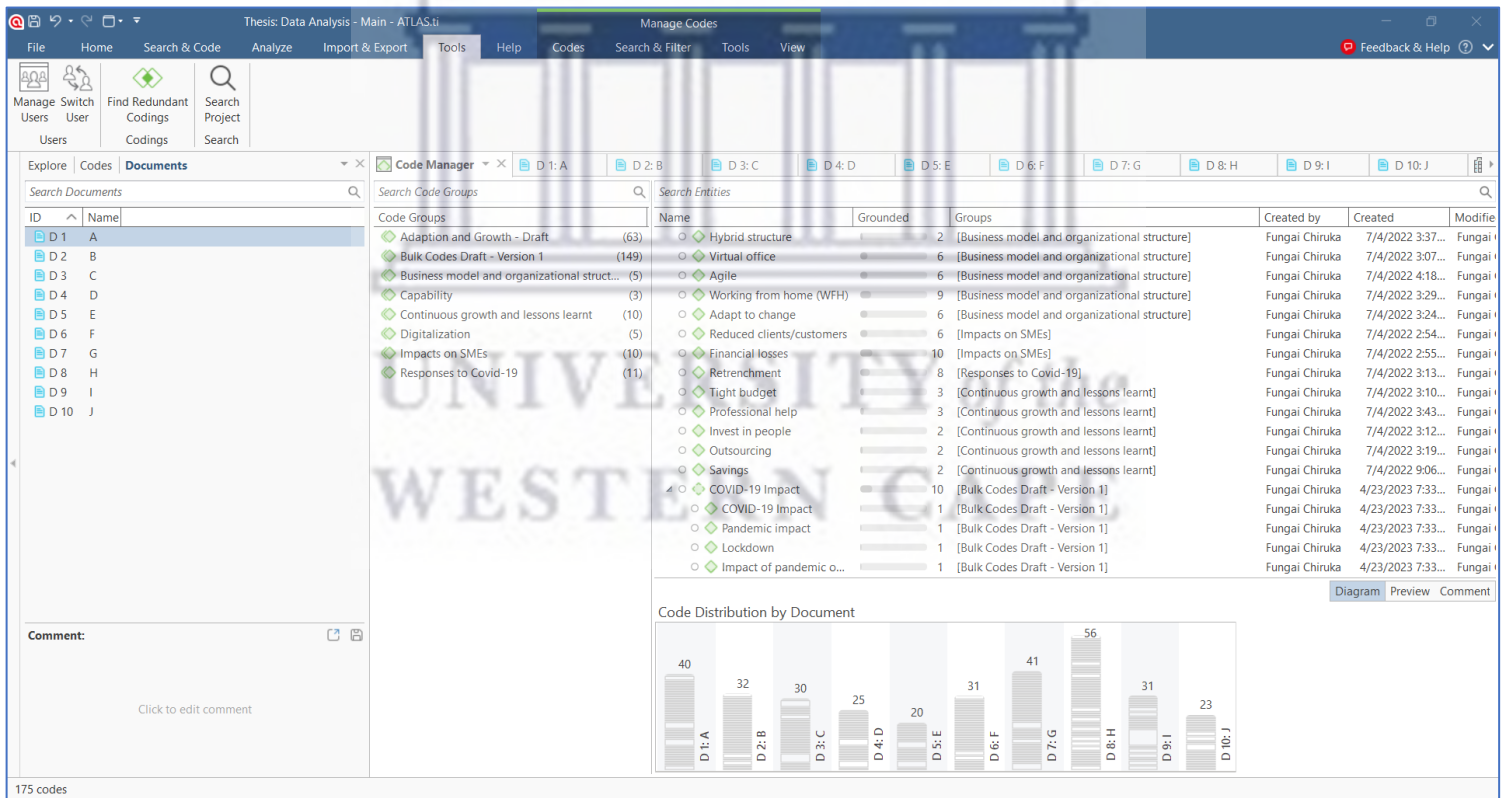


Source: ATLAS.ti 23.1.1.0

The data collected from semi-structured interviews was analysed using thematic analysis. Braun and Clarke's six-step process for conducting thematic analysis guided the analysis, which

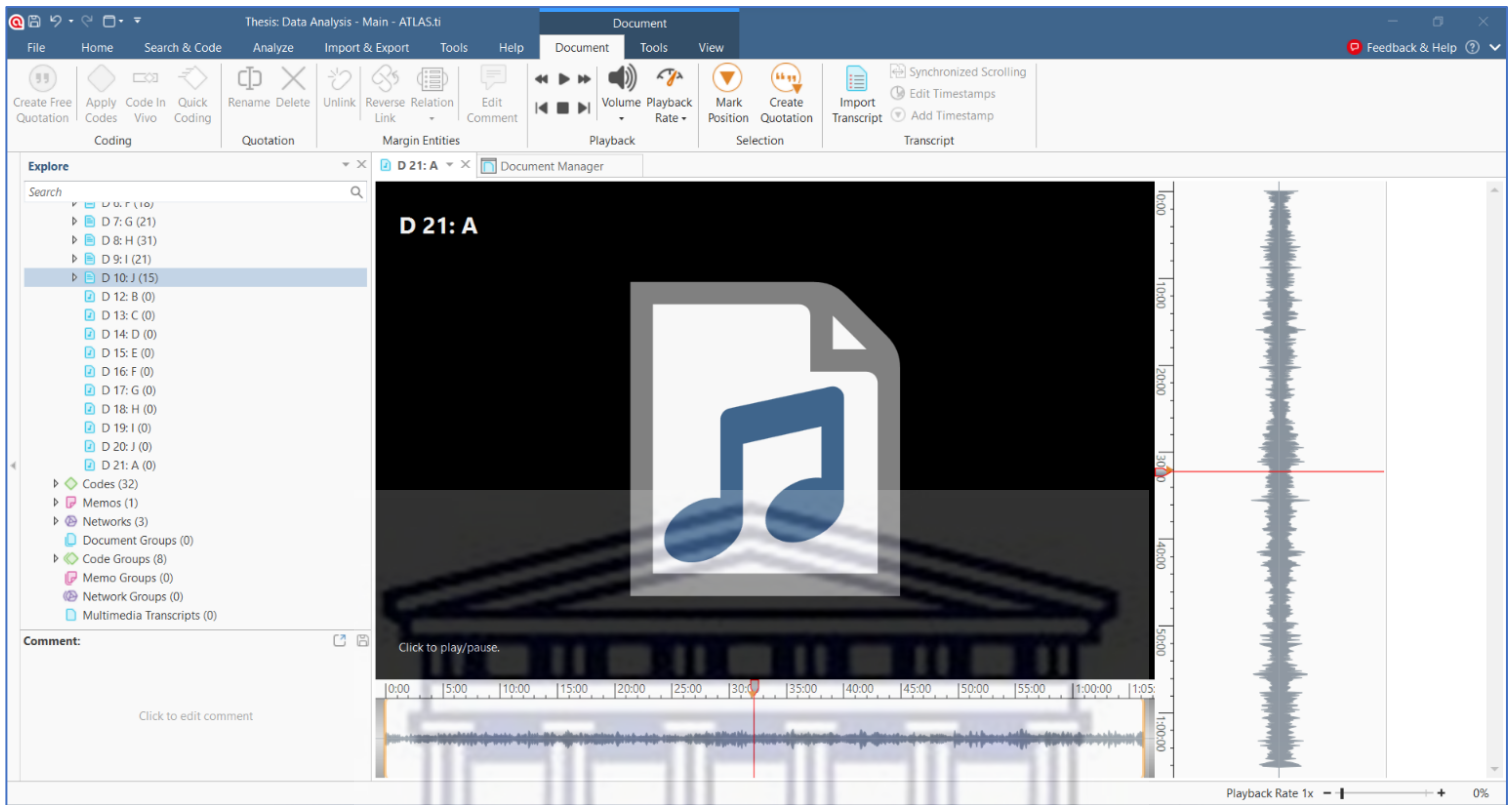
included familiarising oneself with the data, generating initial codes, searching for themes, reviewing and defining themes, naming themes, and producing the final report (Braun and Clarke, 2006). The researcher began by transcribing the interviews verbatim and read through them several times to become acquainted with the data. Initial codes were generated in the second phase by highlighting and labelling relevant text passages (see Figure 4). The codes were then grouped together to form initial themes based on similarities and differences. The researcher looked for themes in the third phase by examining the relationships between the codes and their relevance to the research questions. The identified themes were reviewed and defined in the fourth phase, and their properties and dimensions were described (see Figure 5). The themes were named and defined clearly and concisely during the fifth phase. In the final phase, a report was created that presented the themes and their connections to the research questions and illustrated them with data quotes.

Figure 5: ATLAS.ti Code Group Manager



Source: ATLAS.ti 23.1.1.0

Figure 6: ATLAS.ti Audio Transcribing Window



Source: ATLAS.ti 23.1.1.0

The researcher followed the steps presented below for the data analysis process proposed by (Braun and Clarke, 2006; Creswell and Creswell, 2018).

Procedure	Action
Step 1	The researcher transcribed interviews, printed transcripts, and arranged data according to the order of participation from the field notes and audio recordings for analysis.
Step 2	After reading the data carefully, the researcher analysed it to determine the credibility of the data collected from the participants.
Step 3	The researcher used Atlas.ti to categorise themes and identify similar meanings around each question. Coding and categorising were automated and convenient using Atlas.ti software. By codifying words and clustering similar topics, the researcher was able to run a preliminary analysis, record data and perform preliminary data analysis.
Step 4	Using the coding method, the researcher generated categories of themes for analysing the settings.

Step 5	The researcher gained in-depth descriptive information from participants about the themes to uncover the main findings.
Step 6	Based on the literature and theories used to collect information, the researcher then interpreted the results of the data.

Table 5: Main Research Themes

Main Research Questions	Main Themes
How has the COVID-19 pandemic business environment impacted the SMEs	Impacts of COVID-19 pandemic on SMEs <ul style="list-style-type: none"> • Loss of customers • Financial losses • Business closure • Reduced clients
What strategies have been adopted and continue to be adopted in the COVID-19 era	Responses to the COVID-19 pandemic <ul style="list-style-type: none"> • Diversification • Digital Marketing • Cost cutting • Retrenchment • Downscaling
What implications do strategic responses have on the survival of SMEs	Implications strategic responses have on the survival of SMEs <ul style="list-style-type: none"> • Business continuity & survival • Responding to new customer service delivery imperatives • Technological adaptation • SMEs were forced to work on tight budgets • A need to have professional help for employees well being • Communication was vital

What impact did strategies have on business operations in the COVID-19 environment

Impact of strategies on business operations

- Changes in the business model:
- Adapting to change, becoming more agile
- Remote working
- Migration to virtual office space,
- Employee performance management working from home and well-being

3.8 Trustworthiness of the study

The researcher ensured the trustworthiness of the analysis through meticulous verification strategies that included triangulation and in-depth analysis of field notes to ensure confidence in the data, interpretation, and methods used to maintain the quality of a study (Creswell and Creswell, 2018). Chapter Four (4) presented the data in-depth using extensive quotes and descriptive language.

3.8.1 Credibility

The researcher applied triangulation to strengthen the credibility of the study by allowing multiple perspectives to decipher the plausible information that reflected the participants' original views (Korstjens and Moser, 2018; Patton, 1999). This study's credibility was established by utilizing a variety of data collection methods, such as semi-structured interviews, and triangulating the results to confirm their accuracy. The researcher used reflexivity to identify biases and how they might have affected the research process and conclusions.

3.8.2 Transferability

The researcher captured dense descriptions of the research context and the assumptions that guided the research (Creswell, 2009) from participants with relevant knowledge and experience to enhance the transferability of the findings to other settings or contexts with other respondents (Guba and Lincoln, 1982). A thorough explanation of the sample, data collection, and data analysis procedures was provided in the study, which can make it easier to replicate the research in different settings. However, given the disruptive environment SMEs operated in and the

timing of the COVID-19 pandemic, the study's applicability may be constrained. Thus, great attention should be paid when using the results in different contexts.

3.8.3 Dependability

The researcher conducted the research when the COVID-19 pandemic was still prevalent. However, the dependability of the study findings (Guba and Lincoln, 1982) ensured a thorough audit trail of the whole research process, including the methods used for data collecting and analysis. The researcher also used peer review and member checking to increase the validity and verifiability of the findings. The results were deemed to be trustworthy and consistent through the utilization of several data sources and triangulation strategies. The results of the study are consequently reliable and respectable, and the research's reliability is guaranteed.

3.8.4 Conformability

The researcher documented how data was collected, recorded, and analyzed to ensure that interpretations and data are not figments of the researcher's imagination but are based on data (Korstjens and Moser, 2018). The process strengthened the ability of other researchers to confirm and validate the study findings (Guba and Lincoln, 1982). Reflexivity was utilized by the researcher maintaining awareness of and critically evaluating own biases and preconceptions in order to achieve conformability. This was accomplished by keeping track of all research activities and routinely thinking back on the researcher's contribution to the research process.

3.9 Ethical Considerations

Ethical clearance procedures were followed, and the researcher obtained ethical clearance from the UWC School of Business and Finance (SBF) Humanities and Social Science Research Ethics Committee (HSSREC) Reference Number HS21/10/10 for conducting the research. Thereafter the researcher obtained written consent from the participants to participate in the study to record the interviews. The researcher explained the interview process in detail to all respondents at the beginning of the interview. Respondents were informed that they were free to withdraw from the process at any given time. The researcher informed the respondents that any information shared during the interview would remain confidential and anonymous.

All the participants were assured that the information would be kept safely in encrypted storage and used for the study only. Data access was strictly limited to authorised personnel and the encrypted storage two-factor authentication secure data protection.

3.10 Summary

The chapter presented the study research methodology and design. Detailed explanations were given on how the data was collected and how the participants were selected. Conformity, dependability, credibility, and ethical issues were also discussed.



CHAPTER FOUR: RESULTS AND DATA ANALYSIS

4.0 Introduction

This chapter presents the analysis and findings on strategic responses by selected SMEs in Cape Town, South Africa, during the COVID-19 pandemic period. The main sections of this chapter include the research setting, respondents' biographical data, research findings, discussion, and interpretation of the findings. In addition, a brief description of the research setting and the characteristics of the respondents and SMEs are presented in the following section.

4.1 Research Setting

The SMEs that participated in this study were located in Cape Town City Centre, Southern Suburbs, and Northern Suburbs. The business sectors included Motor, Media and Advertising, Arts and Hospitality, Beauty, Manufacturing, Construction, Education, Relocation, Marketing, and Business Consulting.

SMEs in South Africa are divided into three broad categories, namely: Micro Enterprise (MCE) with an annual turnover of less than five hundred (500) thousand Rand, Small Enterprises (SE) with an annual turnover between five hundred (500) thousand Rand to less than ten (10) million Rand, Medium Enterprise (ME) that have an annual turnover between ten (10) million Rand and fifty (50) million Rand (BASA, 2019). While the Broad-Based Black Economic Empowerment (B-BBEE) legislation in South Africa categorizes SMEs as Exempt Micro Small Enterprises (EMEs) that have an annual revenue of R10 million or less, while Qualifying Small Enterprises (QSEs) have a turnover of between R10 – R50 million per year and the Generic Enterprises (GEs) have an annual turnover exceeding R50 million (Broad-Based Black Economic Empowerment Act, 2013:46-52). This study adopts the B-BBEE legislation classification of SMEs. Where Exempt Micro Small Enterprises (EMEs) have an annual revenue of R10 million or less, while Qualifying Small Enterprises (QSEs) have a turnover of between R10 – R50 million per year.

The study examines the strategic responses as actions taken by SMEs to adapt and align their plans to achieve targeted goals and objectives in a competitive and dynamic business environment (Pearce and Robinson, 2005; Smart and Vertinsky, 1984; Chepkwony, 2001; Porter, 1996).

4.2 Case Profiles

The study sample comprised ten (10) respondents consisting of seven (7) Exempt Micro Small Enterprises (EMEs) and three (3) Qualifying Small Enterprises (QSEs). Respondents operated in various sectors within the Motor, Media and Advertising, Arts and Hospitality, Beauty, Manufacturing, Construction, Education, Relocation, Marketing, and Business Consulting. For identification and easy reference, each SME was given a code that applied to each of the ten (10) participating SMEs. The respondents' allocated number ranges from one to ten (01–10), represented by the first two digits, followed by the category of SMEs (EME – Exempt Micro Small Enterprises, and QSE – Qualifying Small Enterprises). The period in years an SME has been operating in the industry, for example, four years was recorded as (four), followed by a letter indicating the industry, such as (MI – Motor Industry, MA - Media and Advertising, AH - Arts and Hospitality, B - Beauty, M - Manufacturing, C - Construction, E-Education, R - Relocation, MKT - Marketing, and BC - Business Consulting). For example, 01QSE7MI refers to a participant code with 01 – identity number, Qualifying Small Enterprise (QSE) - B-BBEE category, seven – years in operation, and MI – Motor Industry (industry of operation)

Below are the core business activities of each SME subsector:

- Motor Industry businesses with a key focus on buying and selling brand-new and pre-owned vehicles.
- Media and Advertising firms that specialize in content creation, brand promotion, and advertising campaigns.
- Arts and Hospitality sector firms offered pottery painting and events such as all year-end functions, team building, bachelorettes, and birthdays.
- Beauty sector with businesses specializing in skin treatment and care and cosmetics.
- The manufacturing firm was an ice manufacturer and supplier.
- Construction firm specialized in shop fitting, designer kitchens, partitions, ceilings, and tiling.
- Education sector business with a key focus on English language tutoring.
- Relocation business specialized in immigration and destination services.
- The marketing sector offered customized marketing services, including advertising, product development, and search engine optimization (SEO).
- Business Consulting firm with a key focus on business solutions, enterprise architecture, business strategy, mentoring, and transformation.

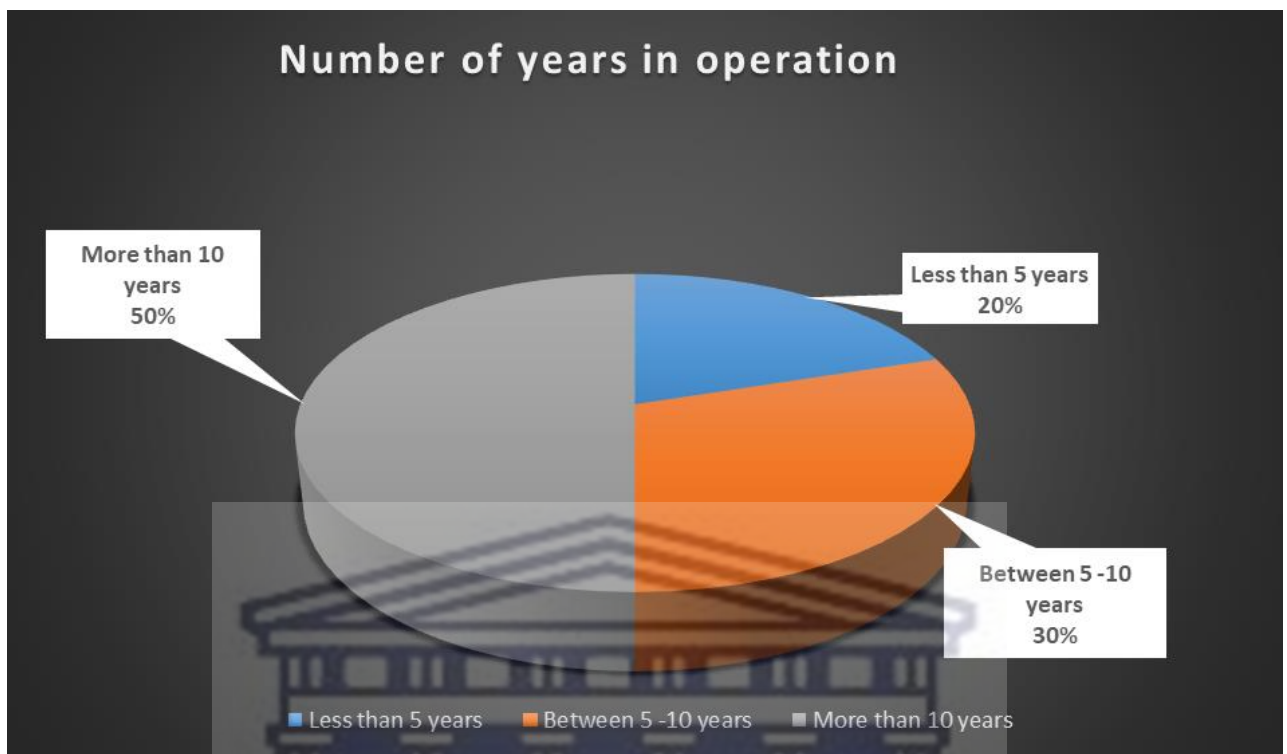
Table 6: Case Profiles

<i>Respondent</i>	<i>SME Category</i>	<i>Business Sector</i>	<i>Years in Operation</i>	<i>Status of informant</i>	<i>Gender</i>
<i>Respondent 1</i>	QSE	Motor Industry	7	Owner	Female
<i>Respondent 2</i>	EME	Media and Advertising	16	Owner	Male
<i>Respondent 3</i>	EME	Arts and Hospitality	4	Owner	Male
<i>Respondent 4</i>	EME	Beauty	30	Owner	Female
<i>Respondent 5</i>	EME	Manufacturing	8	Owner	Male
<i>Respondent 6</i>	QSE	Construction	40	Owner	Female
<i>Respondent 7</i>	EME	Education	17	Senior Manager	Female
<i>Respondent 8</i>	QSE	Relocation	29	Senior Manager	Female
<i>Respondent 9</i>	EME	Marketing	10	Owner	Male
<i>Respondent 10</i>	EME	Business Consulting	3	Owner	Male

Source: Researcher's construct

Key: EME = Exempt Micro Small Enterprise
 QSE = Qualifying Small Enterprise

Figure 7: Number of years in operation



Source: Researcher's construct

Figure 6 above shows that the majority (50%) have been operating for more than ten (10) years; 30% have been in operation for at least five (5) years but less than ten (10) years and 20% have been in business for less than five (5) years. Overall, three (3) years is the shortest and 40 years is the longest.

4.2.1 Categories of SMEs

A unique code was allocated to each sector. For example, a code for participant 01 was written as **01QSE7MI**, with 01 – identity number, Qualifying Small Enterprise (QSE), years in operation (7), and Motor Industry (MI). Codes were generated to aid readers in establishing patterns during data analysis, reporting of findings, and discussion sections. SMEs were classified based on their general classification as shown in table 7 below:

Table 7: Sample profile

<i>Code</i>	<i>SME Category</i>	<i>Business Sector</i>	<i>Years in Operation</i>	<i>Status of informant</i>	<i>Gender</i>

<i>01QSE7MI</i>	QSE	Motor Industry	7	Owner	Female
<i>02EME16MA</i>	EME	Media and Advertising	16	Owner	Male
<i>03EME4AH</i>	EME	Arts and Hospitality	4	Owner	Male
<i>04EME30B</i>	EME	Beauty	30	Owner	Female
<i>05EME8M</i>	EME	Manufacturing	8	Owner	Male
<i>06QSE40C</i>	QSE	Construction	40	Owner	Female
<i>07EME17E</i>	EME	Education	17	Senior Manager	Female
<i>08QSE29R</i>	QSE	Relocation	29	Senior Manager	Female
<i>09EME10M</i>	EME	Marketing	10	Owner	Male
<i>10EME3BC</i>	EME	Business Consulting	3	Owner	Male

Source: Researcher's construct

4.3 Findings

The main research objective is to understand the strategic responses adopted by SMEs during the COVID-19 pandemic period. Therefore, this section presents the study findings on the main factors cited by respondents with respect to strategic responses.

4.4 The impact of the COVID-19 pandemic on SMEs

The respondents reported how the COVID-19 pandemic business environment impacted their businesses. The main factors cited include financial losses, temporary business closure, and reduced demand.

4.4.1 Financial losses and cash flow challenges

Most of the respondents cited financial losses as a result of the prolonged COVID-19 lockdown restrictions, as reported below:

Respondent 01QSE7MI in the Motor Industry stated that:

“During the pandemic, the business was affected drastically in terms of reduced profitability and sales, and we experienced huge financial losses...”

Respondent 04EME30B, a Beauty business owner, stated that:

“I had many clients coming for a full package that consists of five different treatments, but because of COVID-19 most clients were coming for only one or two treatments instead of a full package because they have either lost their jobs or their salaries have been cut. That impacted me also because if they cannot afford a full package, it means my sales and profits would go down...”

Thirty per cent (30%) of the SMEs in the Exempt Micro Small Enterprises (EME) and Qualifying Small Enterprises (QSE) categories reported reduced sales revenue and changing customer behaviour during the COVID-19 pandemic (Yazdanparast and Alhenawi, 2022; Cranfield, 2020).

Respondent 02EME16MA, a Media and Advertising owner, stated that:

“We had a lot of small businesses that we were supporting with low margin products that contributed 80% of the work and 20% of the revenue, that literally stopped completely within one month...”

Respondent 08QSE29R, a Relocation service provider, reported that:

“At the onset of the strict lockdown measures, our business suffered a considerable decrease in both sales and profits as the border closures and movement restrictions impeded our operations. Consequently, work orders ceased, and our capacity to generate income became limited...”

Respondent 05EME8M, an Ice Manufacturing owner, stated that:

“As a result of the COVID-19 pandemic and the government's measures to control its spread, our business was significantly affected. The ban on alcohol sales meant that our primary clients mainly restaurants, pubs, and nightclubs were closed, resulting in a substantial decline in sales and revenue. We were compelled to operate at reduced capacity and ultimately had to close our business for more than five months...”

Twenty-nine per cent (29%) of respondents within the Qualifying Small Enterprises (QSE) category reported that their businesses suffered greatly during the pandemic due to the loss of main customers resulting in a sharp decrease in sales volumes, profitability levels, and returns on investment (Zhang and Sogn-Grundvåg, 2022; Miklian and Hoelscher, 2021).

Respondent 06QSE40C, the owner of a Construction company, explained the negative impacts of the lockdown during the pandemic as follows:

“During the pandemic, we had no work, we work with big banks, and they were closed during the pandemic so there was no work for us since they are our big clients...”

Financial constraints and severe crisis periods created cashflow problems (Salunkhe *et al.*, 2021), and increased levels of insolvency risk (Khan, 2022), leading to business closures (Kim *et al.*, 2021).

4.4.2 Temporary business closure

The majority of the respondents (60%) reported that they temporarily closed their businesses due to the COVID-19 pandemic restrictions on human movements. Thirty per cent (30%) of the respondents reported prolonged business closures due to the fact that the sectors and industries they operated in were among the last to reopen when the state of disaster ended.

Respondent 08QSE29R in the Relocation industry stated that:

“We had incredible challenges as our work was reduced. We move people and we require people to operate, and our business flat-lined during the pandemic...”

Respondent 06QSE40C in the Construction industry highlighted that:

“During the pandemic, we had no work, we work with big banks, and they were closed during the pandemic so there was no work for us since they are our big clients...”

Respondent 05EME8M in the ice manufacturing sector expressed the viewpoint that:

“During the pandemic, we were unable to operate the business at full capacity and we had to close the business for more than five months. Due to lockdown restrictions and curfews, surviving during COVID-19 was very difficult for us as we were experiencing financial constraints...”

Respondent 04EME30B, a Beauty and Skincare business owner, highlighted that:

“Some of the challenges that were brought by the COVID-19 was business closure and we were the last to open...”

Respondent 01QSE7MI from the Motor industry pointed out that:

“During the pandemic, we closed the business for more than 4 months, we completely shut down without any funding or funds to operate the business and we were also highly affected by the COVID-19 restrictions since we are not an essential service provider...”

Respondent 03EME4AH in the Arts and Hospitality sector reported the impacts of business closure to the business during the COVID-19 pandemic as follows:

“Initially we had to close down completely during the first lockdown and our business suffered a lot because financially we were negatively affected as a result of increased variable overheads...”

Temporary business closures, increased costs and financial constraints experienced by SMEs resulted in business closures during the COVID-19 pandemic period (Rashid and Ratten, 2021; Laorden et al., 2022; Kim et al., 2021).

4.4.3 Reduced clients

All respondents cited reduced customer demand for goods and services due to COVID-19 lockdowns restricted human movement and low disposable incomes. The key responses cited by respondents are presented below:

Respondent 01QSE7MI, a business owner in the Motor Industry, stated that:

“Besides the financial losses, as a business that deals with big assets, we could not operate during that time and our walk-in clients were reduced by 90% because we relied more on walk-in clients, and it affected our competitive position in the industry...”

Respondent 02EME16MA in the Media and Advertising industry highlighted that:

“As a small business with few high-paying clients, we lost two (2) key clients that both paid upfront for the whole year and that decreased our revenue resulting in financial stress that forced us into taking an overdraft...”

Respondent 05EME8M in the ice manufacturing sector stated that:

“During the pandemic, we lost clients due to the alcohol ban as restaurants, pubs, and nightclubs are our main clients...”

Reduced customer's expenditure on non-essential goods and services such as alcohol, luxury goods and services, and entertainment had a detrimental impact on businesses. They negatively impacted sales volumes, profitability levels, customer base, and returns on investment in non-essential markets (Yazdanparast and Alhenawi, 2022). As a result, consumer demand for non-essential goods and services reduced significantly, leading to the closure of several businesses offering such products and services during the COVID-19 pandemic period (Cranfield, 2020; Güngördü Belbağ, 2021).

4.5 Strategic responses adopted by SMEs during the COVID-19 pandemic era

Participants in the study were asked to explain how they responded to the COVID-19 pandemic to sustain business operations. The respondents cited the following strategic responses: diversification, digital marketing, cost-cutting, retrenchment, and downscaling, as presented below.

4.5.1 Diversification

The majority of the respondents (76%) reported that they diversified product offerings and entered new markets and sub-sectors during the COVID-19 pandemic. While (24%) of those who rendered essential services highlighted that the market demand was unaffected by the pandemic, some noted that they considered diversifying into the personal protective equipment (PPE) market.

Respondent 08QSE29R in the Relocation sector stated the following:

“As an SME it was not difficult for us to change instantly as there is no red tape and many channels to follow. We strategically looked at the business and had to find other ways to generate business. We are a very bespoke business we operate on the African

continent because that's our strength so we started coming up with new ideas and started considering opportunities that we would never consider before..."

Respondent 06QSE40C from the Construction sector pointed out that:

"We had to look for work by getting other clients (new), and we had to market the business all over again by contacting bigger companies in construction to get some jobs from them as a subcontractor. We got new clients from big clients as referrals, and we started doing work we do not usually do as we only target high-value jobs but with Covid, we had to diversify and do all jobs..."

Respondent 04EME30B, a Beauty and Skincare business owner, noted that:

"My first step to diversification was to think outside the box, so I started selling PPE, luxuries, sweets, and biscuits. That brought more income into the business, and I realized that diversifying was crucial for the survival of my business..."

Respondent 09EME10M, a Marketing service provider, highlighted that:

"Having realized that the pandemic was crippling almost all businesses, we then expanded our business into essential products. We started supplying personal protective equipment (PPE) and that enabled us to grow our business and keep us afloat during the pandemic. We also started growing our digital side of the business which offers services such as website designing, development, and eCommerce. This was important because we had to redesign the virtual space of the business to attract more clients..."

SMEs in various industries adopted diversification and innovation to ensure continuous growth and stay competitive in the market during the pandemic (Das *et al.*, 2022; Kahveci, 2021). In addition, companies implement diversification strategies to enhance resilience in their operations (Chen and Paulraj, 2004).

4.5.2 Digital Marketing

Most respondents (80%) reported that digital marketing increased sales volumes during the COVID-19 pandemic. While 20% of the respondents noted that digital technologies supported business continuity during the pandemic period.

Respondent 10EME3BC in the Business Consulting sector expressed that:

“We started marketing online more and made sure most of our interactions with clients were online. This enabled us to develop a very strong online presence during the pandemic since we were running our marketing campaigns on different online platforms that allowed us to do our business online...”

A respondent in the Motor Industry Respondent 01QSE7MI stated that:

“We migrated online, we started using various platforms for marketing and advertising. With the use of social media now we were able to sell a vehicle to a client in another province without meeting the client, everything is done online now...”

Respondent 03EME4AH, a business owner in the Arts and Hospitality sector, highlighted that:

“With Covid, we were forced to do things the digital way, we started doing a lot of digital marketing as a result of our exposure to social media, and sales increased by 10% from zero and this was a huge improvement...”

Respondent 05EME8M in the Ice Manufacturing sector stated that:

“Our business adjusted to COVID-19 by using social media, especially Instagram and Facebook to advertise, generate and convert leads, reach a broader audience, and make our online presence more visible...”

Digital technology enabled businesses to change strategies more swiftly than in the past (Priyono *et al.*, 2020) in response to the uncertainties in the COVID-19-induced environment. In addition, digital platforms such as WhatsApp for shopping stimulated demand and ensured survival by facilitating the transition from traditional models of selling in physical stores (Xu *et al.*, 2021). Thus, it is important for SMEs to embrace digital marketing tools to gain a solid online presence (Hamburg, 2021; Amankwah-Amoah *et al.*, 2021).

4.5.3 Cost cutting

Most of the respondents cited implementing cost-cutting measures during the COVID-19 pandemic period.

Respondent 01QSE7MI, a car dealer in the Motor industry, reported that:

“We changed our marketing methods from printing in newspapers and using marketing agencies to using social media because it is cheaper. With the use of social media marketing and advertising, we cut down completely on agencies resulting in reduced overheads...”

Respondent 07EME17E, a senior manager in the Education sector, stated that:

“The pandemic really affected us badly we closed down our offices and that in turn resulted in saving a lot of money from rental expenses and other office operational costs. We then moved to remote working in which we were working from home, and we managed to cut our costs by approximately 85%...”

Respondent 05EME8M from the Manufacturing sector highlighted that:

“As a business, we had to work on the business ourselves, we stopped doing deliveries due to increased costs, plus travelling time. Now we can only allow people to come and do collections because it’s easier for us and less expensive...”

Respondent 04EME30B, an owner of a Beauty company, highlighted that:

“For us, our expenses went up drastically and we had to cut down on expenses by cutting our salaries by 50%, it was not an easy decision but as a business, we needed to survive and that was a hard decision. Also, we had to move to a smaller office space because the bigger space was too much for us.”

Respondent 08QSE29R from the Relocation sector pointed out that:

“As a company, we had to implement a 40% salary cut as a measure to reduce our company expenditure during the pandemic...”

Cost-cutting strategies improved financial performance and facilitated growth-focused strategies during the COVID-19 pandemic (Nguyen *et al.*, 2021). The main cost-cutting focal areas included shutting down non-core business operations and reduction of staff salaries (Shafi *et al.*, 2020). Moreover, restructuring resource portfolios lowered costs during the COVID-19 pandemic period (Giunipero *et al.*, 2021), thus the importance of implementing cost reduction strategies during economic crises (Latham, 2009).

4.5.4 Retrenchment

Most of the respondents (90%) in the study highlighted that the retrenchment strategy was the most challenging strategy to implement during the pandemic due to the relationships they had built over time with their employees. While 10% of the respondents stated that laying off employees was the last resort in dealing with the increasing business operational costs.

Respondent 08QSE29R, a Relocation service provider, noted that:

“COVID-19 affected us, and we had to make the most difficult decision as a company. We had to retrench about 51% of the employees ... to cut costs and save the business...”

Respondent 05EME8M in the Manufacturing sector reported that:

“Laying off employees was not a pleasant decision to execute but we had to retrench 90% of employees as we were not able to afford to keep the business running at full capacity. Our overheads were skyrocketing, and salaries contributed 95% of our total expenditure...”

Respondent 06QSE40C in the Construction sector highlighted that:

“Like many businesses worldwide hit by COVID-19's economic ramifications, we too faced considerable challenges in keeping ours running smoothly. We made a crucial judgment call in slashing staffing levels by 50%, deemed vital for ongoing sustainability amidst reduced revenue streams. While not an easy decision considering some staff members had been with us for years, it was really a tough decision, but we had to put the company first and think about the survival of the company...”

Respondent 01QSE7MI from the Motor industry stated that:

“To survive the pandemic, we had to reduce our staff by almost 30%. It was a difficult decision, but we had no other choice as our revenue had decreased significantly. We had to make the necessary cutbacks to stay afloat...”

Respondent 02EME16MA from the Media and Advertising industry stated that:

“The pandemic hit us severely causing nearly a 60% reduction in business operations. Consequently, we had no recourse but to downsize significantly by retrenching

approximately 30% of our staff alongside all freelancers. It was unpleasant yet necessary for us to safeguard the survival of our organization during these challenging circumstances. With fewer employees and reduced overhead expenses we managed staying solvent as things progressed...”

The retrenchment strategy is implemented in response to economic downturns (Albers and Rundshagen, 2020; Kumar and Ayedee, 2021; Capel *et al.*, 2020) and periods of economic crises such as the COVID-19 pandemic period (Wenzel *et al.*, 2020).

4.5.5 Downscaling

Most respondents indicated that they downscaled in areas such as premises and operations during the COVID-19 pandemic period.

Respondent 04EME30B, a Beauty and Skincare business owner, highlighted that:

“We downscaled our premises by moving to smaller premises and it resulted in a significant reduction in our monthly expenses by more than 30%, specifically in terms of office rental. This allowed us to focus our resources on other important areas of the business, such as inventory and marketing efforts...”

Respondent 06QSE40C in the Construction sector reported that:

“We had to downscale to a smaller factory from a bigger one, by reducing the factory space we realized that a bigger space is not necessary at all. This allowed us to cut down on rental costs by 50% and also reduced our electricity and water bills. As a result, we have been able to maintain profitability despite the reduced revenue during the pandemic...”

Respondent 01QSE7MI from the Motor Industry stated that:

“Downscaling our physical operations was our primary strategy to keep our overhead costs low during the pandemic. We quickly realized that maintaining large, flashy showrooms and premises was not sustainable for the business. Prior to the pandemic, our monthly rental expenses were equivalent to the salaries of all our staff. By downscaling and moving to a smaller space, we were able to drastically reduce these costs and ultimately, save a significant amount for the business.”

Businesses had to downscale in the face of cash flow, liquidity challenges and higher levels of insolvency risk during the COVID-19 crisis (Simon *et al.*, 2021). As a result, SMEs implemented downscaling strategies in response to decreased sales and cash flow during the COVID-19 pandemic (Miklian and Hoelscher, 2021). As a result, downscaling operations reduced costs and improved profitability during the COVID-19 pandemic period (Klößner *et al.*, 2023).

4.6 Evaluation of the strategic responses adopted by SMEs

Hofer's (1980) theoretical propositions conceptualize strategic actions in terms of strategic and operating turnarounds. Strategic turnarounds are divided into those that involve a change in the organization's strategy for competing in the same business and those that call for entering a new business or businesses. While operating turnarounds focus on changing the organization's business-level strategy emphasizing increasing revenues, decreasing costs, decreasing assets, or a combination of these strategies.

Table 8: Strategic Responses per sample case

Pseudonym	SME Category	Business Sector	Years in Operation	Strategic responses
01QSE	QSE	Motor Industry	7	Cost reduction, retrenchment, and digitalization
02EME	EME	Media and Advertising	16	Retrenchment
03EME	EME	Arts and Hospitality	4	Digitalization
04EME	EME	Beauty	30	Cost reduction, diversification
05EME	EME	Manufacturing	8	Cost reduction, retrenchment
06QSE	QSE	Construction	40	Diversification, cost reduction, retrenchment
07EME	EME	Education	17	Cost reduction, digitalization
08QSE	QSE	Relocation	29	Retrenchment, diversification
09EME	EME	Marketing	10	Diversification, digitalization
10EME	EME	Business Consulting	3	Digitalization

Source: Researcher's construct

Table 8 above indicates that 30% of SMEs in the Arts and Hospitality, Education, and Business Consulting sectors adopted operating turnaround strategies, primarily cost reduction, streamlining processes, improving productivity, and cost-cutting such as retrenchment and reduced spending and digitalization. While 20% of SMEs in the Relocation and Media and Advertising sector adopted strategic turnaround strategies, diversification, asset restructuring, innovation, and cost leadership. In addition, 50% of SMEs in the manufacturing, motor industry, beauty, marketing, and construction sector adopted strategic and operating turnaround strategies. Overall, SMEs in the study adopted a range of strategic options in response to the COVID-19 pandemic.

4.7 Discussion and Interpretation of Findings

4.7.1 Interpretation of Findings

The study's findings were analysed and interpreted by drawing on the main themes that emerged from the data analysis. The discussion and interpretation are presented below.

4.7.2 The impact of the COVID-19 pandemic on SMEs

The main factors identified in the study were financial losses, business closures, and reduced demand for goods and services during the COVID-19 pandemic period. These factors had a profound impact on the financial viability of SMEs, leading them to adopt various strategic responses to sustain their businesses. Additionally, the prolonged lockdown restrictions reduced consumer spending and the inability to attract new customers (Shafi *et al.*, 2020), thus, businesses were unable to generate revenue (Khan, 2022). This negatively impacted cash flows, meeting financial obligations and paying employees (Zhang and Sogn-Grundvåg, 2022), which collectively threatened the financial viability of the majority of the SMEs (Salunkhe *et al.*, 2021; Simon *et al.*, 2021; Golubeva, 2021).

SMEs were forced to temporarily halt operations in line with the COVID-19 restrictions to slow the virus's spread, which resulted in significant revenue loss (Anguera-Torrell *et al.*, 2021). Temporary business closures negatively affect the mental stress and financial well-being of employees and SME owners (Kim *et al.*, 2021). The cumulative effect of reduced consumer spending, increased competition, and reduced foot traffic in certain areas (Sajjad, 2021) exacerbated the financial losses (Sobaih *et al.*, 2021) and threatened the business continuity and survival for most SMEs (Güngördü-Belbağ, 2021). Thus, the temporary business closures

impacted supply chains, consumers, employees, and the wider communities (Sharma *et al.*, 2021) as the COVID-19 pandemic lockdowns restricted human movement (Hanafi *et al.*, 2021). Furthermore, the restrictions reduced consumer confidence and spending in the midst of economic uncertainty (Yazdanparast and Alhenawi, 2022), resulting in business revenue (Laorden *et al.*, 2022) and higher risks for the business viability of both large and small organisations.

4.8 Strategic responses adopted by SMEs during the pandemic era

The study findings indicate that SMEs responded to the challenges posed by COVID-19 pandemic by adopting strategic turnaround and operating turnaround strategies (Hofer, 1980).

4.8.1 Strategic Turnaround Strategies

The COVID-19 pandemic presented significant challenges that compelled large organisations and SMEs to reassess their business strategies and operations for viability and survival. SMEs responded by adopting a range of diversification and retrenchment strategies.

4.8.1.1 Diversification Strategy

Diversification as a strategic turnaround strategy aims to reduce the company's dependence on a single product or market. SMEs in the study adopted diversification to overcome the challenges posed by the pandemic and ensure their long-term viability (Duarte Alonso *et al.*, 2020). Diversifying products and service offerings reduces the dependence on one area of operation, thereby mitigating the risks associated with a decline in demand for products and services (Dai *et al.*, 2021) to enhance resilience in their operations (Chen and Paulraj, 2004). Diversifying offerings helped SMEs reduce their dependence on single markets, thereby protecting them from economic downturns during the COVID-19 pandemic period (Caballero-Morales, 2021). Furthermore, SMEs embraced diversification as a strategy to grow demand for new products and services through online delivery, selling PPE, and e-commerce services (Kim *et al.*, 2021).

4.8.2 Operating Turnaround Strategies

Operating turnaround strategies focus on improving the efficiency and productivity of a business by making changes to internal operations (Hofer, 1980). Operating turnaround strategies include cost reduction and digitalization

4.8.2.1 Cost Reduction Strategy

Cost-reduction strategies aim to lower expenses and improve financial efficiency. SMEs implemented cost reduction strategies to reduce operational expenses such as premises costs and rentals, supply chain expenses, and marketing costs (Giunipero *et al.*, 2021), thereby reducing expenses in efforts to improve financial efficiency and sustain businesses during the COVID-19 pandemic period (Neise *et al.*, 2021). The study findings support Nguyen *et al.* (2021) and Shafi *et al.* (2020) on the significance of cost-reduction strategies during an economic crisis such as the COVID-19 pandemic.

4.8.2.1.1 Retrenchment Strategy

Retrenchment strategies enabled SMEs to manage costs, reduce expenses, and improve profitability in response to declining revenue and reduced demand for goods and services (Albers and Rundshagen, 2020). Reducing headcount and streamlining operations enabled SMEs to improve financial stability and reduce operating costs (Kumar and Ayedee, 2021). The severity of the pandemic impact that the pandemic had on their operations (Capel *et al.*, 2020) prompted the closure of unprofitable operations. SMEs refocused resources and efforts on core operations to improve competitiveness and profitability (Kahveci, 2021) through employee lay-offs (Abu Hatab *et al.*, 2021) and streamlining of operations to reduce operational costs (Laorden *et al.*, 2022).

4.8.2.2 Digitalization Strategy

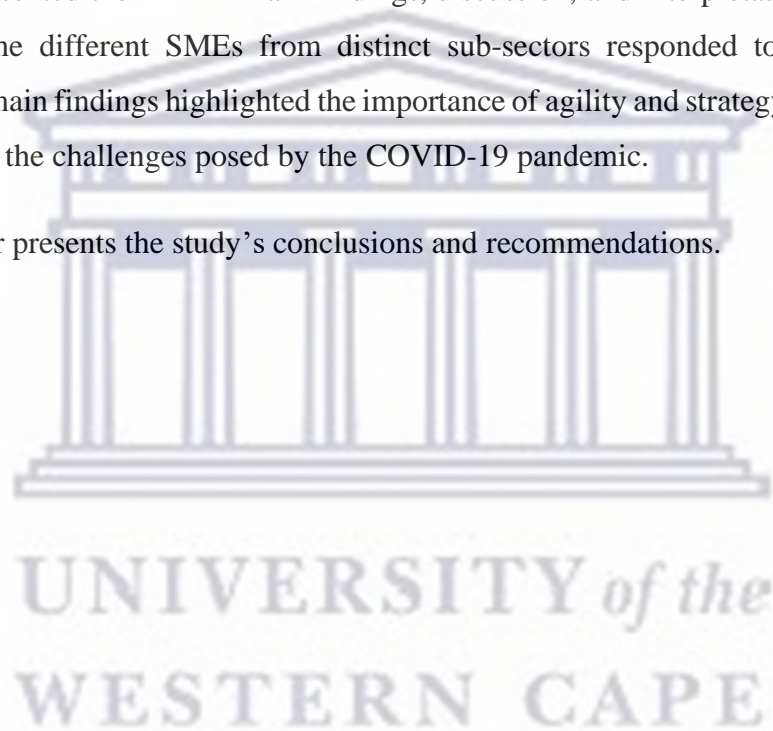
The implementation of digitalization as a strategic response enabled SMEs to improve viability during the COVID-19 pandemic lockdowns, social distancing measures and reduced customer traffic (Acciarini *et al.*, 2021). SMEs invested in digital platforms such as Instagram, Facebook, WhatsApp, and Twitter to promote e-commerce and social media marketing for increased revenue generation during the pandemic (Zaid *et al.*, 2020). Digitalization was critical for improving operational efficiency, reducing costs, and reaching wider audiences during the

COVID-19 pandemic period (Bhattacharyya and Thakre, 2021). SMEs adopted digitalization in response to customer behaviour shifts and business environment changes (Rashid and Ratten, 2021). Thus, digital technologies enabled SMEs to launch e-commerce platforms, social media, and cloud-based software that improved competitiveness (Papadopoulos *et al.*, 2020) and real-time data collection on customer preferences and behaviours to inform decision-making processes and adjust business strategies during the COVID-19 pandemic period (Hamburg, 2021).

4.9 Summary

This chapter presented the results' main findings, discussion, and interpretation. The analysis revealed how the different SMEs from distinct sub-sectors responded to the COVID-19 pandemic. The main findings highlighted the importance of agility and strategy implementation in responding to the challenges posed by the COVID-19 pandemic.

The next chapter presents the study's conclusions and recommendations.



CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the conclusions, recommendations, limitations, and propositions for future research. The main research question was understanding how selected SMEs in the Western Cape, South Africa, strategically responded to the uncertain and turbulent business environments during the COVID-19 pandemic period. The recommendations for policymakers, practitioners, future research and the study limitations are presented.

5.1 Conclusions

5.1.1 Conclusion of Research Question 1

RQ1: Which strategic responses were adopted by SMEs in Cape Town?

The main strategic responses adopted by SMEs in response to the disruptive COVID-19 pandemic environment include diversification, retrenchment, cost reduction, and digitalization. The study findings support the propositions by Hofer (1980) on the types of turnaround strategies adopted to improve organizational performance during economic crises. The study findings indicated that SMEs adopted strategic and operating turnaround strategies (Hofer, 1980). The main strategic turnaround strategies adopted by SMEs are diversification strategies while the main operating turnaround strategies adopted include cost reduction, retrenchment, and digitalization strategies. Furthermore, indications that organisational agility enhanced the first mover advantage for some SMEs which capitalised on exploiting business opportunities through speedy adoption of digitization in operational processes such as marketing and customer service delivery. Overall, SMEs in this study, adopted strategic responses that aligned business operations with the changes in the COVID-19 business environment.

5.1.2 Conclusion of Research Question 2

RQ2: What factors influence strategic responses and alignment with changes in the COVID-19 business environment?

The main external environmental factors that influenced SMEs' strategic responses were the COVID-19 pandemic, global lockdowns and restricted human movement. These factors, combined with financial fragility, cash-flow challenges, and temporary closures, threatened business continuity and survival which prompted SMEs to explore strategic responses to mitigate the impact of these external environmental factors on business operations. Thus, SMEs implemented various strategies that aligned with the new realities in the external environment, curtailing human movement and disrupting supply chains. The main changes were around the adoption of remote working, e-commerce through digitalization and online platforms for marketing and conducting business transactions.

5.1.3 Conclusion of Research Question 3

RQ3: *Which are the strategic responses adopted by SMEs during the COVID-19 pandemic?*

The strategic responses adopted by SMEs during the COVID-19 pandemic were mainly digitally anchored diversification strategies in search of new markets and cost reduction through retrenchment and downscaling headcount, operational cost and cost related to rentals. Strategic turnaround strategies, such as diversification, asset restructuring and innovation, were also adopted, while operating turnaround strategies emphasised cost reduction, cost cutting, and digitalization.

5.1.4 Overall conclusion of the study

The results showed that SMEs adopted strategic and turnaround strategies (Hofer, 1980) in responding to the COVID-19 pandemic external environment disruptions. Specifically, SMEs, where possible diversified operations from the core business and exploited new business niches they were not in prior to the COVID-19 pandemic. Broadly, the diversification and digital innovation strategies were combined with operational-focused strategies that emphasised cost containment and reduction through retrenchment of staff and downscaling operations. Overall, the study conclusions emphasize the significance of agility in identifying and implementing appropriate strategic responses by SMEs during periods of economic crises such as the COVID-19 pandemic.

5.2 Implication of theoretical framework

Hofer's (1980) theoretical framework and propositions on strategic responses during economic crises, such as the COVID-19 pandemic, were supported in the study. The framework provided a conceptual foundation for identifying the different types of strategic responses adopted by SMEs during the pandemic. Also, it helped to explain the factors that influenced their adoption. Additionally, the framework enables the identification of different turnaround strategies when confronted with disruptive changes in the external environment.

5.3 Recommendations

The following recommendations highlight possible critical areas for attention for SME owners and policymakers with respect to training and upskilling on strategic management and related topics to best prepare for disruptive changes in the external environment.

- i. The study's key recommendation is to create a comprehensive training and development program that supports SMEs' strategic resilience during crises like the COVID-19 pandemic. A collaboration between relevant parties like industry associations, academic institutions, and other stakeholders aims at creating a program focused on SMEs needs by providing mentorship, coaching and supporting resources. To strategically manage their businesses while meeting challenges during crisis periods SMEs need to upskill in remote work, digital marketing or supply chain management, amongst others. The program aims at improving their competencies to sustain growth and attain financial aid.
- ii. The study recommends the establishment of collaboration and knowledge-sharing platforms such as online portals, webinars, and workshops to build SMEs' strategic management capacity and enhance their ability to respond effectively to crises such as the COVID-19 pandemic. To strengthen these platforms, the following actions should be taken:
 - For efficient progress, it falls upon government bodies and agencies such as SEDA to initiate the creation of these platforms. Acquiring a clear-cut timeline for implementation purposes would help in actualizing this objective.

- Designing platforms for SMEs utilisation can be identified as a significant step towards enhancing their progress. It will play a vital role in providing them with adequate support tools for their business operations through the implementation of strategic and operational turnaround strategies such as digitalisation, diversification, innovation, cost-cutting and cost reduction.
- The platforms should provide opportunities for SMEs to connect as well as with relevant experts and mentors, allowing them to share knowledge, exchange ideas, and receive feedback on their strategies.

By taking these steps, SEDA and other relevant stakeholders can help SMEs thrive and become more resilient in the face of economic downturns.

- iii. The study recommends that SMEs adopt innovation and diversification as a resilience strategy to explore new markets, product lines, and business models while mitigating economic risks. To effectively implement this strategy, SEDA and other relevant stakeholders can take the following steps:
- Information on emerging trends, technologies, and markets is provided through online resources, webinars, and workshops.
 - Creating collaborations with academic institutions and research organizations to develop new products and services.
 - Offering tax breaks or subsidies for R&D or innovation initiatives.
 - Creating innovation centres or incubators that provide SMEs with resources, mentorship, and funding to help them develop and launch new products or services.

SEDA and other relevant stakeholders should prioritize assisting SMEs in developing and implementing innovative business models that can assist them in surviving economic crises like the COVID-19 pandemic.

- iv. The study recommends that SMEs prioritize developing and implementing robust risk management strategies to effectively respond to crises such as the COVID-19 pandemic. To accomplish this, SMEs must conduct regular risk assessments to identify potential threats to their businesses and take proactive steps such as diversifying

suppliers and customers to reduce reliance on any one source of revenue or raw materials. SMEs should also implement contingency plans to address potential disruptions in supply chains, staffing, and other critical areas and invest in insurance policies to protect against risks such as business interruption and liability claims. Furthermore, SMEs must develop a crisis communication plan that will keep stakeholders informed and engaged during times of uncertainty and disruption while enhancing their reputation and credibility.

5.4 Recommendations for future research

This study provides a valuable contribution to the existing body of knowledge on SMEs' strategic response to external environmental disruptions. However, future research can yield even greater insights beyond what has been found. To this end, future studies could adopt different methodologies, such as quantitative research and longitudinal studies, to examine the nature of strategic responses by SMEs in other regions and industries. To provide more nuanced insights into the topic, studies could explore issues of methodology, sample sizes, and comparative analyses.

Furthermore, it would be beneficial to investigate the efficacy of various strategies in different contexts, such as before and post the COVID-19 pandemic. Such studies could use mixed methods or qualitative research to better understand the underlying mechanisms and factors that influence the success of these strategies. Comparative studies across different countries or regions could also provide cross-cultural perspectives and aid in identifying differences and similarities in the strategic responses of SMEs.

Overall, future research should aim to build on the findings of this study by employing diverse and rigorous research designs capable of providing a more comprehensive understanding of SMEs' strategic responses to external environmental disruptions.

5.5 Limitations of the study

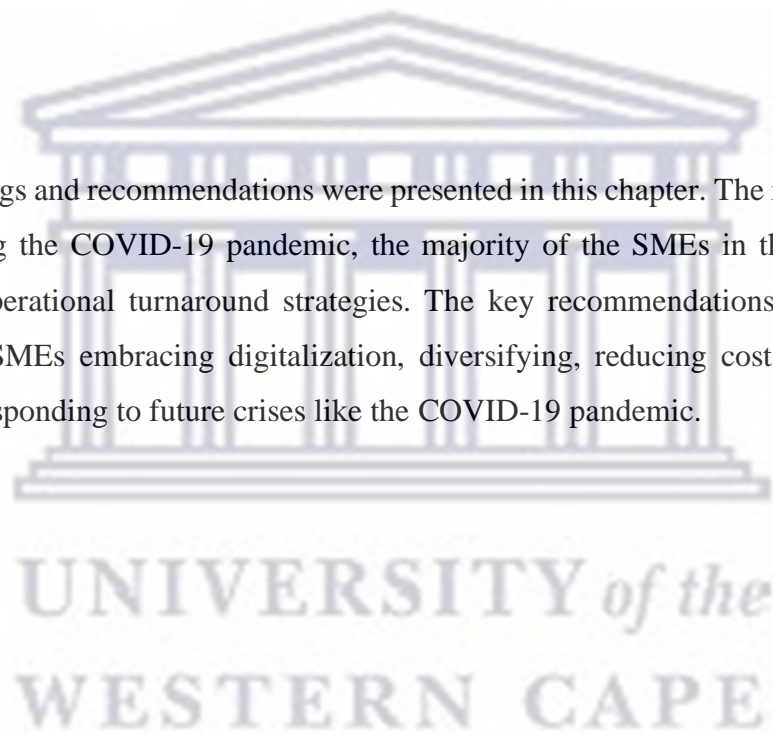
The study faced several limitations due to time and funding constraints, subsequently affecting sample size and scope for the research project. In addition, this study focused directly on the

examination of SMEs situated within a specific geographical area located throughout Cape Town – CBD, Southern Suburbs – Kenilworth as well as Northern Suburbs – Parow hence, the findings may not apply to SMEs in other parts of the country. The COVID-19 pandemic also posed significant challenges during the research, such as mobility restrictions, limited face-to-face interactions, and restricted access to SME premises.

Although it is possible that these constraints may have affected the study's capacity to fully understand every challenge and opportunity presented to SMEs in the region and beyond. Despite the limitations, the study provides valuable insights into their challenges as well as strategies to improve their competitiveness and resilience through periods of economic turbulence.

5.6 Summary

The study findings and recommendations were presented in this chapter. The main conclusions were that during the COVID-19 pandemic, the majority of the SMEs in the study adopted strategic and operational turnaround strategies. The key recommendations emphasized the importance of SMEs embracing digitalization, diversifying, reducing costs, and becoming more agile in responding to future crises like the COVID-19 pandemic.



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APPENDICES

Appendix A: Ethical Clearance Letter



UNIVERSITY of the
WESTERN CAPE



13 December 2021

Mr F Chiruka
School of Business and Finance
Faculty of Economic and Management Sciences

HSSREC Reference Number: HS21/10/10

Project Title: Strategic responses in the Covid-19 period: A study of selected small and medium enterprises in the Western Cape.

Approval Period: 25 November 2021 – 25 November 2024

I hereby certify that the Humanities and Social Science Research Ethics Committee of the University of the Western Cape approved the methodology, and amendments to the ethics of the above mentioned research project.

Any amendments, extension or other modifications to the protocol must be submitted to the Ethics Committee for approval.

Please remember to submit a progress report by 30 November each year for the duration of the project.

For permission to conduct research using student and/or staff data or to distribute research surveys/questionnaires please apply via:

<https://sites.google.com/uwc.ac.za/permissionresearch/home>

The permission letter must then be submitted to HSSREC for record keeping purposes.

The Committee must be informed of any serious adverse events and/or termination of the study.

Ms Patricia Josias
Research Ethics Committee Officer
University of the Western Cape

NHREC Registration Number: HSSREC-130416-049

Director: Research Development
University of the Western Cape
Private Bag X 17
Bellville 7535
Republic of South Africa
Tel: +27 21 959 4111
Email: research-ethics@uwc.ac.za

FROM HOPE TO ACTION THROUGH KNOWLEDGE.

Appendix B: Data Collection Instrument – Semi-Structured Interviews



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RESEARCH TOPIC: STRATEGIC RESPONSES IN THE COVID-19 PERIOD: A STUDY OF SELECTED SMALL AND MEDIUM ENTERPRISES IN THE WESTERN CAPE

Questions:

1. What industry does your business operate in?

2. How long have you been operating in the industry?

3. What were the challenges brought by Covid-19 to the business?

4. Briefly explain to me how has the Covid-19 pandemic impacted your business?

5. In your opinion how did the Covid-19 pandemic change your business?

6. As a result of the impact of the pandemic on your business, briefly explain how did you respond to Covid-19?

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7. At the onset of the Covid-19 pandemic and its extended lockdowns, what did you do differently?

8. As a business owner or management, explain the lessons learned from the Covid-19 pandemic?

9. As business is still in operation during the pandemic, explain what you have done to ensure survival and growth?

10. Briefly explain to me how your business has adjusted to the Covid-19 pandemic new environment?

11. Can you share with me your thoughts on what you will do differently if there is a reoccurrence at the onset of a similar pandemic such as Covid-19 in the future?

12. Do you have any comments regarding any responses used by your business during the disruptive environment?

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Thank you for participating in this research.

Should you have any queries please contact Fungai Chiruka, at 4010710@myuwc.ac.za



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Appendix C: Ethical Clearance Letter



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Dear Participant,

My name is Fungai Chiruka, and I am a Master of Commerce in Management student at the University of the Western Cape from the School of Business and Finance, under the Economic and Management Sciences Faculty. For the completion of my research project, I am delighted to invite you to participate in this titled: **Strategic responses in the Covid-19 period, a study of selected SMEs in the Western Cape.**

The research question formulated for this study are:

- RQ1:** *What is the nature of strategic responses adopted by SMEs in Cape Town?*
- RQ2:** *What factors influence strategic responses and alignment with changes in the Covid-19 business environment?*
- RQ3:** *How did strategic agility influence the strategic responses adopted by SMEs during the Covid-19 pandemic?*

The study will be conducted in accordance with the ethical standards set by the University of the Western Cape and the ethical guidelines for conducting research listed below will be adhered to:

1. **Informed Consent:** Participants have been fully informed about the purpose and procedures of the study and have given their consent to participate.
2. **Confidentiality:** All information provided by participants will be kept confidential and anonymous. No personal information will be linked to any responses given.
3. **De-identification of Data:** All data collected is for academic purposes and will be de-identified to protect the participants' privacy.
4. **Voluntary Participation:** Participation in this study is completely voluntary and participants have the right to withdraw at any time without any consequences.
5. **Minimization of Risk:** Steps have been taken to minimize any risks associated with the study. Participants will be informed to wear their face masks, sanitize, and observe social distance during the interview.

By signing this consent form, participants are acknowledging that they have read and understood the information provided and are giving their consent to participate in this study.

Participant Signature:

Date:

Thank you for participating in this research.

Should you have any queries please contact Fungai Chiruka, at 4010710@myuwc.ac.za

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