

## STRATEGIC PLANNING DIMENSIONS IN SMALL AND MEDIUM ENTERPRISES (SMEs) IN SOUTH AFRICA: THEIR RELATIVE IMPORTANCE AND VARIATIONS IN SELECTED DEMOGRAPHIC VARIABLES.

Maxwell SANDADA

Graduate School of Management, University of Zimbabwe, MP 167 Mt Pleasant, Harare  
msandada@commerce.uz.ac.zw

### Abstract

*The purpose of the study was to evaluate the strategic dimensions of SMEs and how each dimension is rated by owners and managers of SMEs. The other objective of the study was to ascertain if differences in strategic planning practices existed with respect to demographic variables namely gender, age and position in the organization. It was found that the main dimensions of strategic planning are mission and vision, environmental scanning, employee participation in the strategic planning process, time horizon of strategic planning, implementation incentives, evaluation and control, formality of strategic planning and source of information about the environment. It was also found that mission and vision, formality of strategic planning and evaluation and control were the most valued factors. No significant statistical difference existed among owners and managers of different age, gender and positions in strategic planning practices. The value of the study is that it offers various dimensions of strategic planning that SMEs can implement to be competitive and sustainable.*

**Key words:** Strategic planning, SMEs, South Africa, Strategic Planning Dimension, Sustainability, Competitiveness

**JEL Classification:** M83

### I. INTRODUCTION

Small and Medium enterprises (SMEs) play a crucial role in their economies. However, their survival and sustainability is threatened by the highly competitive and turbulent market conditions. To survive and remain competitive in such harsh environments, SMEs need to practise strategic planning process (Dansoh, 2005). Scholars such as Jennings and Disney (2006) believe that business environments that are unstable need an increased utilization of comprehensive but flexible strategic planning practice. In the same vein, Kraus et al. (2006) suggest that SMEs can use strategic planning as a tool to cushion them from the unstable business environments in order to ensure their survival and growth. Dansoh (2005) posits that strategic planning enables SMEs to be forward looking and vigilant to be able to cope with these circumstances. SMEs which engage in strategic planning, are more likely improve their business performance Wang et al., 2007).

In the light of the above, it is evident that there is a strong argument from the literature that SMEs need to engage in strategic planning if they are to maintain their position as key economic players. Against this background, the paper aims to investigate the perceived relative importance strategic planning dimensions and to establish whether SME managers/owners differ significantly in their strategic planning practices considering their gender, age and position in the organisation.

### II. LITERATURE REVIEW

#### 2.1 SMEs

SMEs are defined differently across various industries, sectors, regional economic groupings and countries. According to Ayyagari, Demirguc-Kunt and Maksimovic (2011) the term SME encompasses a diversity of definitions and measures that vary across countries and sources reporting SME statistics. Gibson and Van der Vaart (2008) argue that the absence of a uniform definition of SMEs amongst different countries has caused problems in the design, implementation, coordination and evaluation of SME-related policies. To define SMEs, various countries, regional economic groupings and multilateral institutions have adopted several different methods. Ayyagari et al. (2011) contend that generally, the number of employees, total net assets, sales and investment levels are used as criteria to define SMEs.

The South African government's general definition for SME is any business with fewer than 200 employees, where fewer than fifty workers are deemed small, and between 50 and 200, medium sized (The National Small Business Amendment Act 29 Of 2004). In addition, the SME has an annual turnover of R5 million, and the SME owners are involved directly in the daily management issues.

## 2.2 STRATEGIC PLANNING

Varied definitions of strategic planning have been suggested in the literature. Huang (2005) defines strategic planning as a complex and participative management technique of scanning the environment and the formulation of mission, vision and strategies in order to improve the performance of the organization, and hence its competitiveness in the market. According to Dincer, Tatoglu and Glaister (2006), the key aspects of strategic planning include the formulation of a mission statement of the enterprise, establishing the objectives, crafting and implementing the strategies, monitoring and controlling the progress in strategy implementation. In a study of the strategic planning practices of construction companies in Ghana, Dansoh (2005) found that the common elements of strategic planning are, assessing the environment, goals, course of action, allocation of resources, long-term view and competitive advantage. What is apparent from this study is that by adopting a long-term perspective, an organization is able to adapt to changes in the operating environment in a manner that increases the possibility of achieving the desired goals.

The principal characteristics of strategic planning, as highlighted by Paterson (2009) and Fraser and Stupak (2002), are that it is a learning mechanism, it is responsive and proactive, it establishes business goals and makes decisions after a careful evaluation of monitoring of the environment. The strategic planning model suggested by David (2003) summarizes the key aspects of strategic planning. These include: developing mission and vision statements, conducting environmental analysis, formulating long term objectives, formulating strategies, implementing strategies and evaluating and controlling the performance. Desai (2000) notes that businesses must undertake strategic planning because their environments are becoming increasingly complex and unstable. This shows that strategic planning practices would therefore help them to know where they are, where they are going and how to manage. In Desai's (2000) opinion, strategic planning creates a viable link between a business' mission, vision, goals, objectives, strategic choices and resources. A number of studies have been undertaken on the benefits of strategic planning (Paris 2003; Geyer 2006; Bynum 2007; Goncalves, 2009). The studies reveal that strategic planning enables businesses to identify causes and solutions to problems, understand the operating environment, define the purpose of the business, and to clarify the ambitions, values and resources of a business. The more the business practices strategic planning, the more it is able to create stability in spite of a dynamic environment. According to Fraser and Stupak (2002), strategic planning may encourage the clarification of business goals, systematic gathering of information, prioritisation of projects, teamwork, environmental responsiveness, communication of strategic intent to all stakeholders, and an improved performance. The authors are positive that the strategic planning process may strategically position a business by striking a balance between how it operates, and the requirements of the environment. Vaughn (2005) has argued that without strategic planning, a business is not clear about its mission, vision, goals and the means to achieve the goals. Strategic planning is hence, instrumental in helping the business to be focused in meeting the ever-changing needs of customers.

Joyner, Miller and Cage (2000) evaluated the strategic planning and leadership development process adopted by a school system. The aim of the research was to investigate the planning model utilised by the school, and benefits of implementing the process. The findings revealed that strategic planning served as an effective foundation for sustainable change with a view to improve continuous education in the school. Joyner *et al.* (2000) further assert that strategic planning increases effectiveness and collaboration, builds leadership capacity, strengthens evaluation, empowers stakeholders, builds teamwork and develops expertise among employees who participate in the process.

## III. PROBLEM INVESTIGATED AND OBJECTIVES OF THE STUDY

While strategic planning research in large organizations has been studied extensively, little attention has been paid to strategic planning of small and medium sized enterprises (O'Regan and Ghobadian, 2002). Lobontiu (2002) argues that strategic planning has not significantly filtered down to the SME sector and that those, which engage in the strategic planning exercise, have plans that are unstructured, less comprehensive and sporadic. There is little evidence of empirical research that has sought to evaluate strategic planning within the sphere of small business research (French *et al.*, 2004). Furthermore, Sum *et al.* (2004), also agree that despite the widespread recognition of the importance and significant contributions of SMEs, research on these small businesses remains scarce. Phillips (2000) has suggested the need for more systematic research aimed at revealing the true nature of strategic planning in SMEs. There is lack of evidence of research conducted in the Gauteng province of South Africa that has determined the strategic planning practices of SMEs.

## IV. RESEARCH METHODOLOGY

A quantitative research study was used in this study. The target population was restricted to SMEs operating in the Gauteng Province. A structured questionnaire was used by means of self-administration of questionnaires that were distributed personally by the researcher to the identified industries, which were conveniently located. The use of self-administered questionnaires was opted for because of its cost effectiveness and ease to administer. The method also ensured a greater possibility of anonymity and greater convenience for respondents since they could complete the questionnaire at their own pace and time (Bryman and Bell, 2007). In order to identify the items to be included in the questionnaire, the study adapted the scales that were used in previous, similar studies. This was done by selecting the relevant items from the scales of previous studies by (Anderson 2000; Tse *et al.*, 2003; Falshaw *et al.*, 2006). The structured questionnaire comprised of two sections. Section A included demographic information about the owner-managers, which are age, sex, marital status, educational background, position occupied in the business, respondent's title, as well as the business' characteristics such as, number of years in business, number of employees, and the type of industry to which the business belongs. This data was needed to establish a detailed profile for the sample.

Section B covered questions related to the strategic planning practices. In this section, the questionnaire asked the respondents to indicate the strategic planning practices of the business using a five-point Likert scale where 1 = strong disagreement, 3 = moderate agreement and 5 = strong agreement. The questionnaire was then pilot tested with 60 respondents in order to detect weaknesses and to implement further refinement to the scale (Cooper and Schindler 2008). This was undertaken to ensure that the questions were clear and captured the required information. Based on feedback from the pilot test, modifications to the questionnaire were done. A total of 200 SMEs were identified by means of convenience sampling. Descriptive statistics such as the mean, standard deviations and frequency distributions were used to analyze the composition of the sample. Factor analysis was carried out to establish the key factors of strategic planning practices among South African SMEs. Mann Whiney U tests were used to ascertain whether there is a statistically significant difference in strategic planning behavior among owners/managers and gender. The overall means of strategic planning dimensions were used to establish the perceived relative importance of strategic planning dimensions. The Krustal-Wallis tests were conducted to establish differences in strategic planning practices by SME owner/managers of different ages and positions in the organisation.

## V. RESULTS

### 5.1 Sample composition

The demographic distribution of respondents indicated that out of 200 respondents, the majority of respondents 121 (60.5%) were male and 79 (39.5%) of respondents were female. The majority of SMEs positions are occupied by senior managers, n=76 (38%) followed by junior managers n=60 (30%), respectively. In contrast to that, 42 respondents (21%) are owners and only eight respondents (4%) were Chief Executive Officers (CEOs). A highest number of owner/managers 76 (38%) indicated that they had obtained a diploma. In contrast, 48 respondents (24%) had attained university degree. Only 29 (14.5%) of all respondents had a post-graduate degree.

### 5.2 Factor analysis of strategic planning practices

To establish the suitability of factor analysis on the data, the Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy were conducted. Both of these tests confirmed the suitability factor analysis on the data. The principle component analysis (PCA) with varimax rotation was applied to the data by using a minimum eigenvalue of 1. Varimax rotation method was used to determine how strongly correlated a measured variable was with a particular factor. The variable was supposed to load at least 0.4 on a factor because it meant that the variable belonged to that factor (Huck 2012). The rotated loading matrix results are shown in Table 1.

**Table 1: Factor loading matrix and psychometric evaluation of the scale**

Variables	Factor 1 Environment scanning	Factor 2 Mission & Vision	Factor 3 Formality of strategic planning	Factor 4 Evaluation and control	Factor 5 Source of information	Factor 6 Strategy implementation incentives	Factor 7 Employee participation	Factor 8 Time horizon
1	0.306	0.029	0.203	0.075	<b>0.639</b>	-0.034	-0.1	0.067
2	0.026	0.054	0.038	0.122	<b>0.755</b>	0.249	0.106	-0.09
3	<b>0.538</b>	0.298	0.351	0.122	-0.031	0.143	0.107	0.037
4	<b>0.762</b>	0.32	0.149	0.093	-0.007	0.122	0.129	0.026
5	<b>0.803</b>	0.194	0.133	0.142	0.184	0.062	0.147	0.098
6	<b>0.757</b>	0.138	0.117	0.256	0.223	-0.076	0.033	0.15
7	<b>0.778</b>	0.162	-0.002	0.016	0.189	0.184	0.203	0.115
8	0.281	-0.004	0.248	<b>0.567</b>	0.086	0.177	0.003	-0.082
9	0.294	-0.021	0.262	<b>0.589</b>	0.018	0.21	0.07	0.149
10	0.06	0.212	0.033	<b>0.782</b>	0.246	-0.025	0.016	0.074
11	0.252	0.194	-0.021	<b>0.494</b>	0.074	0.325	0.357	0.244
12	<b>0.474</b>	0.015	0.272	0.384	0.069	0.256	0.232	0.153
13	0.221	0.023	0.133	0.181	0.158	<b>0.761</b>	0.005	-0.057
14	0.061	0.07	0.084	0.094	0.062	<b>0.825</b>	-0.028	0.218
15	<b>0.505</b>	0.223	0.12	0.115	0.225	0.151	0.117	0.15
16	0.306	0.029	0.203	0.075	<b>0.639</b>	-0.034	-0.1	0.067
17	0.026	0.054	0.038	0.122	<b>0.755</b>	0.249	0.106	-0.09
18	<b>0.538</b>	0.298	0.351	0.122	-0.031	0.143	0.107	0.037
19	<b>0.762</b>	0.32	0.149	0.093	-0.007	0.122	0.129	0.026
20	<b>0.803</b>	0.194	0.133	0.142	0.184	0.062	0.147	0.098
21	<b>0.757</b>	0.138	0.117	0.256	0.223	-0.076	0.033	0.15
22	<b>0.778</b>	0.162	-0.002	0.016	0.189	0.184	0.203	0.115
23	0.281	-0.004	0.248	<b>0.567</b>	0.086	0.177	0.003	-0.082
24	0.294	-0.021	0.262	<b>0.589</b>	0.018	0.21	0.07	0.149
25	0.06	0.212	0.033	<b>0.782</b>	0.246	-0.025	0.016	0.074
26	0.252	0.194	-0.021	<b>0.494</b>	0.074	0.325	0.357	0.244
27	<b>0.474</b>	0.015	0.272	0.384	0.069	0.256	0.232	0.153
28	0.221	0.023	0.133	0.181	0.158	<b>0.761</b>	0.005	-0.057
29	0.061	0.07	0.084	0.094	0.062	<b>0.825</b>	-0.028	0.218
30	<b>0.505</b>	0.223	0.12	0.115	0.225	0.151	0.117	0.15
31	0.306	0.029	0.203	0.075	<b>0.639</b>	-0.034	-0.1	0.067
32	0.026	0.054	0.038	0.122	<b>0.755</b>	0.249	0.106	-0.09
Eigenvalues	10.40	2.24	1.74	1.62	1.44	1.30	1.11	1.09
% of variance	17.36	10.42	9.80	7.02	6.17	5.81	5.74	5.52
Cumulative %	17.36	27.78	37.58	44.61	50.78	56.59	62.33	67.85
Cronbach $\alpha$	0.91	0.86	0.84	0.71	0.64	0.69	0.73	0.71
Overall Cronbach alpha = 0.93								

The eigen values, percentage of variance explained by each factor, and the cumulative percentage of variance for the factor structures are reported in Table 1. Eight factors accounted for 67.85% of the overall explained variance. These factors included environmental scanning (9 items), business mission and vision (4 items), formality of strategic planning (5 items), evaluation and control (4 items), source of information about the environment (3 items), strategy implementation incentives (2 items), employee participation in strategic planning (2 items), and time horizon of strategic planning (2 items).

**5.3 The ranking of factors**

The analysis proceeded by ranking the factors. To achieve this, the eight factors were ranked according to their overall means, as depicted in Table 2.

**Table 2 Overall means of eight factors**

Description	N	Mean	Median	Std Deviation
Business mission and vision	200	4.16	4.25	.87
Formality of strategic planning	200	3.85	4.00	.78
Evaluation & control	200	3.71	3.75	.78
Source of information about environment	200	3.36	3.33	.86
Strategy implementation incentives	200	3.35	3.00	1.04
Time horizon of strategic planning	200	3.16	3.00	1.05
Environmental scanning	200	3.15	3.22	.94
Employee participation	200	3.06	3.00	1.04

Table 2 shows that all the means were above score of three on the Likert scale with five, denoting strongly agree, four denoting agree, three denoting moderately agree, two denoting disagree, and one denoting strongly disagree. The SME owners/managers either moderately or strongly agreed that these factors were the main underlying dimensions of strategic planning.

The dimension of business mission and vision was highly ranked with a mean value of 4.16 followed by formality of strategic planning (mean=3.85), and evaluation and control (mean=3.71). The least ranked factors were employee participation (mean=3.06), environmental scanning (mean=3.15) and time horizon of strategic planning (mean=3.18). This indicates that the SME owners/managers perceived business mission and vision as the most important dimension of strategic planning. The high mean values of formality of strategic planning, and evaluation and control, also imply that SME owners/managers had similar views and that these factors are also key elements in their strategic planning process.

Previous studies have confirmed the importance of business mission and vision as they impact positively on business performance (Mazzarol *et al.* 2009; Kantrambutra 2010). A mission statement is crucial in a business as it establishes a common purpose, guides decision making, and inspires employees (Forbes and Seena 2006). Research has also proven that the formality of strategic planning helps a business to improve business performance. With regard to evaluation and control, Pearce and Robinson (2005) posit that a business that constantly monitors and controls its projects is able to check on its progress and correct deviations in a timely and cost-effective way.

**5.4 Non-parametric Mann-Whitney U test – Strategic planning dimensions and gender**

A non-parametric method of Mann-Whitney U Test was conducted to determine if there was evidence of any differences in terms of gender across the eight factors of strategic planning practices. A non-parametric statistical method was used because it is suitable for ranked and unevenly distributed data in terms of the various sector categories (Weiers 2008). The Mann-Whitney U test assumes that the data values are independent of each other, and that the samples are drawn from the same distribution (Sharpe *et al.*, 2012). The Mann-Whitney U test is reported in Table 3.

**Table 3: Mann-Whitney U test- Eight strategic planning dimensions across gender**

Strategic planning dimensions	Z-value	Significance value
Environmental scanning	-0.978	0.328
Business mission and vision	-1.821	0.069
Formality of strategic planning	-0.361	0.718
Evaluation and control	-0.399	0.690
Sources of information	-1.589	0.112
Strategy implementation incentives	-0.301	0.764
Employee participation	-1.671	0.095
Time horizon	-0.560	0.560
<b>Significant level = 0.05</b>		

The Mann-Whitney U test shows that there were no significant difference between the eight strategic planning dimensions and gender as the p-values were >0.05.

5.4.1 Strategic planning dimensions and age

A non-parametric test called Krustal-Wallis was utilized to establish if there were significant differences in the strategic planning dimensions across age of respondents. The results are depicted in Table 4

**Table 4: Krustal-Wallis test- Eight strategic planning dimensions across age**

Strategic planning dimensions	D.f	Significance value
Environmental scanning	4	0.664
Business mission and vision	4	0.346
Formality of strategic planning	4	0.607
Evaluation and control	4	0.054
Sources of information	4	0.0654
Strategy implementation incentives	4	0.298
Employee participation	4	0.791
Time horizon	4	0.124
<b>Significant level = 0.05</b>		

Table 4 shows that there were no statistically significant differences (df=4; p>0.05) across all the strategic planning practices and age.

5.4.2 Strategic planning dimensions and position in the business

To ascertain the existence of significant differences in the strategic planning dimensions across the position of the respondents, the Krustal-Wallis test was also used and the results are shown in Table 5

**Table 5: Krustal-Wallis test- Eight strategic planning dimensions across position in the business**

Strategic planning dimensions	D.f	Significance value
Environmental scanning	4	0.203
Business mission and vision	4	0.057
Formality of strategic planning	4	0.245
Evaluation and control	4	0.571
Sources of information	4	0.105
Strategy implementation incentives	4	0.542
Employee participation	4	0.339
Time horizon	4	0.081
<b>Significant level = 0.05</b>		

The results presented in Table 5 show that there were no statistically significant differences (d/f=4; p>0.05) across all the strategic planning practices and position held in the business.

VI. DISCUSSION OF RESULTS

As indicated in Table 2, factor one labeled *environmental scanning* explained 17.36% of the variance. The factor comprises nine items. High loadings in this factor includes variables relating to value chain analysis, Porter’s five forces, benchmarking, Political, Economic, Social and Technology (PEST) analysis, environmental scanning about social changes, and environmental scanning about economic changes. In today’s high levels of competition, uncertainty and turbulence require businesses to scan the environment in order to detect the market changes so as to effectively respond in a way that improves their competitiveness (Karami 2008). This indicates that scanning the environment is crucial because this will enable a business to adapt to the dictates of the continuously changing market. The importance of environmental scanning as a factor of strategic planning was confirmed by several studies. Jorosi’s (2008) study of the environmental scanning practices of Botswana’s small and medium sized manufacturing enterprises also confirmed that organizations scan the environment in order to make informed decisions. For South Africa, a study by Neneh and Van Zyl (2012) found that about 53 percent of SMEs engage in strategic planning practices in order to achieve long-term survival through environmental scanning.

Factor two labeled business *mission and vision*, explained 7.24% of the variance. The factor consists of four items. High factor loadings on this factor relates to the presence of vision and mission statements, awareness of the mission of the business and awareness of the vision of the business. In an analysis of the role of strategic planning in the performance of small service businesses, French *et al.* (2004) affirm the importance of business

mission and vision as a factor of strategic planning. A mission and vision statement enhances business performance because it reminds employees of key organizational values that provide general guideline to diagnoses and solution to problems. It also ensures that the organization is visionary and has concern for customers and other stakeholders when conducting its business operations (Bart & Hupfer 2004).

The third factor labeled *formality of strategic planning*, explained 9.80% of the variance. High factor loadings on this factor pertains to the understanding of customers and their needs, continuous collection of information about the business environment, environmental scanning about technological advances, flexibility of the strategic planning process and the use of formal methods to present a strategic plan. Formality of strategic planning describes the extent to which the strategic plan is presented in written form. The respondents indicated that they present the strategic plan in facts and figures, and that the plan can be adjusted if necessary. Pellissier and Kruger (2011) report the use of a formalized strategic plan in a study of the practice of strategic management within the South African long-term insurance industry. The presence of this factor in the study indicates that SMEs acknowledge the necessity of formalizing the strategic plan.

The fourth factor labeled *evaluation and control*, accounted for 7.02% of the explained variance. High factor loadings on this factor relate to the extent to which SMEs owners/managers schedule regular to monitor progress, periodic reviews to monitor progress and use of various forms of communications to provide feedback to employees. The inclusion of this factor in the strategic planning process of SMEs resonate with the affirmations by Ehlers and Lazenby (2007) that through continuous monitoring and control, SMEs are able to sustain an competitive edge. The basic thought is that evaluation and control monitors strategy implementation in order to identify the fit between strategies and objectives (David 2003). The evaluation and control construct suggests that SMEs are likely to monitor their progress in strategy implementation and take corrective action to correct deviations from the standards set.

The fifth factor labeled *source of information*, accounted for 6.17% of the explained variance. High loadings on this factor relate to the media and other sources of information on current trends and changes in the business environment, trade meetings as the main source of information, and observing competitors in the environment. SMEs rely on internal and external sources of information about the environment. Jorosi (2008) affirms that internal and external sources are used by businesses to track changes in the environment. Popoola's (2000) study of the scanning behaviour in Nigerian banks also supported the use of internal and external sources of market changes.

The sixth factor labeled *strategy implementation incentives* consisted of variables relating to incentives that are used to motivate employees in the implementation process and explained 5.81% of the variance. This factor consists of two items which include profit sharing to motivate employees and non-monetary rewards as incentives for strategy implementation. This suggests that SMEs use rewards to motivate employees for goal attainment. Ehlers and Lazenby (2007) support the use of this construct by stating that motivating rewards for employees are a necessary condition for business to implement strategies successfully. Thus, when employees are incentivized, the rewards may generate successful strategy implementation. Ehlers and Lazenby (2007), further posit that one of the barriers to successful strategy implementation is the people barrier where only 25 percent of managers use rewards in strategy implementation. The view is consistent with Okumus's (2003) strategy implementation framework, which recommends incentives as a key factor to successfully implement strategies.

The seventh factor labeled *employee participation* in the strategic planning process which accounted for 5.74% of the explained variance. The items include supervisors' and employees participation in formulating business mission, vision, objectives and strategies jointly within the organization. A participative strategic planning process is encouraged because it leads unity of purpose, cooperation, and employee motivation (Speculand 2009). Elbana (2008) affirms that in a participative strategic planning process, temporary committees comprising employees of different ranks should be formed for consultation purposes and to drive the strategic planning process.

The eighth factor labeled *time horizons* explained 5.52% of the variance. This factor comprised two variables, which relate to time frames, medium and long-term planning. Most of the SMEs indicated that they make use of three to four year strategic plans thereby inferring that generally the owners/managers have a medium term focus for their businesses. Confirming the importance of this construct, Dincer *et al.* (2006) also found that time horizon is essential in the strategic planning process.

The mean scores for the eight dimensions of strategic planning indicate that the SME owners/managers perceived business mission and vision as the most important dimension of strategic planning. The high mean values of formality of strategic planning, and evaluation and control, also imply that SME owners/managers had similar views and that these factors are also key elements in their strategic planning process.

The Mann-Whitney U tests regarding the eight strategic planning dimensions and gender showed that that there is no statistical significant differences among male and female owners/managers of SMEs. This complies with a research study by Manganyi (2001) which found no statistically significant difference in the factor mean scores between male and female principals with regard to strategic planning in South African

schools. This may be due to the perceived importance of strategic planning on the performance of business by SME owners/managers in today's dynamic business environment.

The Krustal-Wallis test showed that despite differences in age, SME owners/managers scan the environment, make use of mission and vision statements, use formalised strategic plans, evaluate and control the success of the strategy, make use of strategy implementation incentives, involve employees in strategic planning and utilise long term strategic plans. The results therefore support the hypothesis that the distribution of all the strategic planning practices is the same across all age categories of respondents. The Krustal- Wallis test also produced results indicating that the strategic planning practices of respondents of different positions are not different. The hypothesis stating that distribution of all the strategic planning factors is the same across the categories of position held in the business is retained.

## **VII. RELIABILITY AND VALIDITY**

The internal consistency of strategic planning dimensions was established by computing Cronbach's alpha coefficients. The overall coefficient alpha for the eight strategic planning scales was 0.93 which was above the acceptable benchmark of 0.70 (Bryman and Bell, 2007). Content validity was ascertained by pre-testing the questionnaire and a review of the questionnaire by management academics and a statistician. In addition, a pilot test was undertaken where changes were made to the questionnaire regarding the deletion of items, addition of items, rewording and rephrasing of questions. Construct validity of the scale was assessed through the factor analysis procedure to determine what percentage of variance is explained by each factor. The results indicate that the eight factors accounted for approximately sixty eight percent of the variance explained thus inferring construct validity.

## **VIII. CONCLUSION AND IMPLICATIONS FOR FURTHER RESEARCH**

The pertinent dimensions that characterise the strategic planning practices of SMEs that emerged in this study also emerged in studies by other scholars for example, employee participation in strategic planning process (Elbana 2008), environmental scanning (Jorosi 2008), and business mission and vision (Mazzarol *et al.*, 2009). This study suggests that if businesses practice strategic planning, they will be able to assess their environment, adjust their strategies, cushion themselves from the dynamic environment, and hence improve their performance. All the strategic planning components (environmental scanning, mission and vision statement, formality of strategic planning, sources of information about the environment, strategy evaluation and control, strategy implementation incentives, employee participation in the strategic planning process and the time horizon of strategic planning) need to be enhanced in order to improve their performance. SMEs owners/managers should, therefore, make every effort to practice more strategic planning activities to enhance their competitiveness. However, due to limited resources, SMEs might need to prioritise which strategic dimension to implement. The results have indicated that the three dimensions namely, mission and vision, formality of strategic planning and evaluation and control, are perceived as the most important in business. Therefore more resources should be allocated to these three dimensions.

The tests of independence also showed that despite differences in gender, age and position in the business, SMEs owners/managers should practice strategic planning as it helps the business to be competitive. Furthermore, this study focused only on SMEs that are operating in Gauteng province of South Africa. Future research could replicate the study in other provinces in order to test the validity and reliability of the scale. Another prospect for future research is to conduct comparative studies of the relationship between strategic planning and business performance, for example between SMEs in a developed and an emerging country, or between privately owned large businesses and public sector enterprises. Other institutions, such as family businesses and non-governmental organizations that may have different strategic planning practices may also be examined. On the other hand, this study examined SMEs falling under different sectors. It will be an interesting extension of the study if future research examines the strategic planning and business performance relationship within a specific sector, as those findings will be more focused and relevant to that specific industry.



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