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Assessment of an Organisational Decision and the Financial Performance Among Retail Stores in KwaZulu-Natal, South Africa

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Abstract: The retail sector has become prominent and fast growing since last decade in South Africa and in most countries across the globe. Retailers are making a huge contribution towards the GDP and the sales completed are a central economic measure. The study has found it crucial to scrutinise the decisions made by retailers and find out whether those decisions have an influence on the financial performance of retail stores specifically in the province of KwaZulu-Natal, South Africa. To satisfy the aim of the study, a quantitative research method was adopted. A total of two hundred copies of questionnaires were administered to participants. The questionnaires were sent out to 5 respondents per retail store. Each retail store chosen to participate in this study consisted of two dissimilar outlets. In total, there were 20 retail stores in KwaZulu-Natal selected to contribute to this research and all these stores are listed on the Johannesburg Stock Exchange. Furthermore, the study used Statistical Package for Social Sciences program for coding and data analysis. The Exploratory Factor Analysis (EFA) and Linear regressions were used with the intention of uncovering the relationships that exist between measured variables. The tests exhibited how organisational decisions impact the retail stores' financial performance and the results indicated the following coefficients ($F(1, 159) = 21.382$, $p<.0005$). The results showed that a constructive association exist between the variables established in the study. Therefore, this study's findings corroborated prior research findings. The study further makes suggestions to resolve a lot of apprehensions about organisational decisions and how retailers can improve their financial performance since there is a connection between decisions made by the company and financial performance. Taking the suggestions and recommendations of the study into consideration, retailers can enhance their financial performance and make an improvement in future organisational decisions. Additionally, implementing different financial strategies can enhance sales, and growth to meet the company's objectives. Consequently, as the retail stores progress, the economy is not enfeebled by a diminution from the retail industry's contribution to the GDP of South Africa.

Keywords: Organisation Performance, Exploratory Factor Analysis, Financial Performance Analysis, Johannesburg Stock Exchange, Inflation

1. Introduction

What are organisational decisions one may ask? Kenton [7] explains that organisational decisions are approaches relating to more than one branch of knowledge. A different approach is considered to conclude decisions in a doubtful environment which will be most advantageous to the business. A lot of companies aspire to be successful entities. The core reason for starting a business is to acquire profits subsequent to providing a particular good or service. In this case, retail stores hope to increase profits by improving their financial performance. Financial performance can be increased if retail stores keep their loyal customers, make more sales, and retain competent employees as these determine the success of a business. Many retail stores overlook the basic principles that need to be followed as they are the ones that direct the flow of a successful business. It is of utmost importance that retail stores are guided by these principles and the correct skills that employees should have. Management has a big role in the business as they are responsible for planning, leading, organising, and controlling.

There are many issues that might affect decision-making for the business, like inflation. According to Aravindan [2], the retail business requires managers who can easily adapt to change and make good decisions for the company. Additionally, there are certain skills that managers should have like, great leadership skills, good communication and good customer service. Without proper skills and awareness of current information concerning the retail store, the strength and the way the business financially performs might be threatened. Al Shahrani and Zhengge [1] articulate that the intent of every business whose purpose is to obtain profit hopes to improve its financial performance. The intent can be achieved depending on how effective the staff and management are when being assessed. Additionally, it is speculated that for retail stores to maintain their financial performance, they should align their employees with resources, training, guidelines and tactical responsibilities. This can be done in a principled manner which will bring about a prolonged competitive advantage. Furthermore, if management makes use of the financial performance and other performance measures that are non-financial to appraise the retail store's performance, the store will be heading in the right direction in achieving its main goal. Retail stores will be able to strategize on making informed decisions about their company based on the outcome of their financial performance.

This paper is aimed to investigate how organisation decisions affect the financial performance of retail stores in KwaZulu-Natal (KZN), South Africa.

The study is noteworthy because, for a profit-oriented business to be a going concern, it must improve the business quality and financial performance which is channelled through decisions made by management. Without proper organizational decisions taken, the best results of the retail store's financial performance will not be achieved.

This paper is ordered according to subsections. The second section highlights the literature review. Followed by, methodology, analysis of data and clarification of findings. Lastly, the conclusion, recommendation, limitations of the study and suggestions for further study are made.

2. Literature Review

2.1. Empirical Review on the Impact of Organisational Decisions Against the Financial Performance

Saxena [8] mentions that one needs to put effort and have the confidence to be able to make decisive decisions for the business. The same confidence you have will affect the confidence of others. Therefore, the end results of any objective you have will be achieved easily. In addition, every organisation has its own objective which is accomplished along with a high level of performance. The relationship management has with the employees can directly affect the level of performance. Furthermore, how effective the organisation will be is highly dependent on the coordination and decisions made. A lot of organisations don't do well in decision-making because there is a lack of trust between staff.

Among many fundamental issues in the country or globally, inflation remains a big influencing factor in organisations when decisions are made. Due to these influences, financial performance will be affected in the retail store if the right assessment is not made. According to Hillier, Hodgson and Ngole [14], the abrupt increase in inflation is averted by mysterious cultures from being seen by users of financial statements. Correspondingly, accurate balance sheet items will not be revealed so that the financial statements can be disguised to attract investors and avoid providing a report due to bad results. While companies succeed in making these concealments, investors might find out about them and decide to take their business elsewhere. Because of this, the retail business will lose investment opportunities, profits, and goodwill. Proper organisational decisions are very effective in the performance of the retail store.

Al Shahrani *et al.* [1] state that employees of the business are highly dependent on the level of financials that the store has performed in order to receive solid benefits. These benefits include bonuses, promotions and other benefits which are dependent on the retail store's bottom line. By this actuality, one can put emphasis that the profits of the company are determined by its operations, managerial decisions, and financial performance. Furthermore, the determinant aspect of how large the store's magnitude is has been authenticated by various researchers. Still, a good business decision needs to be made by relevant employees of the company because this will affect the success of the company. As a result, the retail store's determinant aspect is significant seeing that it positively influences the financial performance. On the other hand, there is a disagreement that the leverage ratio can affect the retail stores' financial performance positively. The argument is that market forces in the retail store environment can also be the reason that brings out these circumstances.

The Research Hypotheses:

H_{01}: Organisational decisions have no effect on the financial performance of KZN retail stores.

2.2. Theoretical Review

Different theories highlight that psychology, statistics, philosophy, and mathematics can be used in the decision-making process Kenton [7]. According to Kenton [7], prescriptive decision theory gives guidance to come up with the appropriate decision during a period of uncertainty. Moreover, analysing the predictable and the unpredictable variable can still lead to a problematic decision. During unpredictable situations, management has a problem when the results of that decision taken are not based on their personal decision. Meanwhile, it is a different case when management is guided by guidelines to conclude a decision and it is usually the best decision for the business.

2.3. Theoretical Framework

Augier [3] states that decisions made in the organization are based on its goals, political conceptions, and adaptation of rules in place. Additionally, decision-making takes place in response to a problem therefore procedures and routines should be made to achieve a certain goal. This study will be hinged on the prescriptive decision theory because it is more connected to this study.

2.4. Conceptual Review

2.4.1. Financial Performance and Financial Performance Analysis

According to Otambo [22], financial performance evaluates the outcome of a company's operations and its policies in terms of money. This evaluation reflects the business' return on investment and returns on assets. It is shown after a certain time, which reflects the overall health and compliance of the company. Moreover, a comparison can be made of the company's performance with other companies in the same business sector. Tekaten [11] highlights that financial performance analysis is a way of pointing out how strong or weak the company is. It may be done to find out the connection between the income statement and the balance sheet. Likewise, the analysis process includes selecting information carefully from financial statements to make predictions of the company's financial state.

2.4.2. Significance of Financial Performance Analysis

Different groups of people may have an interest in or be affected by the way a business performs financially. In addition, various groups (investors, management, creditors and so forth) that scrutinize and analyse financial performance vary depending on the type of interest related Metcalf & Titard [13]. Financial performance analysis is significant to these groups because it assists investors to assess the risks of investments; allows management to have an indication of the financial position of the company (whether it has improved or not); and helps creditors to determine any credit risk that may Ojala, Kinnunen, Niemi, Troberg and Collis [12].

2.4.3. Techniques Used to Analyse Financial Performance

Many accounting techniques are used for financial performance analysis. This study only focuses on ratios that are important for retail stores. The Return on asset (ROA) ratio is the most suitable for this study. The choice behind selecting this ratio from the many explained ratios is that the ROA ratio measures how effective the economic unity is when using its assets to generate profit for retailers. In addition, the choice was determined by information accessibility. The economic unit stands a better chance of increasing if this ratio is higher Amahalu, Abiahu, Obi & Okika [9]. Ratios reveal the relationship between two or more things in a numerical way. This relationship can either be shown as a percentage, a fraction, or a proportion of numbers. According to Sowden-Service [10], retail stores may use other ratios like; current ratio, working capital ratio, debt structure ratio, equity ratio and gross margin ratio etcetera).

2.4.4. Determinants of Financial Performance for the Retail Stores

Organisations' decisions are affected by many aspects that determine the financial performance of the retail store. Some of these aspects are age, employees, customers, and profitability of the retail store.

2.4.5. Age of the Retail Store

Gabow [6] mentioned that is it important to build a connection, between the age of the firm along with financial performance. This theory is believed to be pertinent even in practice. Furthermore, efficiency stems from the age of the firm. In a different view, it can also be negative on efficiency since it requires a lot of training, skills and the right attributes from management and staff. Matteo [25] suggests that big firms are most likely to dominate their environment, while as the firm ages, it gets little power to tackle upcoming challenges. Therefore, new firms take a longer time to adjust to the new environment. On the other hand, Navaretti, Giorgio, Castellani, and Pieri [26] disagree that older firms have dominance over young firms. Young firms tend to grow far better than their counterparts. Even so, both young and old firms play a momentous position in the economy.

2.4.6. Employees

Heskett, Jones, Loveman, Sasser and Schlesinger [23] contends that clients and workers are prioritised in service organisations. Good service is the key to a successful business and includes important facets like good management and the measurements being used. the argument can be linked to the relationship between the business and customers. From there, it can be noted that there are drivers that are driven by other business requirements to put the organisation in a place where it is able to grow and start making a profit. Amine and Emad [4] emphasise that the performance of retail firms can be influenced by the major role employees have since they are the once's whom clients revert to when having queries. Heskett et al. [23] suggest that retail stores should be giving their workers enough training and do several performance appraisals. Additionally, as a token to appreciate and recognise the employees' efforts, incentives and gifts should be offered so that customer service will always be at the top. DeHoratius and Raman [24] agree that incentive design is associated with a profit improvement of 4.2% of sales. This is an indication that managers and employees are compensated for their hard work which impacts the performance of retailers.

2.4.7. Customers

Deen [5] indicates that competitors can be a threat to your business. Every retailer wants to be the only store that attracts more customers and offers the best services. Competition makes retailers keep prices abreast with other retailers because if their markup is too high chances are customers will be driven to cheaper yet the same products in other stores. Customers are valued in the store as they are the reason why the business was initially started, to offer products or services to customers and get profit from it. Furthermore, most retail stores know that technology and trends attract customers**.**

2.4.8. Profitability

Sowden-Service [10] explains that the gross margin (profitability) ratio is calculated by subtracting the cost of goods sold from total revenue and dividing total revenue. The gross margin ratio is completely different from the profit margin ratio. This calculation measures how efficient the company's financial performance is and gives a clear picture of the company's ability to grow in dimension or complication, as well as measures how profitably the business is able to make sales from its inventory. One way to increase this ratio is to purchase cheap inventory and keep the costs as low as possible. A higher profit margin will show that the performance of the business has risen.

Conceptual framework

Source: Researchers' Design (2022)

Figure 1. *Conceptual Framework.*

Figure 1 portrays the connection between organisational decisions (control variable) and the retail stores' financial performance (response variable).

3. Methodology

The type of method used to quantify the gathering and analysis of data is quantitative. Even though the study has opted to use primary data, the research method is quantitative as the data will be collected from a questionnaire. In addition, the questionnaire has a five-point Likert scale that has closed-ended questions. The retail stores in South Africa are quite many. As a result, only listed retail stores in the Johannesburg Stock Exchange (JSE) will be communicated with so that there won't be survivorship bias on non-listed retail stores. Moreover, to reduce the sample size, 20 retail stores were visited in KZN. There are about 30 retail businesses listed in SA[1]. The number was reduced since other remaining listed stores in other areas were remote from the researcher's location. The technique adopted to choose the listed retail stores in the KZN area was census sampling. Bryman and Bell [18]; Etikan, Musa and Alkassim [19] agree that census sampling is the gathering of information from a particular percentage of the population. The study has obtained approval from the research committee and ethical clearance was granted before the stores could be asked to participate in the research. The questionnaire prepared was duplicated to make two hundred copies. These copies were then issued to the selected stores of a different branch. Additionally, each branch had two retail outlets. In total there were 20 stores visited that are listed on the stock of exchange. Each retail store had 5 participants.

In no particular order, the participants were accounts clerks, financial managers, Accountants, Junior Accountants, and bookkeepers. The researcher had two options to collect the questionnaires issued. Firstly, the participant was given the option to complete the questionnaire and hand it in immediately after completion. Secondly, the researcher allowed the participant to keep the questionnaire and the researcher can collect it at a specified time or day provided by the participant. The percentage response was 80.5% which is considered an impressive rate. Kumar [21] suggests that a high response rate is usually driven by good relationships with businesses or customers and a good approach. A low percentage of 19.5% was non-response by the participants. This percentage was made up of unanswered questionnaires from the participants. Of the 200 administered questionnaires, 161 were completed and 39 were not. To analyse the information collected, the Statistical Package for the Social Sciences (SPSS) was used. Furthermore, to find out factor constructs for each item used to measure the study objectives, the Exploratory Factor Analysis (EFA) was completed. After that, a test to determine whether each of the constructs used was reliable, the Cronbach's alpha test was conducted. According to Ravinder and Saraswathi Kumar [27], Cronbach's alpha coefficient (a) is engaged to quantify how reliable the score is and summarize the information of items contained in the questionnaire. As a result, this method of testing is commonly used for testing reliability.

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1: www.jse.co.za

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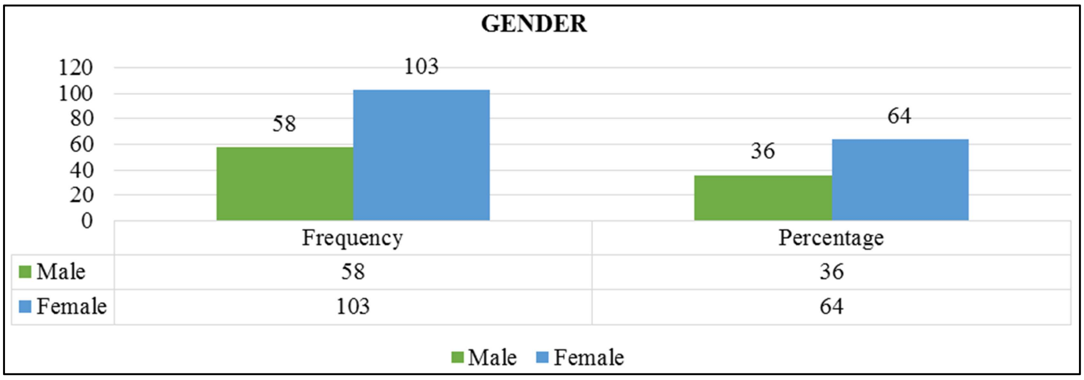
4. Data Analysis and Hypothesis testing

4.1. Demographic Information Analysis

The demographic segment of the questionnaire stimulated classifications of demographic statistics from people who responded to the questionnaires and this part involves gender. the survey respondents, which included gender. The chart below shows details of the respondents' demographic information.

Gender

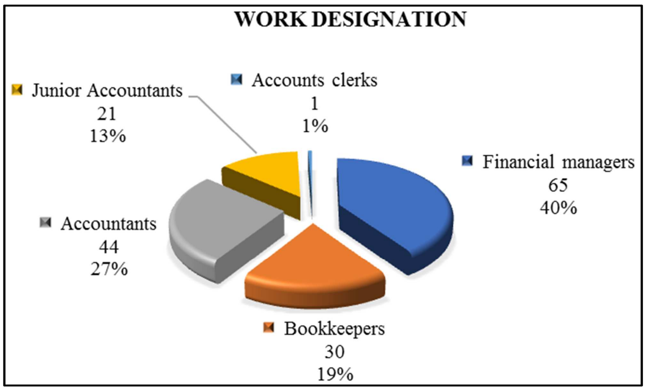


Source: Researcher (2022)

Figure 2. *Gender of participants.*

Figure 2 shows that males who responded were 58 which is 36%. Females who participated were 103 which is 64%. The statistical analysis highlights that most people who participated in this research were females. females.

4.2. Work Designation



Source: Researcher (2022)

Figure 3. *Work Designation.*

Figure 3 shows the work designation of respondents who contributed to the study. This included bookkeepers, junior accountants, financial managers, accountants and accounts clerks. The percentage contribution was 19%, 13%, 40%, 27% and 1%, respectively. Outcomes reveal that the largest number of responses came from financial managers.

4.3. Exploratory Factor Analysis Test (EFA)

An Exploratory Factor Analysis (EFA) was adopted to investigate the factor structures of items employed to measure each of the constructs evaluated in this study. In addition, the EFA has been utilized to lower measurements and remove data that has missing or incomplete information. This method of testing is of great importance to make sure that there is some sort of one-dimensionality. An additional form of analysis like the Principal Component Analysis (PCA) assists in determining the factors that are required to be pulled out. According to Jolliffe and Cadima [20], PCA is a system that can be used to lower the linearity of datasets. Moreover, it reduces the loss of important information and enhances interpretation.

The KMO test determines the sufficiency of the study sample size which also assists to measure the suitability of the information for factor analysis. According to Hayakawa [15], the acceptable value for the KMO results starts from 0.5. What is more, if the value is at 0.6, it is regarded as being average. On the other hand, if the KMO is on points 0.7 and 0.8, it is considered a good result. While 0.9 onwards is excellent. The eigenvalue of a matrix that displayed factor loadings of 0.5 onwards was kept for further analysis. And the loadings that did not reach 0.5 inclusive of cross-loaded items were eked out and were not reserved for the analysis in the final stage. Removing the weak loading meant that the feedback given by the participants was not strong enough to make a difference in the variables tested.

Table 1. *KMO and Bartlett's test.*

Kaiser-Meyer-Olkin measure of Sampling adequacy		
Bartlett's test of Sphericity	**Approx. Chi-Square**	**.824**
	df	13530.302
	Sig.	.000

Source: Researcher (2022)

Table 1 demonstrates the outcomes of the factor analysis. The KMO score for this study is 0.824. This shows the adequacy of the sample size. The Bartlett Test of Sphericity is noteworthy at 0.000 and this result justifies the reason behind conducting the EFA. The Tables below reveal the factor loadings of the items with different ranges that are acceptable in this study with regard to the reliability of results from the analysis.

Table 2. *Factor: Organisation Decision (ORGD).*

ORGD items extracted	**Factor loadings**
ORGD 1	.724
ORGD 2	.707
ORGD 3	.650
ORGD 4	.503
ORGD 5	.637
ORGD 8	.613
ORGD 9	.599
ORGD 11	.611
ORGD 12	.615
ORGD 13	.688
ORGD 14	.586
ORGD 15	.505
Cronbach's alpha	No. of items
.891	Twelve

Source: Researcher (2022)

Table 2 illustrates the acceptable factor loadings of the items retained. There is no reliability question of doubt since the loadings range from 0.503 to 0.724. A numerical illustration of <1.0 but not less than 0.5 is reliable and provides the study with accuracy in the test of coefficients (De Boeck, Cho and Wilson [17]). There is appropriateness in the variables for organisational decisions. Also included in this table are factor questions of organisational decisions shown as ORGD from 1 to 15. Three loadings were eked out from the list of factors as they did not meet the minimum 0.5 thresholds. The loadings were ORGD - 6, 7 and 10. The Cronbach's alpha for the twelve accepted loadings is 0.891.

Table 3. *Factor: Performance Monitor (PEMO).*

PEMO items extracted	**Factor loadings**
PEMO 1	.750
PEMO 2	.557
PEMO 3	.600
PEMO 4	.609
Cronbach's alpha	No. of items
.849	Four

Source: Researcher (2022)

Table 3 shows that one factor (PEMO 5) out of 5-factor items was not retained and four factors were kept as they all had results above 0.5. The performance monitor questions that are shown in the table above are PEMO – 1 to 4. They are reliable factors that were used. Hence, only those four were accepted. The Cronbach's alpha for the four accepted loadings is 0.849.

Table 4. *Factor: Perspectives Considered when Introducing Performance Measurement (PCPM).*

PCPM items extracted	**Factor loadings**
PCPM 1	.598
PSCPM 2	.682
PCPM 3	.687
PCPM 4	.770
PCPM 5	.682
Cronbach's alpha	No. of items
.830	Five

Source: Researcher (2022)

Table 4 explains the loadings of factor items kept for analysing the standpoints considered when introducing performance measurement. Fortunately, no item was dropped as all the factors were above the threshold of 0.5. The questions indicated in the table above are written as PCPM from 1 to 5. The value 0.830 is Cronbach's alpha of the items that were reserved.

Table 5. *Factor: Non-Financial Performance Measures (NFPM).*

NFPM items extracted	**Factor loadings**
NFPM 1	.740
NFPM 2	.688
NFPM 3	.723
NFPM 4	.744
NFPM 5	.720
Cronbach's alpha	No. of items
.924	Five

Source: Researcher (2022)

Table 5 expresses the factor items that were kept to feedback from the non-financial performance measures constructs. Items extracted were NFPM as illustrated in the above table which is from 1 to 5 and all these items did not have factor results of less than 0.5. As a result, no item had to be disregarded. Lastly, after completion of the EFA, Cronbach's alpha for the retained items came to 0.924.

Table 6. *Factor: Employee Performance Review (EPR).*

EPR items extracted	Factor loadings
EPR 1	.579
EPR 4	.688
EPR 5	.663
EPR 6	.707
EPR 7	.656
Cronbach's alpha	No. of items
.903	Five

Source: Researcher (2022)

Table 6 represents the employee performance review factor items used for the analysis. In the table above, the different questions scrutinized for this factor are shown as ERP which ranges from 1 to 7. Altogether, there were seven items extracted but five of them only passed the stage of keeping them. The items kept were ERP 1, 4, 5, 6 and 7. So, ERP 2 and 3 were removed as they did not meet the minimum 0.5 mark. Cronbach's alpha for the factor items retained is 0.903.

Hypothesis: Organisational decisions are not significantly associated with the financial performance

Table 7. *Model summary: Regression model and Coefficient table.*

Variables in the equation	B	Beta	t	p-value	R^2	F	df	p-value
Constant	22.627		9.075	<.0005	.119	21.382	1; 159	<.0005
Organisation decisions	-.279	-.344	-4.624	<.0005				

IV – Organisation decisions; DV – Financial performance
Source: Researchers (2022)

To determine the relationship between the dependent variable and the independent variable, a regression analysis was done. The results are summarized in Table 7. The R^2 value of 0.119 tells us that organisational decisions account for 11.9% of the variance in financial performance. Therefore, there is a significant direct correlation between organisational decisions and financial performance, F (1, 159) = 21.382, p<.0005. The independent variable, organisational decisions, is a considerable prognosticator of financial performance, B= 0.279, p< 0.0005. As a result of this outcome, hypothesis H_0 has been excluded. Consequently, organisational decisions do influence the financial performance of KZN retail stores. The findings of this study are in line with Dirsu, Woorlu, Osibananjo, Salau, Borishade, Meninwa and Atolagbe [16] who found a constructive interconnection between organisational decisions and financial performance in the hospitality industry. The equation for this model can be written as; Financial performance = 22.627 + 0.279.

Organisational decisions are significantly associated with the financial performance

5. Conclusion

The motivation behind this paper was to examine whether organisational decisions impact the financial performance of the retail store. The findings in this study are closely related to Dirsu *et al*. [16]. Based on the findings from the empirical study, it appears that it is important for management to make proper business decisions, make sure employees follow guidelines, make sure employees understand what is expected of them and always deliver results above average. Above all, management and employees should always act in the best interest of the retail business. In that way, the goal of achieving the most conducive outcome of financial performance will be achieved. Finally, suggestions are made relating to the ways in which a business can improve its financial performance and the reasons why organizational decisions should be a made scrutinized in retail businesses. In the end, organisational decisions do have a huge influence on the financial performance of retail stores. Bad organisational decisions taken will affect the financial performance of the company. On the other hand, a financial statement will be compromised by having a bad indication of the company's financial state through incorrect decisions taken by management.

6. Recommendations

Based on the findings of the study, the following is hereby recommended:

The study advises that retail stores should carry out different tactics to increase staff performance. This can be applied by having bonus incentives for the staff that have performed well and introducing an open-door policy for staff to feel comfortable learning from one another. Furthermore, a good relationship with the employees builds up a positive working environment and increases productivity and performance. Employees involved in forecasts should be measured against their individual track record performances. The performance track record should be monitored regularly as this will show exactly where the employee is slacking.

7. Limitations of the Study

It has come to the researcher's attention that many have limitations in their research since this study has its own limitations. Firstly, this study had a lot of people who wanted to participate, but only those within the retail field (the KZN retail store listed on the JSE) were able to take part. Furthermore, because the retail industry is very large, it is very difficult to verify whether conclusions and findings would be the same had the study not been limited to only listed stores. Secondly, some stores could not participate due to strict confidentiality rules. Thirdly, some important aspects were not covered thoroughly due to time and budget limitations. Moreover, the accuracy of findings was mainly dependent on the data that was obtained, as the study used primary data. It is noteworthy to say all these imitations have no negative effect on the findings of this study.

8. Suggestions for Further Study

The study was able to assess how organisation decisions affect the financial performance of retail stores in KZN. To allow for a generalization of results, further studies can be done on other industries. Some industries may be different in the way organisation decisions affect their financial performance. In addition, further studies similar to this study should be carried out in order to measure whether related findings could be given away with regard to how the organisation's decisions affect financial performance.

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