STRATEGIC PLANNING: EFFECT ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN LAGOS, NIGERIA

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STRATEGIC PLANNING: EFFECT ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN LAGOS, NIGERIA

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Abstract

The study examined the relationship between the use of strategic planning and performance in SME sector. In spite of the seemingly increased interest in the running of small and medium enterprises in Nigeria, along with a greater institutional support to sustain the sector, performance appears to be below expectations. It has been indicated that such poor performance of SMEs is possibly due to varied attitudes toward strategic planning. A descriptive and regression analysis with the aid of SPSS was used for analysis purposes. The study revealed that there is a significant relationship between the use of strategic planning and SME performance ($r=0.604$, $F_{1,480}=275.484$, $p<0.05$). The percentage of variance in SME performance explained by strategic planning is about 36.5%. It was revealed that SMEs in Lagos State practiced and used formal strategic plans in their operations. The implementation of working strategic plan as indicated by the respondents has contributed to the significant growth in sales of the organization relative to the market leader in the industry (77.2% strongly agreed) and higher net profit position (79.5% strongly agreed). It was recommended that the Small and Medium Enterprises in Lagos State, Nigeria should embrace the use of strategic planning as a tool and a concept to be used in achieving organizational performance. The SME owner/manager needs to have a full understanding of the industry in which it operates so as to cut an edge for the organization.

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Keywords: Strategic planning, performance, SMEs, Lagos

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1. INTRODUCTION

The development of any economy in the world cannot be achieved without vibrant Small and Medium Enterprises (SMEs) (Muritala, Awolaja, and Bako, 2012). Developed economies relied more on the development of the SME sector in order to achieve and sustain their economies. Safiriyu and Njogo (2012) opine in their study that the SME sector is a very critical factor in the attainment of economic prosperity while Muritala, et al. (2012) assert that there is a meaningful relationship between the importance of SME and economic growth and development of a country. Many developed economies have attributed their growth and development to a successful and virile SME sector and the developing economies also considered the sector as the ‘engine for economic development (Ale, Ahmed and Taha, 2010).

The small and medium scale enterprises have contributed to the growth and development of many countries in terms of employment generation thereby leading to poverty reduction or eradication and the Gross Domestic Product (GDP) as well as export (Onugu, 2005). According to Agu and Nwachukwu (2012), the development of SMEs is one of the necessary conditions for economic development and industrial development while Ayozie (2011) and Idowu (2012) see the SMEs as the backbone of economic development. According to Gbandi and Amissah (2014), the SME sector contributed greatly to the economic success of some Asian countries especially the Asian Giants. Furthermore, the report of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in its report published by the National Technical Working Group (2009) stated that the SMEs in the United Kingdom contributed up to 54% to employment generation and poverty eradication. In the same vein, Belgium and Ireland also recorded 66.6% and 66.5% respectively. Developing economies such as China and South Korea were also able to achieve up to 75% and 70% respectively while Nigeria has only been able to achieve 10%.

Oni and Daniyan (2012) observe that there have been a shift from capital intensive and large scale industrial projects to small and medium scale enterprises since the 1981 Economic Reform in Nigeria because this will help in propelling the economy towards development. However, Ojo (2009) states that one of the responses to the challenges of development in developing countries like Nigeria is the encouragement of the SME sector. Furthermore, there has been a decline in job accessibility while those who are gainfully employed are not even secured in their employment hence the need for Small and Medium Scale Enterprises.
(SMEs) which have become means of ensuring self-independent, employment creation, import substitution, effective and efficient utilization of local raw materials (Oni and Daniyan, 2012).

Most studies on the SME sector have focused on the issue of external challenges especially finance (Osamwonyi and Tafamel, 2010; Akingunola, 2011; Luper, 2012, Gbandi and Amissah, 2014). Other factors affecting SMEs according to Obiwuru, Oluwalaiye and Okwu (2011), Ogundele, Akingbade, Saka, Elegunde and Azeez (2013) and Aigboduwa and Oisamoje (2013) include: competition, infrastructure, taxes, marketing, economic and management while Ihua, (2009); Abereijo and Fayomi, (2005); and Okpara and Wynn, (2007) supported the findings that poor financing and inadequate infrastructure are the most critical challenge facing the SME sector. These factors have been studied by several researchers nonetheless an internal factor such as planning has been neglected. For emphasis, it has been indicated in the literature that such poor performance of SMEs is possibly due to varied attitudes toward strategic planning. It has been mentioned that some SMEs do not even have strategic plans and as a result they encounter performance irregularities (Ofori and Atiagbe, 2012; Danso, 2005). Could it then be said that the effective use of strategic planning can actually improve the performance of SMEs in Nigeria? This study is aimed at evaluating the relationship between the use of strategic planning and performance in SME sector Lagos, Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Framework

2.1.1 Strategic Planning (SP)

The word ‘strategy’ has been defined in diverse ways by various authors in the field of management. According to Chandler (1962), strategy is “the determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals”. Quinn (1980) on the other hand, defined strategy as “the pattern or plan that integrates an organization’s major goals, policies, and action sequences into a cohesive whole” while Sharpin (1985) posits that “a strategy is a plan or course of action which is of vital, pervasive, or continuing importance to the organization as a whole”. Aremu (2010) posits that strategy is very useful in order to coordinate activities of an organization towards the achievement of goals and objectives.
Johnson and Scholes (1993) describe corporate strategy as “a strategy based on the experiences, assumptions and beliefs of management overtime and which may eventually permeate the whole organization”. They also suggested that strategy provided consistency and stability. This assists the organization to focus its resources and exploit its opportunities, skill and knowledge to the fullest.

According to Altinkurt (2010), the term ‘strategic planning’ appeared and was applied before the term strategic management. It was first used in military and business management during World War II (Altinkurt, 2010). According to Drucker (1974), strategic planning is “management by plans, an analytical process and is focused in making optimal decisions”. Ansoff (1977) expanded the definition of Drucker by describing strategic planning as “the process of seeking a better match between a firm’s products or technology and its increasingly turbulent markets.” Strategic Planning is a disciplined effort to produce important and fundamental decisions that will guide the entire organization in its actions today while focusing on the future (Nwachukwu, 2006). Johnson, Scholes and Whittington (2008) sees strategic planning as a form of systemized, step-by-step, chronological procedures to develop the strategy of the organization. It was further suggested that in doing this, the organization should take note of factors such as the internal and external constituencies that will affect the plans and the goals to be achieved.

Strategic planning is used in defining an organization, be it internally and externally. It provides proper understating of the organization to the people and how the organization can be identified amongst its contemporaries. In the literature, strategic management process generally consists of three stages: definition, application and assessment of strategies (Dess and Miller, 1993; Thompson and Strickland, 1993; DeWitt and Meyer, 2004; Ulgen and Mirze, 2004 cited in Altinkurt, 2010). Defining strategies, the first stage of strategic management process, corresponds to strategic planning, according to Ulgen and Mirze (2004, cited in Altinkurt, 2010).

Strategic planning has steps to be followed in order to have a stable and workable strategy. According to Adeleke, Ogundele and Oyenuga, (2008) cited by Ogundele (2012), the stages of strategic planning include: formulation (environmental analysis, resources analysis, determining the extent to which strategy change is required), strategy implementation and strategy control.
Mintzberg and Quinn (1991) suggested some criteria for strategy evaluation which are – internal consistency, consistency with the environment, appropriateness based on the available resources, satisfactory degree of risk, appropriateness in time horizon and workability. According to Gibus and Kemp (2003), leaders are the ones to formulate their intentions as precisely as possible and ensure their implementation with as little distortion as possible. It was further stated that the leader must articulate his/her intentions in the form of a plan in order to minimize confusion and pre-empt anything that might impede the actualisation of the plan.

To rightly analyze the environments for effective strategy formulation, the literature emphasizes the need to adopt some available tools. The literature explains that the purpose of such tools is to help managers formulate the right strategies (Blahova, 2010). The tools are used to conduct research on the organization’s business environment, and on the organization itself, in order to formulate strategies (Downey, 2007). The adoption and use of a range of techniques of strategic analysis enriches the extent of the planning process. According to Glaister, Dincer, Taloglu and Demirbag (2009), this should be the organizations’ priority due to increased competition. Some commonly known tools are SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis: an external environmental analysis to identify the opportunities and threats facing the organization, and an internal analysis to identify the organization’s strengths and weaknesses (Andrews, 1971; cited in Glaister and Falshaw, 1999). Porter’s Five Forces (industry attractiveness) analysis: advocated by Michael Porter (Porter, 1980; cited by Glaister and Falshaw, 1999) to evaluate the competitive strength and position of a firm (it examines the industry structure); Core capabilities analysis (Prahalad and Hamel, 1990; in Glaister and Falshaw, 1999) – analysis of capabilities that are critical to a business achieving competitive advantage; Value chain analysis – determines activities within the organization that create value for customers; and PEST analysis – is used to understand the political, economic, socio-cultural, and technological environments of a firm.

2.1.2 Overview of Small and Medium Enterprises (SMEs)

Small and Medium Enterprises are considered as the bedrock of any large and developed economies (Muritala, Awolaja and Bako, 2012) even though there are divergent views of what Small and Medium Scale Enterprise (SMEs) really is. While the definition of SME varies from country to country Oshagbemi (1982), Akoja and Balcioglu (2010) mention
some criteria that are used in defining small scale enterprises. According to Fatai (2011), citing Ogechukwu (2005), the general criteria for defining SMEs is “number of employees, annual turnover, local operations, sales volumes, financial strength, managers and autonomy, relatively small markets and capital usually supplied by individual”. In countries such as the USA, Britain, and Canada, small-scale business is defined in terms of annual turnover and the number of paid employees. In Britain, small-scale business is defined as that industry with an annual turnover of 2 million pounds or less with fewer than 200 paid employees (Ekpeyong and Nyong, 1992). It can therefore be concluded that whatever criteria to be used to define SMEs, the above mentioned characteristics are to be considered.

In Nigeria, there is no clear-cut definition that distinguishes a purely small scale enterprise from a medium-scale enterprise. The Prudential Guidelines for Deposit money banks in Nigeria (2010) defined SME as any manufacturing enterprise with a maximum turnover of N500 million and assets of N250 million excluding land and working capital (www.ndic.org.ng/files/Prudential Guidelines5 May2010Final.pdf), while the National Technical Working Group (2009) categorized SME as follows:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Size category</th>
<th>Employment</th>
<th>Assets (=N= Million) excluding land and Building</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Small Enterprises</td>
<td>10 – 49</td>
<td>5 to less than 50</td>
</tr>
<tr>
<td>2</td>
<td>Medium Enterprises</td>
<td>50 – 199</td>
<td>50 to less than 500</td>
</tr>
</tbody>
</table>

Source: NTWG (2009)

Table 2.2: Definition of SME according to various countries

<table>
<thead>
<tr>
<th>Countries</th>
<th>Definition of SMEs</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Employees not exceeding 255, annual turnover not exceeding 50 million euro</td>
<td>Employment and assets</td>
</tr>
<tr>
<td>Belgium</td>
<td>100 employees, annual turnover of not more than 50 million euro</td>
<td>Employment</td>
</tr>
<tr>
<td>United States</td>
<td>1500 employee and $50million dollars</td>
<td>Employment and assets</td>
</tr>
<tr>
<td>Canada</td>
<td>Not more than 500 employees for manufacturing and 50 employees for service industry</td>
<td>Employment</td>
</tr>
</tbody>
</table>
2.1.3 Overview of Organizational Performance

Performance has been defined in terms of how well an organization is managed (Moullin, 2003, in Wu, 2009), and the value the organization delivers to customers and other stakeholders. Laitinen (2002), in O’Regan and Ghobadian (2007:14) define it as “the ability of an object to produce results in a dimension determined a priori, in relation to a target”. Suleiman (2011) sees performance as the reflection of how the organization uses its
resources in such a way that will ensure the achievement of its set objectives. However, Stephen and Edith (2012) assert that performance determines the existence of an organisation in the economy while Mackie (2008) in Stephen and Edith (2012) see organization performance as “the effectiveness of the organisation in fulfilling its purpose ‘Performance’ according to (Adeleke, Ogundele and Oyenuga, 2008) is “a set of processes for establishing shared understanding about what is to be achieved and of managing and developing people in a way which increases the probability that it will be achieved in the short and long term”. Moreover, the determinants of business performance vary. They include: management of employees, the larger market, competition, sources of raw materials and supplies, legal structure and even globalization (Ogundele and Oni, 1995).

Previously, performance was measured based on financial indicators (Boyd and Reuning-Elliott, 1998; Blahova, 2010), with little attention to non-financial indicators (such as quality, stakeholder satisfaction and loyalty). Financial statistics has been argued to be an inadequate measure (Eccles, 1991, in Winterton and Winterton, 1997), identifying other measures to be of equal importance based on the organization’s purpose and its environments. Different performance measures are required for the peculiar strategies of each organization. A firm having survived a complex, dynamic and turbulent environment will consider performance effective (Winterton and Winterton, 1999). Performance measurement is best achieved by using multiple organizational variables (Chenhall and Langfield-Smith, 2007, in Katou, 2008). According to Peter (2005) in Owolabi and Makinde (2012), performance of an organisation can be measured in reduction of environmental footprint, improved occupational health and safety performance, increased customer satisfaction. Other measures of performance are the overall health of an organisation is being evaluated (Kinnandhasan and Nandagopal, 2010); return on assets ratio (Vadeei, Mahmoudi, Khatibi and Mohammadi, 2012); profitability, sales turnover, liquidity, return on investment, market share and size as measures of SME performance (Babatunde, Adeola and Adeyemo (2011). For this reason, and based on the review of relevant literature, this study has adopted a three-dimension performance measure. These are (1). Sustainable Competitive Advantage, (2).Sales Growth and (3).Profitability.

2.2 Theoretical Review

This study is anchorage on dynamic capability theory. The dynamic capability approach has been described by Teece, Pisano and Shuen, (1997:516) as a “firm's ability to integrate,
build, and reconfigure internal and external competences to address rapidly changing environments”. It is an extension of the resource-based view theory. While the resource-based theory focuses only on internal resource efficiency and effectiveness, DCA bridges the gap by accounting for market dynamism (Priem and Butler, 2001; Landroguez, Castro, and Cepeda-Carrión, 2011; Poulis, Poulis, and Christodoulou, 2013). It explains the reason why some enterprises are able to steadily achieve competitive advantage in dynamic markets (Ferdinand, Graca, and Easterby-Smith, 2004). Under this theory, intangible resources (knowledge and skills) need to be continuously reconfigured and adapted to the changing business environment to create responsive capabilities (Ferdinand, Graca and Easterby-Smith, 2004). There should be some reconciliation between an organization’s changing external environment and its changing portfolio of activities and capabilities (Poulis, Poulis, and Christodoulou, 2013). As posited by dynamic capabilities approach, a firm’s external and internal organizational capabilities are of vital importance for enhanced performance and increasing customer value. Because of increased customer importance, firms should focus on improving those capabilities which view the customer as its key component, in order to maximize the value created for them (Landroguez, Castro and Cepeda-Carrión, 2011). The theory suggests that for enhanced performance, structure modification is necessary when environmental change is perceived. One major aspect of strategic planning focuses on environmental scanning for appropriate adaptation of organizational resources. Such dynamism of environments calls for periodic review of strategies. Per the resource based view and the dynamic capabilities approach, a well-developed and maintained strategic planning helps institutions gain competitive advantage. For this reason, this study will focus on the influence of strategic planning practices on the performance of Nigerian SMEs.

2.3 Empirical Review

There have been several studies on the relationship between strategic planning and performance, but with varied results. These conclusions have been summarized by St-Hilaire (2011) and McIlquham-Schmidt (2010) in three categories: First, that the relationship is positive (Gershefski, 1970; Thune and House, 1970; Herold, 1972; Karger and Malik, 1975; Rhyne, 1985; Bracker and Pearson, 1986; Pearce, Robbins and Robinson, 1987; Hopkins and Hopkins, 1997; Andersen, 2000;), with a strategic planning-performance directional causality (Greenley, 1994; in Glaister et al., 2008). Second, that the relationship is negative – with planners performing worse on some measures than non-planners, implying a negative
relationship (e.g. Fulmer and Rue, 1974; Sheehan, 1975; Fredrikson and Mitchell, 1984; Whitehead and Gup, 1985). Third, that the relationship is inconclusive - no quantifiable benefit (Grinyer and Norburn, 1975; Kallman and Shapiro, 1978; Kudla, 1980; Gable and Topol, 1987; McKiernan and Morris, 1994; Glaister et al., 2008).

Alaka, Tijani, and Abass, (2011) posit that there is a positive correlation between strategic planning and service delivery in insurance company in Nigeria. Efendioglu and Karabult (2010) findings revealed the importance of top management in strategic planning process. The duo also discovered that only profitability is positively correlated with strategic planning while average sales growth and the average export growth were also high for organizations that do not practice strategic planning. Okwachi, Gakure and Ragui, (2013) in their study revealed that there is a high significance between implementation of strategic plans and managerial practices and it can conclusively be confirmed that managerial practices greatly affect implementation of strategic plans in SMEs in Kenya.

Studies on strategic planning and performance have been inconclusive in the sense that while some authors have established a strong positive relationship in their studies, others have established a negative or no relationship. These mixed findings led to the proposition of a hypothesis that there is no significant relationship between strategic planning and SME performance.

2.4 Hypothesis

There is no significant relationship between the use of strategic planning and SME performance.

3. METHODOLOGY

This study adopted the descriptive survey research design. A survey is a planned collection of data over a large area for the purpose of analyzing the relationships between variables (Oppenheim, 1992). The independent variable of the study was strategic planning, while the dependent was SMEs organizational performance. The population for the study consisted of the Small and Medium Scale Enterprises (SMEs) operating in Lagos State that are registered members of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The total number of registered SMEs with SMEDAN as at May, 2012 is 4,535. The population was based on SME members operating in the manufacturing, services, agro-allied and agricultural sector. Lagos was chosen because it is often regarded to as the commercial
nerve centre of Nigeria. Due to its cosmopolitan nature, Lagos state has the highest number of SMEs operating in Nigeria (Akande and Ojukutu, 2008; Ajayi, 2010). The SMEs have the following characteristics: combined environment and the market, knowledge of market population and budgeted turnover, regular meetings and cooperative contribution. A sample size of 520 respondents was selected for the study using the Cochran (1977) standard method of randomization. The sample was drawn from five divisions of Lagos which are Badagary, Epe, Ikeja, Ikorodu and Lagos Island. The instrument used was structured questionnaire tagged “Strategic Planning and SME Performance Questionnaire” (SPSMEPQ). The questionnaire consisted of two sections (A & B); Part A consisted of questions necessary to generate useful data about strategic planning Section adopted from the questionnaire of Shelette (2002), while Part B consist questions necessary to generate useful data for SME performance was adopted from Asikhia (2010). The study adopted the closed-ended questions using the modified Likert point scale. Secondary source also contributed immensely to the study. This was collected from information published in Journals, Magazines, Reports presented at various seminars and meetings, past write-ups, textbooks and research projects. In order to ensure the validity and reliability of the instrument, 30 copies of the questionnaire were pre-tested among SMEs which were randomly selected from the sample for the study in Ogun State. However, they did not form part of the total respondents used for this study. The Cronbach-alpha method was used to determine reliability co-efficient of the instrument and the values of [formulation (0.898), implementation (0.753) & control (0.711)] were obtained for Strategic Planning scale and 0.887 for SME performance scale. The validity of the measuring instruments has been established by the original users of the instruments. However, Average Variance Extracted (AVE) > 0.5 were treated as an additional evidence of convergent validity, the construct validity of all variables involved in the study were therefore ascertained. The copies of the questionnaire were taken to the leaders of the various associations, unions and cooperative societies for easy administration and collection of the copies of the questionnaire. The leaders worked with the research assistants to help in distributing the copies to the members during their monthly meetings. Out of the 81 copies of the questionnaire distributed to respondents, 65 questionnaires were retrieved representing 80.2% return rate. Statistics such frequency count and percentages were put to use in the analysis of research questions while research hypotheses were tested using correlation analysis and simple regression analysis.
The research hypotheses were tested at 0.05 level of significance. Analysis was carried out with the aid of Statistical Package for Social Sciences (SPSS).

3.1 Model Specification

The model used in establishing relationship between the variables of the study has been specified in this section as:

Functional Relationships \( Y = f(X) \)

Where:

- **Independent variable** \( X = \) Strategic Planning (SP)
- **Dependent variable** \( Y = \) SME performance (SMEPERF)

4. DATA ANALYSIS AND INTERPRETATION

This section focused on analysis of data collected. Table 4.1 presents the results of hypothesis testing. From the table it is clear that there is a significant positive relationship between the use of strategic planning and SME performance \( (R = 0.604, \rho< 0.05) \). Hence, the null hypothesis \( (Ho) \) which states that there is no significant relationship between the use of strategic planning and SME performance and accepts the alternative hypothesis.

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>R</th>
<th>( \rho )</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Planning</td>
<td>482</td>
<td>56.1870</td>
<td>7.05826</td>
<td>0.604</td>
<td>.000</td>
<td>Significant</td>
</tr>
<tr>
<td>SME performance</td>
<td>482</td>
<td>81.4437</td>
<td>10.68043</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher’s Field Survey from SPSS output, 2015

Table 4.2 further shows that strategic planning significantly influence SME performance \( (F_{1,480}= 275.484, \rho<0.05) \). Further evidenced is the fact that the percentage of variance in SME performance explained by strategic planning is about 36.5%.
<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>8737.990</td>
<td>1</td>
<td>8737.990</td>
<td>275.484</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>15224.986</td>
<td>480</td>
<td>31.719</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>23962.976</td>
<td>481</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

R = 0.604  
R Square = 0.365  

a. Dependent Variable: SMEs Performance  
b. Predictors: (Constant), Strategic Planning

Source: Researcher’s Field Survey from SPSS output, 2015

4.1 Discussion of findings

This paper was conducted in the determination of the effect of use of strategic planning on SME performance in Lagos, Nigeria, while statistical test were applied to test the hypothesis. In the light of the statistical results in which at a significant level of 0.05, it transpired that job enrichment has significant relationship between the use of strategic planning and SME performance.

The finding is supported by Pushpakumari and Toshimitsu (2009) concluded that strategy and performance of manufacturing SMEs in Japan and Sri Lanka are related. Furthermore, the study of Babsundaram (2009) reported that strategic planning contributes to the relationship with the overall performance of small business. Furthermore, the study of Awino (2013) studied strategic planning as a means of achieving competitive advantage in the ICT industry of the SME sector in Kenya. The finding of the study suggests that strategic planning is important for business to succeed. Contrary to expectation, the results have shown that the SMEs in the study area have working strategic plans upon which their decisions are based. The results revealed SMEs in Lagos State practiced and used formal strategic plans in their operations. The results were supported by the highest percentage of respondents (90.0%) who concur that their organization allocates adequate resources for carrying strategic plans. The SMEs that practiced and utilized their resources strategically were likely to perform much better. The implementation of working strategic plan as indicated by the respondents has contributed to the significant growth in sales of the organization relative to the market leader in the industry (77.2% strongly agreed) and higher net profit position (79.5% strongly agreed). The study of Hin, Kadir and Bohari (2013) titled the strategic planning of SMEs in Malaysia: types of strategies in the aftermath of economic
downtown concluded that there is a significant relationship between having objectives and formulating strategies and the performance of an organization. This finding supported Schwenk and Schrader (1993), in their study on ‘effects of rational strategic planning on financial performance in small businesses’ using a meta-analysis. Their research revealed that strategic planning is positively associated with financial performance.

CONCLUSION AND RECOMMENDATIONS

This study examined strategic planning and SME performance in Lagos State, Nigeria. It was established that strategic planning variables have positive and significant effect on SME performance. This means that if the small and medium enterprises adopt the use of strategic planning, the performance level will improve. The SME sector in Nigeria should be of concern since the performance of the sector as at now is not showing any significant indicator for the economic development of the nation. The use of strategic planning should be considered as a very useful aspect to ensure improved performance and thereby improving the GDP of the nation. The successful running of a business could be very challenging especially considering the external challenges that business operations encounter in Nigeria but with the adoption of strategic planning and the consideration of the moderating variables adopted for this study, the SME sector in Nigeria can be greatly improved.

Based on the findings of the study, the following recommendations are made.

i) The study recommends that the Small and Medium Enterprises in Lagos State, Nigeria should embrace the use of strategic planning as a tool and a concept to be used in achieving organisational performance.

ii) The managers and owners of SMEs should be conscious of the kind of attitude being exhibited at the workplace. Since entrepreneurial orientation involves risk taking, innovativeness and proactiveness, they should acquire this orientation in order to be able to achieve their desired objectives.

iii) The SME owner/manager needs to have a full understanding of the industry in which it operates so as to cut an edge for the organization.

iv) The owner/managers should adopt the right attitude towards planning. Each SME operator should look inwards and compliment his/her personal deficiency accurately so that the purpose of establishing the business will not be defeated.
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