

The Business of Staying in Business

A cross sectional, mixed method questionnaire and interview of managers' perceptions of the influence of economic variables on profit sustainability of retail firms in Scottburgh

RESEARCH REPORT

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ACKNOWLEDGEMENTS

This research report was supported by The Independent Institute of Education Varsity College. The author wishes to acknowledge the assistance of Wilma Brent, who provided insight and expertise that greatly assisted the research and the assistance of Suresh Dhaja in editing and printing of this paper.

DECLARATION

I hereby declare that the Research Report submitted for the Bachelor of Commerce Honours in Management degree to The Independent Institute of Education is my own work and has not previously been submitted to another University or Higher Education Institution for degree purposes.

Signature

Date

ABSTRACT

This paper describes how the researcher uses qualitative interview research techniques to better understand the results of the quantitative survey research techniques used to identify managers' perspectives pertaining to the influence of economic variables on business sales. Data from the quantitative survey were used to construct the qualitative interview questions to provide explanations to manager's individual responses. The data obtained from the quantitative study was inserted within the Theory of the Firm Profit Maximisation Model to identify the perceived increase/decrease of profits caused by the fluctuations of economic variables. These findings were backed up with the reasoning given by the qualitative data. The insights gained from the combined quantitative and qualitative data suggest that the economic variables are perceived to have an effect on the sales made within each manager's business, however, the managers provide different types of impacts and reasoning's to back up how the different economic variables have an influence on the sales of their business.

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1 INTRODUCTION

This section provides an overview of the background and relevance of the study. It specifies the purpose and objectives of the study, as well as the research questions that needed to be answered to accomplish the research objectives.

1.1 Background

Economic variables are measurements that influence and determine the functioning of an economy. When businesses operate with similar or related products or services they form an economic sector. The economic sector used in this study is the retail sector (Rosenberg, 2016). Economic variable changes are volatile; therefore studies associating with economic variables are frequently conducted (Pettinger, 2016).

The South African economy has been unstable since the latter half of 2016. Finance Minister Pravin Gordhan's unexpected firing and being downgraded to junk status had a negative effect on national and international confidence in the South African economy. This caused the South African Reserve Bank to increase interest rates; then the drought put additional pressure on the prices of goods and services. This might have had an impact on the performance of retail firms in South Africa (Reuters, 2017).

As these issues affect the economic variables such as interest rates and inflation, it naturally also filters through to the retail purchasing market. When asked about the effect of the current downgrade South Africa has experienced, Industry group chief Executive, Jannie de Villiers response was, "the downgrading is like a slow death, you are not going to see it immediately but over time it kills you and makes you weaker and less competitive" (Reuters, 2017).

The way in which managers react to the changes in the economic variables could determine the success or failure of the firms. Managers need to know how to deal with the fluctuations of the economic factors in order to sustain profitability within

their retail businesses and for the survival of their businesses' in the long run (Africa, 2016). This study accomplished an understanding of the perceived effects of economic variables made by retail store managers who have managed to make their businesses sustainably profitable. These predictions could assist retail managers in making decisions that render sustainably profitable and contribute to advancement of knowledge in this field.

1.2 Rationale and relevance

Profit sustainability is what business is about. It is the main goal of doing business, it means attempting to maintain and grow profits constantly, throughout every day, every month and every year (MacGillivray, 2001). All businesses are influenced by global forces which ultimately shape their long-term prospects even if a firm is, by nature, local and does not trade on global markets. Economic variables are any measurements that help to determine how an economy functions. An economic sector is an area of the economy in which businesses share the same or related product or service (Rosenberg, 2016), in this case, retail firms in Scottburgh. The studies of economic variables are conducted frequently as economic variables can change at any point in time (Group, 2017). It is essential to study and understand managements' perspectives of the influence of economic variables on the profit sustainability of businesses because managers are the people in charge of running businesses, their perspectives are what drives their decision making processes and their decisions are what determines the success or failure of the firms they run.

This research contributes to the business and finance fields because economic variables impact financial decisions. Finance is the means of attaining and managing money. Obtaining profitability is the purpose of being a business and sustaining this profitability is what insures that an organisation stays in business; a business is only profitable when it obtains a financial gain (Hirsh, 2017).

An increase in the number of businesses achieving profit sustainability will result in more successful businesses. When businesses are doing well, the demand of the products/services in those business increases, increasing demand means that

the usual supply will no longer be enough (Hamel, 2017). To increase supply, more resources will be needed, to obtain these resources more jobs will be provided, more businesses will start up and this will create more employment, assist in decreasing poverty and may increase the country's economy as a whole (Africa, 2016). Many unemployed citizens of a country (specifically South Africa in this study) and those that live in poverty, are in small towns that are distant from larger cities. If these small town businesses learn how to manage profit sustainability then poverty and unemployment in South Africa may decrease intensively (Acemoglu, 2001).

Profitability is critical for an organisation's long term survival and for it to remain successful as well as attractive to investors. Profit, for any company, is the primary goal, and with a company that does not initially have investors or financing, profit may be the organisation's only capital. Without sufficient capital or the financial resources used to sustain and run a company, business failure is imminent (Leon, 2001). Finding out the views of successful managers on how the economic variables affect sustaining profits would assist business managers in proactively planning and the prevention of loss of profitability.

The bottom line is, no business can survive without making a profit and no capitalist town can survive without profitable businesses, furthermore, the profitability of businesses are affected by the economic variables. That being the case, understanding and interpreting management's perspectives on the influence of the economic variables on profit sustainability is essential for the planning of proactive measures to sustain profitability and for the long term success and survival of businesses.

1.3 Problem statement

Profit sustainability is the essence of business, it is the ultimate definition of what being in business means and it is what prevents the premature death of organisations (MacGillivray, 2001). It is therefore important to be attentive of what

influences profitability. Profit sustainability within businesses is affected by the broader economy (Grimsley, 2015). When economic times are good, certain parts of businesses usually see healthy growth in profits and when economic times are not so good, those same parts tend to not do so well (Hirsh, 2017). Fluctuations of the economic variables are what cause both the positive and negative impacts on profit sustainability of firms and the economy as a whole (Grimsley, 2015). Determining the perceptions of managers from successful businesses on how the economic variables are considered to effect sustaining profits would assist business managers in proactive planning and prevention of the loss of profitability. Researching managers' experiences and perceptions of how these economic variables are perceived to influence their businesses provides a first-hand more personalised account than the analyses of economic variables often presented in economic reports. The study provides a solution to this problem because it interprets retail managers perceptions of the influences of the economic variables and their personal first-hand experience can be used to inform other business owners operating in this same sector and area. Their personal experiences both support and contradict the current academic research and literature. This contributes valuable findings to the field by validating what already exists and by contradicting some existing research within the field due to the different context.

1.4 Purpose statement

The purpose of the study was to establish managements' perspective on the relationship between the economic variables and the profit sustainability of retail firms in Scottburgh and to determine their perception of the influence of economic variables on profit sustainability of the firms. This was done by analysing the quantitative questionnaires and qualitative interviews completed by 10 participants. The obtained data was analysed using quantitative and qualitative content analysis to compare and contrast the obtained information, with the theory of the firm and its profit maximisation model. This assisted with studying how managers' perceived influences of the economic variables on business sales, effects the profit sustainability of retail firms. This resulted in an understanding of the projections for

the future, based on managements' perceptions, which may assist managers of retail firms to proactively strategize and render beneficial business decisions.

1.5 Research objective

The objective of this study was to obtain and understand managements' perspective on the relationship between the economic variables and the profit sustainability of retail firms in Scottburgh, by analysing the mix-method questionnaires answered by the participants and implementing the obtained information into the theory of the firm and its profit maximisation model, which enabled the researcher to interpret how management perceives the influences of the economic variables on the profit sustainability of retail firms.

1.6 Research questions

This research study aimed to interpret managers' perceived influences of economic variables on profit sustainability. To meet this objective, the following two vital questions were answered:

- ❖ What is the professed relationship, from the view of managers, between economic variables and profit sustainability of retail firms in Scottburgh?
- ❖ How are economic variables perceived to influence the profit sustainability of retail firms from a management perspective?

2 LITERATURE REVIEW

This section presents the theoretical foundation of the conducted research study, along with conceptualisation and analysis of the reviewed literature.

2.1 Theoretical foundation

2.1.1 The theory of the firm

The theory of the firm was founded within neoclassical economics. Neoclassical economics is an approach to economics aiming to determine the amount of goods, outputs, and income distributions in markets through supply and demand. The theory states that firms exist mainly for the pursuit of profit maximization (Hart, 1989).

The study and development of the Theory of the Firm began in 1952 when March, a political scientist, joined Carnegie Mellon University and Cyert, an economist and first appeared in their book, *A Theory of the Firm*, in 1963 (Hart, 1989). The theory of the firm articulates that the action of an individual business entity is powered by profit maximization. This theory administers the decision-making processes of firms in a range of areas comprising of resource allocation, production technique, pricing adjustments and quantity produced (Mohr, 2008).

“The theory of the firm encompasses the theory of the consumer, which states that consumers seek to maximize their overall utility”. Utility means that the distinguished value a consumer places on a good or service and is said to describe the level of happiness the customer experiences from the good or service (Mohr, 2008).

The expansion on the Theory of the Firm consists of the modern perspectives regarding the theory of the firm taking facts, like low equity ownership by many decision makers, into account; such as the interest of Chief Executive Officers (CEOs) of publicly held companies in profit maximization as well as in goals based on sales maximization, public relations and market share instead of solely focusing

on profit maximization comes with a level of risk in regards to public perception and a loss of a sense of goodwill between the business and other co-operation's and individuals (Mohr, 2008).

Further risk exists when a firm focuses on a single strategy within the marketplace. If a business relies on the sale of one particular good for its overall success, and the related product fails within the marketplace, this can lead to a financial downfall of that particular business or segment within a business (Mohr, 2008). This contributes to the importance of this research study, by identifying the perceptions of managers on how the economic variables affecting sustainable profits would assist business managers in proactively planning and preventing the loss of profitability.

“Firms interact with the market to determine pricing and demand and then allocate resources according to models that look to maximize net profits” (Mohr, 2008). The model relevant to this study is the one that states that total profit is the difference between total revenue from sales and total explicit costs. It forms the following equation:

$$\text{Profit} = \text{Total revenue} - \text{Total explicit costs}$$

This theory and model applies to the study because it measures the firm's total revenue (that is the profit). The researcher will use the data, in the form of the manager's perceptions of the influence of economic variables on retail stores, collected and analysed from questionnaires to determine the role of the economic variables on revenue of the firm and their explicit costs.

The formula will not be used to calculate actual statistics but to analyse whether the managers perceive an increase or decrease in profit depending on their views regarding whether the economic variables influence their total revenue (that is the sales) and total explicit costs (that is the monetary expenses of a company) by an increase or a decrease.

Depending on the perceived effect the economic variables have on these two; this theory assists the researcher in identifying if a specific economic variable is perceived by managers to increase or decrease profitability. This assists to comprehensively explain the perceived influence of economic variables on profit sustainability of retail firms in Scottburgh, which is the purpose of this study.

2.2 Conceptualisation

2.2.1 *Money*

This concept is also known as “money supply” and is defined as something that is commonly accepted in payment for goods or services or in the repayment of debts. It is linked to fluctuations of economic variables, affects every person and is essential for the wellbeing of any economy (Mohr, 2008). The firm needs a money supply in order to be profitable.

2.2.2 *Total Revenue*

This is the total amount of money that comes into the business from sales of goods or services (Mohr, 2008). It is the first of the two key components within the Theory of the Firm’s profit maximisation model and is used to work out the total profit a firm makes.

2.2.3 *Explicit costs*

This is solely the monetary expenses of a company. It does not include opportunity costs as it is not an actual expense (Mohr, 2008). It is the second key component within the Theory of the Firm’s profit maximisation model and is used to calculate the total profit a firm makes.

2.2.4 *Manager*

A manager is responsible for controlling/administering a business (Mohr, 2008). The perspectives of managers are used in this study to determine their views on how economic variables affect profit sustainability in the businesses they manage.

Managers of retail firms are the focus of this study therefore this concept assists in determining the target and accessible population of this study.

2.2.5 Retail Business

A retail business sells products or services to customers for their personal use (Mohr, 2008). The managers interviewed in this study had to be from retail businesses.

2.3 Literature review

The purpose of a literature review is to assist in guiding the research study in the direction of solving the problem by placing the research into perspective by inserting the perceptions of management into the profit maximisation model, which will assist in enabling the researcher to discover material that can enhance the study. It assists the researcher in refining the research and serves as a benchmark, against which, results can be compared and contrasted (Howard, 2015).

This literature review is set out empirically. The empirical analysis is based on the perspectives of managers from 10 retail firms over the period of 2017, focusing on implementing managers' perspectives into the Theory of the Firm and its profit maximisation model ($\text{Profit} = \text{Total revenue} - \text{Total explicit costs}$), to critically assess and summarise empirical evidence regarding the study (Howard, 2015).

The review will summarise all observations and will therefore contribute to identifying and understanding the economic variables that influence profit sustainability in firms as well as providing the statistical information of the economic overviews, which will help answer part of the research problem by identifying which of the economic factors indicate an impact on profit sustainability of retail firms.

The sources analysed by the researcher for this literature review specifically include those that look at economic variables and the perceived effects of

economic variables on the sales and profitability of firms. The information collected via this literature review will assist the researcher in developing a questionnaire that includes the correct influential economic factors, which would in turn provide the researcher with managers' perspectives, that will be implemented within the theory of the firm's profit maximisation model to ultimately assist finding out the perceptions of retail store managers on the relevant economic factors. This will enable the researcher to collect more relevant information to answer the question about the influence of economic variables on the profitability of organisations.

This literature review is segmented into six groups. The first is the overall history and importance of the influence of the economic variables; this gives the researcher more information on the relevance of this research study. The second group of sources consist of the overall history and implementation of the Theory of the Firm and serves as guidelines with examples of how the theory has been implemented in past research studies in addition to providing the needed information on the theoretical framework of this study.

The third group consists of sources that assist the researcher in identifying the key economic variables that influence the profit sustainability of retail firms. The fourth group consists of sources that explain what drives retail sales and define what each of the key economic variables is in detail. These assist the researcher in knowing how to set up the questions in the questionnaire in order to receive answers, that when applied to the Theory of the Firm's Profit Maximisation model, are going to help solve the research problem.

Fifth is a group of economic outlook reports that contain statistic information regarding the fluctuations of economic variable as well as economists' perspectives of the variables influences on business sales. The sixth group similarly gives the perspectives of economists but elaborate on what they predict is going to happen to businesses due to the influences of the economic variables on business sales. These two groups give the researcher an idea of the perspectives of economist regarding the influence of economic variables on business profitability.

The sources assist in giving the researcher the information needed in order to set up questionnaire questions that are going to give perspectives regarding the key economic variables and develop results that can be applied to the theory of the firm and its profit maximisation model in order to answer the research questions, by interpreting how the managers' perceive the influence of each economic variable on the profit sustainability of their businesses, therefore contributing to assisting retail managers make decisions that will help them in obtaining profit sustainability and solve the research problem. It is necessary to note that some of the reports are provided by online sources because they have been written by companies and accessible on the company webpages.

The reviewed economics book "The importance of Environmental Economics" (Vargas, 2014) consists of the history behind how economic variables came about and how it influences everything in society's daily lives, including the profit sustainability of retail stores. It is the source that contributed to the relevance and importance of this. The main points brought forward from this literature is that profitability is critical for an organisation's long term survivability and for it to remain successful as well as attractive to investors. "Profit, for any company, is the primary goal, and with a company that does not initially have investors or financing, profit may be the organisation's only capital. Without sufficient capital or the financial resources used to sustain and run a company, business failure is imminent. It also describes how an increase in the number of businesses achieving profit sustainability will result in more successful businesses" (Vargas, 2014).

When businesses are doing well, the demand of the products/services in those business' increases, increasing demand means that the usual supply will no longer be enough. To increase supply, more resources will be needed, to obtain these resources more jobs will be provided, more businesses will start off and this will create more employment, assist in decreasing poverty and may increase the country's economy. Many unemployed citizens of a country (specifically South Africa in this study) and those that live in poverty, are in small towns that are distant from larger cities. If these small-town businesses learn how to manage profit

sustainability then poverty and unemployment in South Africa may decrease drastically. Finding out the views of successful managers on how the economic variables affect sustaining profits would assist business managers in proactively planning and the prevention of loss of profitability study (Vargas, 2014).

Literature on the Theory of the Firm is divided into two categories. First are those explaining the concept of the theory of the firm and the profit maximisation model and its application and the second category are based on research reports which have implemented the theory into their studies.

The three business and economics journals “An Economist's Perspective on the Theory of the Firm” (Hart, 1989), “The Theory of the Revenue Maximizing Firm” (Serv, 2008) and “Theories of the firm” (Braendle, 2013) are seminal sources which acknowledge that the neoclassical approach “can be found in any modern-day textbook; in fact, in most textbooks”, and it is the only theory of the firm in existence that has been presented.

The theory lends itself to “an elegant and general mathematical formalization”, in the form of the profit maximisation model, for this study and it is useful for analysing how a firm's production choices respond to the changes in the economic environment, such as increases in salaries or tax. Despite these strengths, the theory of the firm has some definite weaknesses, due to its purely quantitative nature, it does not explain how production is organised in firms and how conflicts of interest between managers and customers are solved, which means that it does not explain how the actual goal of profit maximisation is achieved or sustained. This research study assists in overcoming these weaknesses by asking the managers how the actual goal of profit maximisation is interpreted to be achieved and sustained by the use of open ended qualitative questions within the questionnaire (Braendle, 2013; Serv, 2008; Hart, 1989).

The two research reports “Knowledge-Based Theories of the Firm in Strategic Management: A Review and Extension” (Kaplen, 2001) and “Relationship between

Institutional Factors and FDI Flows in Developing Countries: New Evidence from Dynamic Panel Estimation” (Kurul, 2017) do not provide any information on the economic variables or management. They are research reports conducted on strategic management and foreign direct investment that have made use of the Theory of the Firm in their studies. These reports serve as guidelines and examples that illustrate how the Theory of the Firm and Profit Maximisation model had been used in research to evaluate profit sustainability from the investments (Kurul, 2017; Kaplen, 2001).

The journals “The International Journal of Retail Challenges” (Hoover, 2014) and “The Journal of Retail Economics” (Grimsley, 2015) briefly explain that retail demand depends on the economy and the economic factors that have an influence on the retail sector. These help the researcher identify what economic factors to be focused on in the current study. These sources are not actual research studies, but are included to help the researcher identify the key economic factors needed to design the questionnaire.

“Retail Challenges” include personal income, consumer confidence, job growths and interest rates as economic factors that influence retail sales. These are relevant factors but they are just a few. The literature also elaborates on how the theory of the firm can be used to deduce that retail sales increase during periods of strong economic growth, as consumers have a greater amount of income available to spend. “The Economic Environment” adds to the information provided by “Retail Challenges” by providing a summary of all economic factors that are viewed to have an impact on retail sales and provided further information on the factors by grouping them into macro-economic factors and providing an overall definition of what an economic environment is. The combined economic variables, of relevance, from the two online sources are inclusive of interest rates, taxes, inflation, unemployment rate, salaries/wages, and consumer confidence in the economy. However, no mention in any of the two reviews is made on perspectives of managers regarding the influence of economic variables on firm’s profitability demonstrating the relevance of the current study in contributing to this topic (Grimsley, 2015; Hoover, 2014).

The four reviewed books “The Economics of Money, Banking and Financial Markets” (Mishkin, 2009), “Understanding Macroeconomics” (Mohr, 2017), “Companies and other Business Structures” (Davis, 2016), “The impact of the Economic Environment” (Mohr, 2008) and the report Africa’s Record of strong Economic Growth” (Group, 2017) contain information on how sales are driven by the economic environment and each explain different environmental factors that affect sales.

The books explain the relationship between profit and the economic factor, inflation. Inflation is a continual increase in the price level and it affects individuals, businesses, and the government. It is generally regarded as an important problem to be solved and is often on top of political and policy making plans of businesses and countries (Group, 2017; Mohr, 2017; Davis, 2016; Mishkin, 2009; Mohr, 2008).

The book “The Economics of Money, Banking and Financial Markets” consists of a graph labelled figure 4 which illustrates the movement of average prices in the U.S. economy from 1950 to 2008. The researcher has used this graph to create a comparison to current dates. The prices of most items are significantly higher in 2008 than they were previously (Mishkin, 2009).

The book “Understanding Macroeconomics” provides information on what causes inflation. The book consists of a graph labelled figure 3 which plots the money supply and the price level (that is inflation). It is illustrative that price level and money supply usually rises together. The data indicates that a continuous increase in the money supply may be an important factor in causing the continuing increase in inflation (Mohr, 2017).

Further evidence tying the continual increase in the money supply to the rise in inflation is shown in figure 5 within the book. For many countries, it plots the average inflation rate (the rate of change of the price level, usually measured as a percentage change per year) over a ten year period from 2007 to 2015 against the

average rate of money growth for that period. The results show that there is a positive relationship between inflation and the growth rate of the money supply. The countries with the highest inflation rates are also the ones with the highest money growth rates (Mohr, 2017; Mishkin, 2009).

The book “The impact of the Economic Environment” consists of research done on supply and demand, which had led the authors to an important observation: When expected inflation rises, interest rates will rise. This is known as the Fisher effect, after Irving Fisher, the first economist who pointed out the relationship of expected inflation to interest rates. The accuracy of this prediction is illustrated in Figure 5 of the book, where the interest rate on 3 month Treasury bills has always increased with the expected inflation rate.

They explain the different taxes (an economic factor) that affect the profits and the sales of firms. Personal income tax and Company tax are progressive taxes in South Africa. This means that as an individual’s income increases, the amount of tax payable of that individual increases proportionately. This affects the consumer spending (an influential economic factor) and both of these are affected by salaries/wages and the employment rate of a country (two vital influential economic factors) (Group, 2017; Mohr, 2017; Davis, 2016; Mishkin, 2009; Mohr, 2008).

The five sources, combined, helps shorten the downfalls (that is the missing information) found in each source. They explain how the long-term profitability in the retail industry depends on company performance on sales and explains the economic factors in addition to how they affect consumer behaviour and in turn consumer spending, which affects sales. As mentioned before, sales affect the profit sustainability of firms. All five sources combined give the researcher sufficient information on all the economic factors that were identified in the previous two sources by providing information on how each economic variable effects factors, such as cost prices, consumers’ salaries and the variables attribute to retrenchment, which affect how much money the customer is now willing and able to spend. The amount a customer is willing to spend contributes to the increase or

decrease of profitability (Group, 2017; Mohr, 2017; Davis, 2016; Mishkin, 2009; Mohr, 2008).

The five reviewed financial reports “Factors Affecting Growth and Profitability of the Retail Industry” (Oliver, 2017), “Prospects in the Retail and Consumer Goods Sector in 10 Sub-Saharan Countries” (Intelligence, 2016), “South African Retail and Consumer Products Outlook 2012-2016” (Africa, 2016), “Economic Overview 2017-2018” (Anon., 2016), and “The African Consumer and Retail Outlook Sector Report” (Africa, 2016) each consist of quantitative data representing the incomes, spending, key drivers and fluctuation patterns in the form of tables and graphs for the different years from 2012 right up to 2017, with future predictions for 2018. This assists the current researcher in gaining a better understanding of the current economic environment.

These five consist of the same set of information regarding the statistical information on the economic variables. This information will be used as a base for the questionnaire. The researcher can use this information to develop questions regarding how sales and profitability in retail firms changed when a specific economic variable fluctuated. The reports also include perspectives of economists regarding how the economic variables affect the different industries and the country economy, the perspectives of the different economists do not all give the same conclusions and give insight to their different views, which can be compared to those of the retail store managers once their perspectives are collected and analysed (Group, 2017; Oliver, 2017; Africa, 2016; Intelligence, 2016; Grimsley, 2015).

Most literature reviewed are recent, from reliable sources and have perceived relevance to the research study. They contribute to identifying and understanding the economic variables that influence profit sustainability in firms and also provide the statistical information on the economic overviews needed for the study.

This literature review is set out empirically, focusing on the various methodologies used to critically assess and summarise empirical evidence regarding the study (Du Plooy-Cilliers et al, 2015). The findings from the reviewed literature summarises all observations and contributes to identifying and understanding the economic variables that influence profit sustainability in firms as well as to providing the statistical information of the economic overviews, which will help answer part of the research problem by identifying which are the key economic factors that have an impact on profit sustainability of retail firms, this information will be used by the researcher to identify the key economic factors and specific questions that the researcher needs to include when designing the questionnaire.

The reviews collaborated assisted the researcher in finding out which specific economic variables influence the profit sustainability of retail businesses. They also enabled the researcher to analyse and identify how certain economic variables affected other economic variables which influenced the profit sustainability of firms. This information in addition to the literature on the theory of the firm presents a reliable guide on how to compare managers' perspectives with the existing profit maximisation model.

The focus of this research study is on measuring managers' perspectives qualitatively and quantitatively in the form of a questionnaire and an interview. The literature present various perspectives with regards to the economic variables' influence on the profit sustainability of retail firms, although there is research available on the influences of economic variables, the researcher has found very little academic literature based on the managers' perceptions on the type of influence economic variables has on the profit sustainability of retail firms.

The literature has assisted the researcher by guiding the research study in the direction of solving the problem as it has extracted the specific variable that influences profit sustainability of retail firms which placed the research into perspective and enabled the researcher to discover material such as statistics and the perspectives of various economists that assists in enhancing this study. It contributed to the refinement of the research and the perspectives of economists

serve as a benchmark, against which, the perceptions of managers on the influence of economic variables on profit sustainability can be compared with.

3 RESEARCH DESIGN AND METHODOLOGY

This section describes the research paradigm, design, and population of the study. It explains the sampling procedures, along with the data collection and analysis methods applied to the research study. It furthermore discusses the validity, reliability, and trustworthiness of the study.

3.1 Research paradigm

A research paradigm is the fundamental points of view characterising research, a belief system or theory that guides the way people do things and establishes a set of practices that range from thought patterns to actions. Paradigms can be based on one of three approaches, namely positivism, interpretivism or critical realism (Welman, 2004).

Critical realism understands that real structures are present independently from the human consciousness and also recognises that natural and social sciences are different, and that the way in which reality is experienced is based on how people perceive reality. This study is based on managers perceptions, which is a reality created and shaped by social, political, cultural, economic, ethnic and gender-based forces that have formed into social structures overtime and are taken to be natural/real and therefore fits into the critical realism approach (Welman, 2004).

Critical realism was used as the aim of a mixed-method study to attempt to understand and explain findings rather than predict them (Du Plooy-Cilliers et al, 2015), using both qualitative and quantitative data collection methods which fits in with the key purpose of this study, that is, to understand and explain the perceptions of business managers on what specific effects the economic variables have on profit sustainability with the aim of making essential changes in business practice.

There are six positions that are applied to the critical realism approach, namely ontology, epistemology, metatheory, methodology and axiology (Welman, 2004).

The ontological position of critical realism proposes dependence on social positioning (Welman, 2004). The business managers have a different understanding compared to Economists, the general employees and the customers. Managers are the people running the business with their personal views in mind; therefore, the views of successful managers on how the economic variables affect sustaining profits would assist business managers in proactively planning and the prevention of loss of profitability.

The epistemological position of critical realism refers to accumulation of information to enable change (Welman, 2004). The perceptions were obtained by the researcher and were used to understand and interpret management's perspectives on the influence of the economic variables on profit sustainability. This could assist other managers to make changes to their planning of proactive measures to contribute to successful profit sustainability and for the long term success and survival of their businesses.

The meta-theoretical position of critical realism means using theory that is practical and helps people understand, question and make changes (Du Plooy-Cilliers , 2015).

The theory of the firm applied to the manager's perspectives revealed how managers view the influence of the economic variables on sales and costs of their firms. This theory assisted in understanding the influence economic variables have on profitability of firms. Once managers are able to recognise the perceived influences of the variables, the managers can change their strategies to overcome the negative influences and grasps the opportunities presented by the positive influences of the variables, to obtain profit sustainability in their retail firms.

The methodological position of critical realism uses both qualitative and quantitative methods.

The nature of this research design used the qualitative and quantitative method of study. The questionnaire consisted of quantitative closed-ended questions and the interview consisted of qualitative open-ended questions. The study used the qualitative method of study when the collection of variable data was categorically grouped together and the variables identified. The quantitative method of study was used when the collected data of a variable was numbered (Du Plooy-Cilliers et al, 2015) to represent whether managers agree, disagree or are unsure as to whether each variable has an effect on sales and whether they think each variable strongly increases sales, strongly decreases sales, are unsure, or that it has no effect on sales. The collected data was then measured in the form of bar graphs and pie charts respectively.

The axiological position of critical realism means that freedom, equality and emancipation are valued (Welman, 2004). The research accepts and values both objective and subjective perceptions from managers. The researcher was aware that managers would have different views on certain aspects and these were of importance as they portrayed each manager's individual perspective on how it assisted them to sustain profitability in their retail firms. The perceptions of all managers included in the study were considered with equal importance and all perceptions accepted. The participants were not restricted from giving their complete and individual views. The researcher shared the interpretations of the data with the participants, thus valuing emancipation of the findings.

3.2 Research design

A research design is the plan according to which research participants and the collected information are obtained. In it, what is going to be done with the participants is described, with a view to researching conclusions about the research problem (Welman, 2004).

The nature of this research design consists of both qualitative and quantitative methods of study. Both methods concede a variable point. Qualitative method of

study was used when the variable data was collected through participant interviews and thereafter categorically grouped into themes. Quantitative method of study was used when data was collected through respondent surveys which were then categorically grouped into themes and then analysed using numerical comparisons through pie charts and bar graphs. The analysis and testing of the theory involve academic research methods (Welman, 2004).

Deductive theorising was used in this study, meaning reasoning from general assumptions to more specific assumptions and allowing the testing of an existing theory through the conduct of this research study (Welman, 2004). Deductive theorising allows for the testing of an existing theory through conducting a research study.

In this research study the deductive theorising was used to confirm that profit sustainability of firms is influenced by the economic variables. The aim of this research was to identify manager's perceptions on whether they believe economic variables influence their profitability and how economic variable are affecting profit sustainability in firms. By using the theory of the firm on the responses of participants the researcher aimed to prove the common and unique denominators in the response.

The research study satisfies the definition of a cross-sectional time dimension (Welman, 2004) because the recipients responded to the questionnaire and be interviewed just once. The interview will be captured by the researcher. The questions asked within questionnaires and interviews did not require prior knowledge from the interviewees on the influences of economic variables on profit sustainability. Once the data has been collected and analysed from the interviews, the researcher will have a clear understanding about the phenomenon surrounding this topic and the relationship between the two variables. This process does not have to be repeated and will be completed within the timeframe of one year, which is 2017.

3.3 Population

The population is the study object from which information is required. The study object can consist of human subjects or artefacts. The population encompasses the total collection of all units of analysis about which the researcher wishes to draw conclusions. We refer to the members or elements of the population as the units of analysis. These units of analysis are the 'who' or 'what' that is being studied (Pascoe, 2015). Business owners or managers responses are the units of analysis of this study.

The shared characteristics and the amount of people or social artefacts in a population are referred to as the population parameters of the study (Pascoe, 2015). The population parameters of this study encompass:

- ❖ *The nature of the population:* Social subjects in the form of retail business managers.
- ❖ *The size of the population:* All the retail business managers whose businesses have obtained profit sustainability. The questionnaire consisted of a demographic question which required the respondent to rate their business's average profit, allowing the researcher to purposively select those that are profitable for the interview.
- ❖ *The unique characteristics of the population:* The managers had to be from retail firms situated in South Africa that consist of successful profit sustainability.

Once the population parameters were set, the target population (i.e. everyone that has met the population parameter for the research) were determined (Welman, 2004). In this study, the target population included all retail business owners in small towns within the parameters of South Africa that have successfully implemented profit sustainability.

The target population of this research study consisted of an overwhelming number of people. In research studies, the target population is often too large, therefore, making it impossible to survey every single person to proceed with the research study, the researcher needed to conduct the study on a smaller population who are more accessible. This smaller population is known as the accessible population (that is a section of the population group) and needs to be distinguished (Welman, 2004). The accessible population for this study includes managers (all genders and race groups included) of a maximum of 10 retail businesses within a small town, Scottburgh, which have managed obtaining profit sustainability. This is because this town's managers were within an area that the researcher had access to and they satisfied the population parameters of the study.

3.4 Sampling

The large size of the accessible population usually makes it impractical and uneconomical to involve all members of the population in a research project. Consequently, researchers should rely on the data obtained for a sample of the population (Pascoe, 2015).

The difference between probability and non-probability samples can be distinguished. Examples of probability sampling are: simple random samples stratified random samples, systematic samples and cluster samples. Examples of non-probability sampling are: accidental or incidental samples, purposive samples, quota samples and snowball samples (Pascoe, 2015).

In the case of probability sampling, the probability that an element or member of the population will be included in the sample is specified. In non-probability sampling, by contrast, this probability cannot be specified, insofar as it does exceed zero. Probability and non-probability sampling are required in this research because the study is mixed-method. (Welman, 2004).

The chosen methods of sampling for this study were purposive sampling and simple random sampling. These sampling methods are relevant to the research

study because they ensured that everyone that makes up the accessible population of this study gets a fair chance of being included in the sample.

When considering the sample size, the important considerations are budget, time, resources, purpose and error allowance, bearing this in mind and not forgetting that some businesses may have more than one individual in charge of profit sustainability. The sample size that satisfies the purpose of this research study was a sample of 10 participants because it sufficiently satisfied the sample size required for research at an Honours level and is also adequate for both the qualitative and quantitative data analysing of this study.

This study looked at the perspectives of retail store managers on how the economic variables influence the profit sustainability of retail stores in the South African market. For the purpose of this research, the researcher used simple random sampling; the names of the accessible population will be put into a computer system, called Research Randomizer, which generates the random samples. The names of the accessible population were not be known until the researcher meet them; therefore the name of the company each manager works in will be put into the system. The number of people needed for this sample was 15.

Purposive sampling was then used; the researcher then purposively chose 10 retail store managers from the sample of 15 collected from simple random sampling. This allowed the researcher to choose a sample that is profitable and provided the maximum amount of information on the perceived effects of the economic variables on profit sustainability (Pascoe, 2015).

3.5 Data collection method

Data collection process is an essential part of every research study and the collection process needs to be carried out in a way that is efficient and ensures that the data collected is valid and bias free (Welman, 2004).

The quantitative method chosen for data collection was the questionnaire, which was emailed to each respondent. The questionnaires were grouped into 'pilot test' and 'final'. The pilot test was conducted first before finalising the final questionnaire (Welman, 2004).

The qualitative method chosen for data collection was the interview. The interviewer visited each of the participants at their retail stores to conduct the interviews and captured the participants' answers on a Microsoft Word document.

Due to the level of the research study being conducted at an undergraduate level, a quantitative questionnaire and qualitative interview is used. A questionnaire was used as it allowed closed ended questions which are relatively quick and simple to answer and an interview was used because it allowed open ended questions which took approximately 30 minutes to complete but allowed the researcher to capture data that underlines certain ideas and feelings of individuals in the population which the researcher might have not considered.

The data extracted from the answers of the questionnaire can easily be quantified, indicating that the purpose and results of the research study can be realised soon after the questionnaires have been answered, providing the researcher with the needed time to work on extracting and grouping the qualitative data into the relevant themes. The types of questions asked were objective and illustrated numerically, statistically and the interview consisted of the grouped thoughts and opinions of the population sample, meaning that using a questionnaire and thereafter conducting an interview is perfectly suitable for a mixed-method study (Pascoe, 2015)

As the questions in the questionnaire and interview were relatively simple, easy to understand and answered anonymously, individuals were most likely to have completed the questionnaire honestly and provided their true views and opinions during the conducted interview. Questionnaires and interviews are inexpensive therefore making them economically feasible to use (Pascoe, 2015)

Quantitative and qualitative approaches to data collection were used due to this being a mixed-method study. A copy of the set questionnaire and interview questions is attached, Appendix A in the appendices section of this research report. To increase simplicity and convenience, the questions regarding the study in the questionnaire and interview have been grouped:

All questions within the questionnaire are closed ended questions. The first two questions relate to the demographics of the study. The first required the respondent to indicate whether he/she is the manager or owner of the business in question. The second question allowed the respondent to indicate which of the provided percentile categories his/her profit margin lies within.

The questionnaire thereafter provides two sets of questions. The first set consists of seven questions and the second set consists of six questions. A seven-point Likert scale and an eight-point Likert scale were used in the question sets respectively.

The Likert scale is a summated scale and is composed of two parts. The first part of the Likert scale is the item which in the first question set relates to the respondent choice as to whether specific economic variables effects his/her sales; and the second question set relates to the type of influence the increase or decrease of an economic variable may have on an individual. The second part of the Likert scale is the evaluation. This type of scale allows the respondent to indicate their degree of agreement or disagreement in the first question set; and the degree of sale increase or decrease within the second question set and allows the researcher to analyse and compare the scores of all respondents (Cronje, 2015).

The reason for the measuring the level of agreement of disagreement is because it provides an objective interpretation that states that “yes, managers perceive economic variables as something that affects their sales and thus profit sustainability of their firms” or “no, managers do not think economic variables have any effect on their sales and profitability”. The purpose for measuring the level of

increase or decrease managers think the variables have on their sales was to find out exactly what effect the variables have on their businesses.

The questions within the conducted interview are all open-ended questions which required that the respondent answers by expressing his/her underlying ideas and explanations by simply asking the participant to explain or give a reason to why he/she chose the answer he/she did when answering the quantitative questionnaire. The amount of questions varied depending on whether the respondent chose to give a reason/explanation for each question answered in the questionnaire; or whether the participant chose to give an overall explanation that includes the reasoning/explanations for all chosen answers within the questionnaire (Strydom, 2015). The reason for this was to find out the reasons and the managers personal viewpoints behind why they perceive the economic variables to have the effect that they have stated in the questionnaire.

3.6 Data analysis method

Both qualitative and quantitative analyses were used on the data gathered from the questionnaire and interview as the conducted research study was mixed-method study. This means that the researcher objectively measured and interpreted participant responses to determine exactly how managers perceive the economic variables influence on the profitability of retail firms in South Africa (Welman, 2004).

The data collected from the questionnaires and interviews had been analysed simultaneously where applicable (Welman, 2004). The researcher used quantitative content analysis to analyse answers to the closed ended questions and qualitative content analysis to analyse answers to the open-ended questions. The sum of the numerical data was grouped into categories and thereafter inserted within the Theory of the Firm's Profit Maximisation Model to analyse whether the manager's perceptions indicate that a specific economic variable increases/decreases the total profit of the firm (Khan, 2015). The data from qualitative information was listed line by line to determine the relevant themes and patterns concealed in the text.

Both question sets within the questionnaire make use of the Likert scale which means that numerical data will be collected. The numerical data was presented in the form of pie charts for the first question set; and bar-graphs for the second question set. Question set one indicates the categories of “strongly agree”, “undecided”, and “strongly disagree”. Question set two indicates the categories of “Strong Increase in Level of Sales”, “Not Sure”, “Strong Decrease in Level of Sales”, and “No Effect” (Khan, 2015).

The collected data from all interview questions were analysed using the content analysis method. The data was analysed line by line in order to determine relevant themes and patterns concealed in the text (Khan, 2015).

The content analysis method involves steps, with coding being a crucial aspect of the process. Coding entails creating a framework, this assisted the researcher with the analysis of the collected data. Coding is done by creating relevant categories and concepts in which to group the data upon analysis (Khan, 2015).

The coding framework’s coding unit data was broken down into individual words, phrases and sentences, upon analysis and grouped into information relevant to the participants experience in managing profit sustainability, information relevant to the participants’ personal opinions regarding profitability and information relating to the South African economy and the economic variables (Cronje, 2015).

Taking into account the designed coding framework, the data was collected, gathered and prepared for analysis. The data was split into questionnaires collected, interviews conducted and other additional information (Welman, 2004).

After the coding scheme was tested the questionnaires were all coded and grouped according to the coding units and coding groups/ categories and after all the coding is completed, it was rechecked to examine the consistency in which the coding was

conducted. This required examining all the open-ended responses to the questions again to determine the consistency to ensure that all information possible from data has been extracted and accurate results will be achieved (Khan, 2015).

The data will then be interpreted and conclusions will be drawn from the interpretation of this data. Managements' perceptions on the effects of the economic variables (that is inflation, unemployment, salaries/wages, and the others indicated in the research issue), that influence the profit sustainability of retail businesses will be determined and understood. These projections may render beneficial in helping with decision making process regarding profit sustainability and the economy (Acemoglu, 2001).

3.7 Validity, Reliability and Trustworthiness

This is a mixed-method study, which implies that the validity, reliability and trustworthiness of the study need to be measured in both quantitative and qualitative methods (Du Plooy-Cilliers et al, 2015).

The concept of "trustworthiness" is used to measure both the validity and reliability of qualitative research and is further divided into credibility (accuracy of data), transferability (how applicable in similar situations), dependability (quality of integration process) and confirmability (how well data collected supports findings and interpretations of researcher) (Koonin, 2015).

The data was collected in the form of questionnaires and interviews that have been answered by the managers themselves; this insured the credibility of the collected data. The research study intended to achieve an understanding of the perceived effects of economic variables and the forecast future predictions made by retail store managers who have managed to make their businesses sustainably profitable. This means that it is transferable as its aim is to assist in guiding retail business managers' that are in similar situations, with making decisions that render them sustainably profitable. The study made use of simple random sampling in

choosing its participants/respondents. From the answered questionnaires, the researcher then used purposive sampling to choose 10 of the 15 answered questionnaires that consist of the most informative information and the collected data will be analysed using both qualitative and quantitative content analysis methods, insuring the dependability and credibility of the integration process.

The validity in a quantitative research study is different to that of the reliability of the study. Every research study consists of a specific question that it hopes to answer to solve a particular problem or prove a particular hypothesis. The validity of a research instrument refers to the extent using the instrument assists the researcher in answering the question, solve the problem, and prove or disprove the hypothesis (Koonin, 2015).

Similar to the reliability of a research study, there are different types of validity in existence. For a research proposal to be valid, it is required to establish internal validity and external validity. Internal validity refers to how well the research instrument answers the research question and the extent of errors that are in existence within the research design and method. External validity refers to the ability for the results attained from the questionnaire to be generalised to the general population, due to the results being accurate and reliable (Koonin, 2015).

The questionnaire in the research study asked questions that were specific to the research questions and the research problem. The participants of the mixed-method questionnaire are retail business managers whose businesses have successfully obtained profit sustainability, who have the knowledge and adequate resources to answer the questions accurately and reliably. The internal validity of this research study is depicted in the use of Likert scales to measure opinions in a quantitative way. Likert scales have been proven in past studies to measure opinions in a quantitative way effectively. The questions asked being questions that could measure the concept being investigated, thus proving the internal validity of the study.

Since these accurate and valid answers are to be provided by retail business managers whose businesses have successfully obtained profit sustainability throughout the years, these answers can then be generalised to the greater population. This is because the same principles apply to any other retail store aiming to achieve profit sustainability in small coastal towns in South Africa. The chosen quantitative method of sampling was simple random sampling, which was used to ensure that everyone that makes up the population of this study gets a fair chance of being included in the sample. This means that the results of this study can be generalised to the greater population. These show the external validity of this research proposal.

Every research proposal should be completely reliable to ensure that the research and findings are credible and academically sound. In order for a research study to be reliable, the same conclusions would need to be drawn from different tests done by different participants, at different times, using the same research instrument (Koonin, 2015). If this were the case, the results obtained from the research study would then be generalizable to a greater population.

There are different types of reliability, which are in existence, each adding to the complete reliability of the research proposal. Inter-rater reliability is established by using the same research instrument with different participants. Test-retest is a type of reliability method, which is established by using the same research instrument at different times and with the same participants. Parallel forms are a very strong type of reliability method, used to establish reliability in a research study by using a different research instrument, with different participants, at the same time (Koonin, 2015).

If the participants in this proposed research study were to be given the questionnaire at a later stage, maybe a year later, the researcher collecting and administering the information obtained from the results of the retested questionnaire, would be able to compare conclusions and establish whether or not the same conclusions are inaugurated by the participants who have completed the

same questionnaire in the prior year. The researcher will therefore be able to recognise how the managers perceive the influences of economic variables on profit sustainability of retail firms in Scottburgh, from the comparison and conclusions established from the initial test and the retest. These results can be generalised to a greater population and therefore shows that the proposed research methods and findings in this proposed research study are reliable.

4 PRESENTATION AND INTERPRETATION OF FINDINGS

This section provides a brief overview on the managers' perceptions of the influence of the economic variables on their retail store's rate of sales and the conclusions that came about once the findings were applied to the Theory of the Firm's Profit Maximisation Model. The illustrative graphs that were applied to the Profit Maximisation Model are presented in Appendix C.

The following table illustrates participants' responses to statements claiming that Unemployment Rate, Increase in Consumer Remuneration, Inflation Rate, Interest Rate, Tax Rate, Consumer Confidence in the Economy, and The Fluctuation of Economic Variables has an overall impact on sales have an effect on the rate of sales of the business:

TABLE 1: Participant responses to whether economic variables have an effect on sales

	Strongly Agree	Strongly Disagree	Undecided
Unemployment Rate	70%	10%	20%
Increase in Consumer Remuneration	60%	20%	20%
Inflation Rate	60%	0%	40%
Interest Rate	60%	10%	30%
Tax Rate	50%	10%	40%
Consumer Confidence in the Economy	40%	10%	50%
The Fluctuation of Economic Variables	60%	0%	40%

has an overall impact on sales			
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The table below illustrates participant responses to the type of effect the above mentioned economic variables have on the rate of sales in the business:

TABLE 2: Participants responses to whether economic variable fluctuations increase or decrease sales

	Strong Increase in Sales Levels	Strong Decrease in Sale Levels	Not Sure	No Effect
Increased Unemployment Rate	30%	70%	0%	0%
Increase in Consumer Remuneration	80%	20%	0%	0%
Inflation Rate	0%	60%	30%	10%
Interest Rate	0%	60%	30%	10%
Tax Rate	0%	50%	40%	10%
Consumer Confidence in the Economy	0%	10%	40%	50%

It is noted that Managers view economic variables that affect how much disposable income the customer has as critical contributors to the amount of sales they make. As illustrated within the tables above; although in different ways, every business manager that participated in the study answered that one or more of the economic variables do have an impact on the sales of their businesses. Variables that increased sales increased profits of the businesses and the economic variables that decreased sales decreased the profits of that particular firm.

The quantitative findings with the supportive qualitative findings, when applied to the Theory of the Firm's Profit Maximisation Model, present the following result:

Although the economic variables affect all businesses, they do not affect them in the exact same way. The impact of the economic variable relies on the type of retail business the manager operates within. An increased unemployment rate is seen as a negative aspect to many organisations due to it lowering consumer disposable income; however, in businesses like a printing store, this increases their level of sales in terms of businesses printing out more advertisements to attract customers and unemployed people coming in to print elaborative CV's in an attempt to get a job.

A fluctuation of any specific economic variable that increases the consumer's disposable income increases consumer expenditure, thus increasing the total revenue made by the businesses, *ceteris paribus*. This is because the more disposable income a person has available, they more able and willing they are to spend it and the more likely they are to purchase more expensive items, the more the consumer purchases, they higher the total revenue of the business becomes.

A fluctuation of any specific economic variable that decreases the consumer's disposable income decreases consumer expenditure, thus decreasing the total revenue made by the business, *ceteris paribus*. This is because a decrease in a consumer's disposable income causes that particular person to budget more strictly and to purchase just the essentials and probable even the cheapest items possible. The less customers purchase, the less sales are made thus the lower the amount of total revenue acquired by the firm.

A fluctuation of any specific economic variable that increases the cost of production and sales for a business increases the cost of sales of the business. The increase of cost of sales has an impact on the price of sales, which cohesively impacts the amount of sales, thus the total revenue acquired, *ceteris paribus*. An increased cost of sales compels a business to increase the price of sales in order for that particular business to make a profit. An increase in the price of sales is seen as the products getting more

expensive for the customer, some of them can no longer afford to purchase as much as they should before the fluctuation. It is important to remember that fluctuations of interest rates, tax rates and inflation also impact the level of disposable income a consumer has available. The consumer will have less disposable income available and would have to pay a higher price for purchases made at the retail stores, therefore, they will tend to decrease the amount of purchases they make, ultimately decreasing the total revenue of the business which when inserted within the theory of the firm profit model, decreases the total profit made by the firm.

5 CONCLUSION

This section provides an overview of the conducted research study. It states how the research problem, objectives, and questions were addressed; and provides the implications of findings. The conclusion elaborates on how the ethical implications and limitations were addressed and provides recommendations for further research.

5.1 Research objectives, questions analysed and research problem addressed

Profit sustainability of firms are influenced by the broader economy and thus by the economic variables. The research problem of this study was determining the perceptions of managers from successful businesses on how the economic variables are considered to effect sustaining profits would assist business managers in proactive planning and prevention of the loss of profitability. The objective of this study was to solve the research problem by answering the research questions:

- ❖ What is the professed relationship, from the view of managers, between economic variables and profit sustainability of retail firms in Scottburgh?
- ❖ How are economic variables perceived to influence the profit sustainability of retail firms from a management perspective?

By means of applying the Theory of the Firm's Profit Maximisation Model to data that was provided by participant responses through questionnaires and interviews; the objective of this research study has been achieved. The answers to the research questions can respectively be found below:

- ❖ There is a direct correlation between the impact economic variables have on consumer disposable income and the profit sustainability of retail firms.
- ❖ Economic variables that were perceived to increase sales increased profits of the businesses and the economic variables that decrease sales decreased the profits of that particular firm. This was explained in detail within the 'presentation and interpretation of findings' section of this report.

5.2 Implications of findings

A finding that contrasted from that within the literature was the impact of the economic variable 'consumer confidence in the economy'. According to the seminal sources within the literature review, consumer confidence in the economy was one of the six economic variables that have a significant impact on the sales of businesses and therefore has a major impact on the profit sustainability of businesses.

When respondents answered the questionnaire, 40% indicated that they think it has an impact on the sales of their firm, 10% indicated that it has no impact, and 50% of respondents indicated that they were undecided; however, when asked to indicate how consumer confidence effects the sales of their businesses; 0% of respondents indicated that it increases sales, 10% indicated it decreased sales, 40% indicated that they were unsure, and 50% indicated that it has no effect on the sales of their firms. When asked to give a reason for the chosen response, the 10% that indicated that it decreased sales stated, "consumer spending is in a direct proportion to consumer confidence in the economy", but failed to interpret what they meant by that. It seemed like they only said it because that was what they were thought.

This finding gives rise to two possible conclusions, that is; the managers of retail firms are either unaware of the impact of consumer confidence in the economy has on their firms profit sustainability or that the economic variable 'consumer confidence in the economy' does not have any impact on the sales or profitability of retail firms.

5.3 Ethical implications addressed

The function of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities. This means that participants of the research study, the general public who have a stake in the research, academic institution, funding body, community, policy makers, mass media and the

researcher, do not experience adverse consequences or inconveniences during the research process (Louw, 2015).

Ethical issues that affect the participants/respondents are; informed consent, collecting data from participants/respondents, dealing with sensitive information, providing incentives, avoiding harm, confidentiality and deception (Louw, 2015).

The confidentiality of the participants/respondents were assured and the physical and psychological comfort of participants/respondents was prioritised. The participants/respondents were provided with information clearly stating what is required of them during their participation in this research study, including the confidentiality of their identities and how the results will be used. This information was stated in writing and participants/respondents were required to sign a consent form. A copy of this information and the attached consent form is present within Appendix B. The study does not require any sensitive information, no incentives will be provided and the participant/respondent was not subjected to any sort of harm. Participants information is kept confidential therefore they are able to be honest and no harm can come to them or their business because their identities are kept confidential.

Ethical issues in terms of the researcher are; falsifying results, distorting results; bias, misusing information and using inappropriate research methods (Louw, 2015).

The researcher has not participated in the falsifying or distorting of results and will avoid all forms of bias. Participant responses will be stored for a period of 5 years in case any queries related to the falsification of responses is raised the data will be available to be examined. The information provided by participants/respondents will not be used for anything that they are not aware of and have not consented to in writing.

The Independent Institute of Education [IIE] (Pty) Ltd is registered with the Department of Higher Education and Training as a private higher education

institution under the Higher Education Act, 1997. The researcher is required to follow the IIE Ethical guidelines when conducting this research study. The guidelines consist of three fundamental principles that guide ethical research and all three have to be considered when conducting the study.

The first is “Respect for persons”, this includes the respect for intellectual property and the prohibition of plagiarism. This was ensured in the research study. The participants/respondents of the study at hand were informed in detail of the purposes of the research study by the researcher verbally explaining it to them and it will be stated in writing at the beginning of the questionnaire. All participants/respondents were informed by the researcher that they may remain confidential (Louw, 2015).

The second principle is that the participants of the study need to be of “Beneficence”, this research does benefit the participants/respondents, by finding out how the economic variables affect sustaining profits, it assists the business managers in proactively planning and the prevention of loss of profitability.

The third fundamental principle is “Justice”; the researcher needs to insure that the research is fair, valid and reliable. The research study should be characterised by “reasonableness, truthfulness and integrity”. To provide all fairness to the participants/respondents, the researcher verbally explained to the participants/respondents what their role is in the research study and provided them with all the required information. This information was also given to them in the form of an explanatory information sheet (which has been included in appendix B of this research report). How the researcher further upheld the third principle had been discussed under the validity, reliability and trustworthiness of the research study.

This research study does not include any sensitive information or topics, neither does it work with vulnerable groups and therefore the researcher was not subjected to the additional ethical constraints regarding these.

5.4 Limitations

Limitations are constraints present in a research study that are out of the researcher's control. Clearly defined limitations guide the researcher in reporting his/her findings, and support the reliability and validity of research findings within the scope of the study. Limitations of this study were time (this is a one year study) and money. The time and money limitations caused the inability to travel all over South Africa, therefore, the researcher concentrated on one town, Scottburgh. Bearing in mind the limitations, questionnaires used as they are inexpensive to produce and take less time to complete and interviews were conducted (Enslin, 2015).

5.5 Recommendations for future research

The study of how business owners/managers in South Africa from foreign countries whom do not understand English or any other one of the national languages are able to operate businesses, successfully obtain profits and understand their customer requirements and complaints.

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7 APPENDICES

7.1 Appendix A

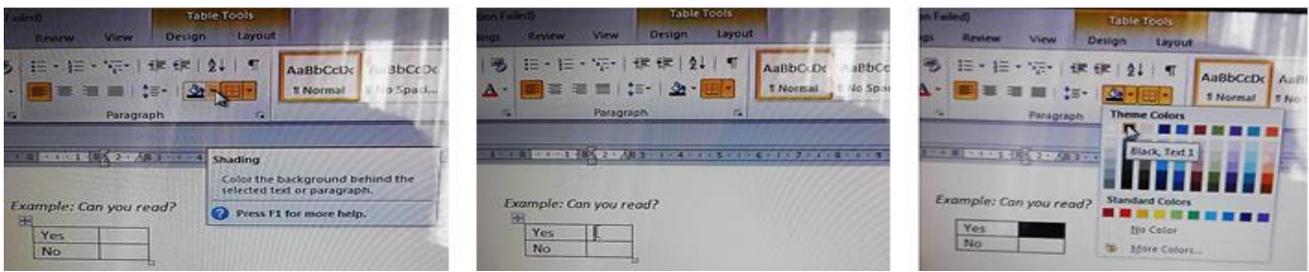
THE BUSINESS OF STAYING IN BUSINESS

I, Sadhana Dhaja an honours student, at The Independent Institute of Education, Varsity College-Westville invite you to participate in a research study on managers' perceptions of the influence of economic variables on profit sustainability of retail firms in Scottburgh.

Through your participation, I hope to understand if and in what way, is the profit sustainability of your firm influenced by the economic variables.

Please remember, "Your participation in this project is voluntary. You may refuse to participate or withdraw from the study at any time with no negative consequences. Anonymity of records identifying you as a participant will be maintained."

Example:



This questionnaire should take approximately 2 – 5 minutes to complete

Please complete the following questionnaire with specify regard to the enquiry. Use the shading tool to colour the appropriate box when required. All shading must be done in black.

➤ Occupation

Manager	
Owner	

➤ Please indicate which percentile category your profit margin is within

0% - 9%	
10% - 19%	
20% - 29%	
30% - 39%	
40% - 49%	
50% - 59%	
60% - 69%	
70% - 79%	
80% - 89%	
90% - 100%	

	Question	Strongly Disagree			Undecided		Strongly Agree	
		1	2	3	4	5	6	7
1	The unemployment rate has an effect on the rate of sales of the business.							
2	A consumer's level of remuneration has an effect on the rate of sales of the business.							
3	The inflation rate has an effect on the sales of the business.							
4	Interest rates have an effect on the rate of sales of the business.							
5	The tax rate has an effect on the rate of sales of the business.							
6	The level of confidence the consumers have on the economy has an effect the rate of sales in the business.							
7	The fluctuation of economic variables significantly affects the business's profit sustainability.							

	Question	Strong Increase in Level of Sales			Not Sure	Strong Decrease in Level of Sales			No Effect
		1	2	3	4	5	6	7	
1	How would an increase in the unemployment rate affect the rate of sales in the business?								
2	How does an increase in a consumer's salary and wage affect the rate of sales in the business?								
3	How would an increase of the inflation rate affect the sales in the business?								
4	How would an increase in interest rates affect the rate of sales in the business?								

5	How would an increase in the tax rate affect the rate of sales in the business?								
6	How does the level of confidence of consumers in the economy affect the rate of sales in the business?								

***Thank you so much for taking your time to complete this survey.
Your participation is much appreciated.***

EXPLANATORY INFORMATION SHEET

To whom it may concern,

My name is Sadhana Dhaja and I am a student at The Independent Institute of Education (IIE) Varsity College, Westville Campus. I am currently conducting research under the supervision of Wilma Brent about managers' perspectives regarding the influence of profit sustainability in retail firms. I hope that this research will enhance our understanding of knowledge on how managers perceive the influence of economic variables on retail sales and assist in guiding how they do business in order to secure profit sustainability in retail firms, assisting them to not only survive, but to be profitable as well

I would like to invite you to participate in my study. In order to explain to you what your participation in my study will involve, I have formulated questions that I will try to fully answer so that you can make an informed decision about whether or not to participate. If you have any additional questions that you feel are not addressed or explained in this information sheet, please do not hesitate to ask me for more information. Once you have read and understood all the information contained in this sheet and are willing to participate, please complete and sign the consent form below.

What will I be doing if I participate in your study?

I would like to invite you to participate in this research because you are a manager of a retail firm. If you decide to participate in this research, I would like for you to answer a questionnaire based on the economic variables. The questionnaire should take approximately 8 – 10 minutes to complete and requires your personal perspectives. There are no incorrect answers as it is based solely on your views as a manager of a retail firm.

You can decide whether or not to participate in this research. If you decide to participate, you can choose to withdraw at any time.

Are there any risks/ or discomforts involved in participating in this study?

Whether or not you decide to participate in this research, there will be no negative impact on you. There are no direct risks or benefits to you if you participate in this study. If you find at any stage that you are not comfortable with the line of questioning, you may withdraw or refrain from participating.

Do I have to participate in the study?

Your inclusion in this study is purely voluntary;
If you do not wish to participate in this study, you have every right not to do so;
Even if you agree to participate in this study, you may withdraw at any time without having to provide an explanation for your decision.

Will my identity be protected?

I promise to protect your identity. I will not use your name in any research summaries to come out of this research and I will also make sure that any other details are disguised so that nobody will be able to identify you. Nobody else, including anybody at IIE Varsity College, will have

access to your interview information. I would like to use quotes when I discuss the findings of the research but I will not use any recognisable information in these quotes that can be linked to you.

What will happen to the information that participants provide?

Once I have finished accumulating all answered questionnaires, I will write summaries to be included in my research report, which is a requirement to complete my Bachelor of Commerce, Honours Degree. You may ask me to send you a summary of the research if you are interested in the final outcome of the study.

What happens if I have more questions about the study?

Please feel free to contact me or my supervisor should you have any questions or concerns about this research, or if there is anything you need to know before you decide whether or not to participate.

You should not agree to participate unless you are completely comfortable with the procedures followed.

My contact details are as follows:

Sadhana Dhaja
062 505 1385
Dhaja68@gmail.com

The contact details of my supervisor are as follows:

Wilma Brent
082 576 8030
Wilma@ccmt.co.za

CONSENT FORM

I, _____, agree to participate in the research conducted by Sadhana Dhaja about managers' perspectives regarding the influence of profit sustainability in retail firms.

This research has been explained to me and I understand what participation in this research will involve. I understand that:

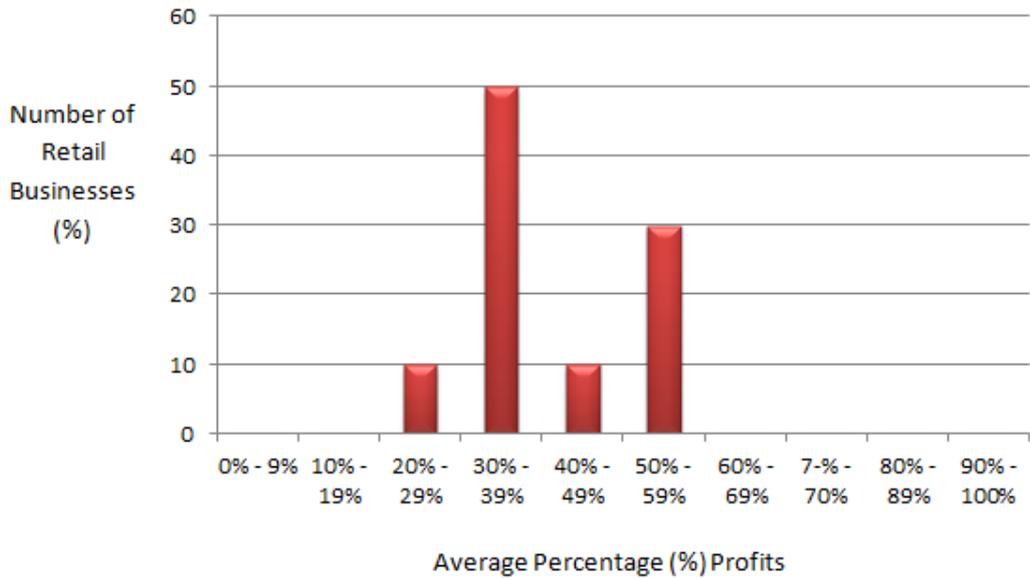
1. I agree to answer the questionnaire and interview for this research.
2. My confidentiality will be ensured. My name and personal details will be kept private.
3. My participation in this research is voluntary and I have the right to withdraw from the research at any time. There will be no repercussions should I choose to withdraw from the research.
4. I may choose not to answer any of the questions that are on the questionnaire and/or interview.
5. I may be quoted directly when the research is published, but my identity will be protected.

Signature

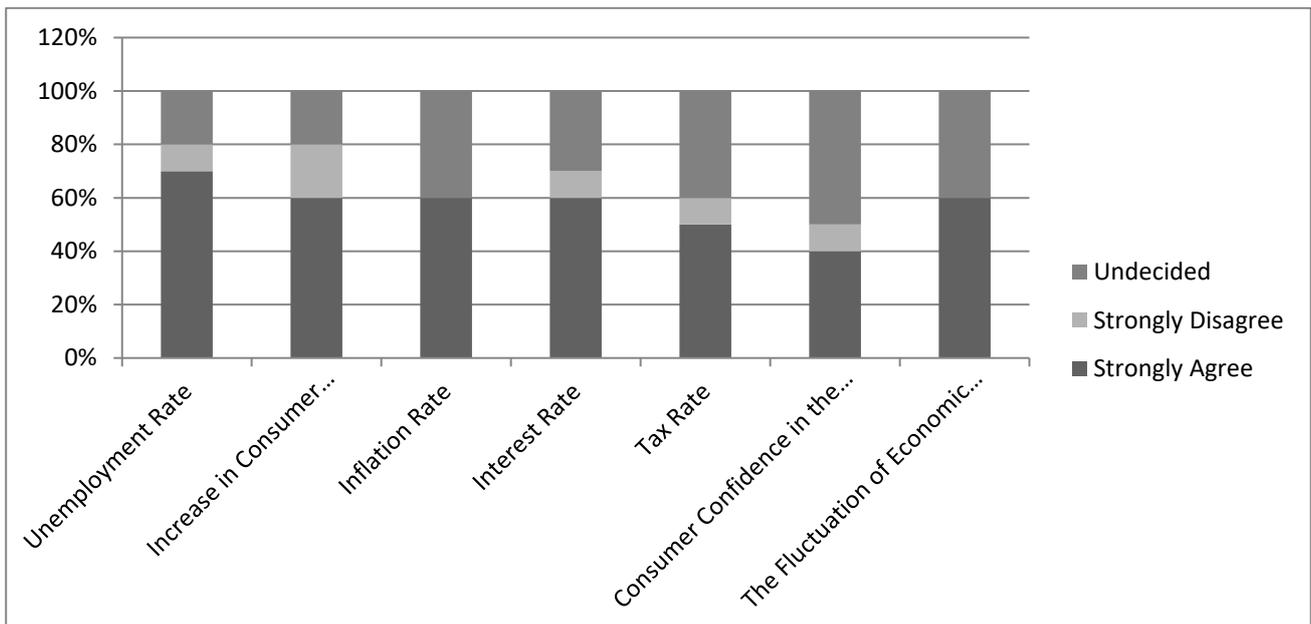
Date

REPRESENTATION OF QUANTITATIVE FINDINGS

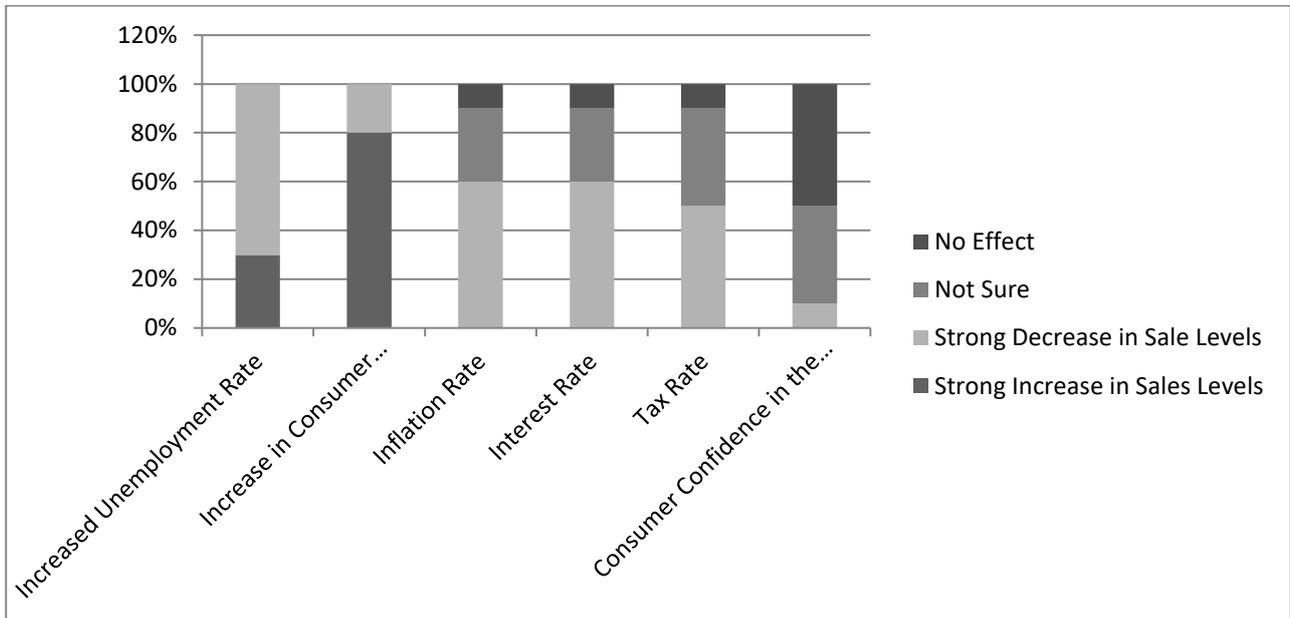
Bar Graph indicating the average percentage of profits of managers that run a retail business in Scottburgh



Bar Graph representing participants' responses to statements claiming that Unemployment Rate, Increase in Consumer Remuneration, Inflation Rate, Interest Rate, Tax Rate, Consumer Confidence in the Economy, and The Fluctuation of Economic Variables has an overall impact on sales have an effect on the rate of sales of the business:



Bar Graph representing participant responses to the type of effect the above mentioned economic variables have on the rate of sales in the business:



7.5 Appendix D

ETHICAL CLEARANCE



ADvTECH House
Inanda Greens
54 Wierda Rd West
Wierda Valley
2196

P.O. Box 2369
Randburg 2125

Tel: (011) 676 8021
Fax: (011) 783 2574

21 June 2017

Student name: Sadhana Dhaja
Student number: 14002375
Campus: Varsity College Westville, Durban

Re: Approval of IIE BCOM Honours in Management Proposal and Ethics Clearance

Your research proposal and the ethical implications of your proposed research topic were reviewed by your supervisor and the campus research panel, a subcommittee of The Independent Institute of Education's Research and Postgraduate Studies Committee.



Your research proposal posed no significant ethical concerns and we hereby provide you with ethical clearance to proceed with your data collection.



There may be some aspects that you still need to address in your proposal. If this is the case, feedback will be provided to you in writing. You will need to address these aspects in consultation with your supervisor.



In the event of you deciding to change your research topic or methodology in any way, kindly consult your supervisor to ensure that all ethical considerations are adhered to and pose no risk to any participant or party involved. A revised ethical clearance letter will be issued in such instances.



We wish you all the best with your research!



Yours sincerely,



Wilma Brent
Supervisor

Natalie Emslie
Campus Postgraduate Coordinator



Directors: RJ Douglas (UK), JDR Oesch (non-executive), A Isaakidis (non-executive) **Company Secretary:** C Koopman

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7.6 Appendix E

SAFE-ASSIGN

10/17/2017

SafeAssign Originality Report



(<http://safeassign.blackboard.com/>)

RESM8419_2017_HBC1_VCDW1 - RESM8419_VCDW1

Assignment 4

Sadhana Dhaja

on Tue, Oct 17 2017, 12:28 AM

9% highest match

Submission ID: fe7772bb-a0f8-446e-a578-ada3b29a770d

Attachments (1)

Sadhana Dhaja - Research Report.pdf 9%

Word Count: 14,548 Attachment ID: 182702409

Sadhana Dhaja - Research Report.pdf

THE BUSINESS OF STAYING IN BUSINESS

A cross sectional, mixed method questionnaire and interview of managers' perceptions of the influence of economic variables on profit sustainability of retail firms in Scottburgh

(RESM8419): RESEARCH REPORT

SUPERVISOR: WILMA BRENT

STUDENT NAME: SADHANA DHAJA

STUDENT NUMBER: 14002375

1 IIE BACHELOR OF COMMERCE HONOURS IN MANAGEMENT

2 VARSITY COLLEGE- DURBAN, WESTVILLE

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