

Extent of Utilization of Strategic Planning Principles by Small and Medium Scale Enterprises for Improved Performance in Nigeria

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ABSTRACT

The study investigated the extent of utilization of strategic planning principles of total quality management by small and medium scale enterprises for improved performance in Anambra State. One research question guided the study and one hypothesis was tested at 0.05 level of significance. Descriptive survey design was adopted for the study. The study was carried out in Anambra State. The population of the study comprised 2,895 small and medium scale enterprises managers in Anambra State who are registered with the State Ministry of Commerce, Industry and Technology. The sample of the study comprised of 869 small and medium scale enterprises managers. The sample was drawn from 2895 registered SMEs across the three senatorial zones (Anambra Central, Anambra North and Anambra South) in Anambra State using proportionate stratified random sampling. The instrument for data collection was a structured questionnaire developed by the researcher. The instrument was structured on a 4-point rating scale. The instrument was validated by three experts. The instrument was subjected to a pilot test. The application of Statistical Package for Social Sciences (SPSS) version 21 using Cronbach Alpha reliability method on the obtained data yielded a score of 0.76 for internal consistency which was deemed reliable for the study. The researcher administered the copies of the questionnaire to the respondents with the help of six research assistants. Out of the 869 copies of questionnaire administered, 739 were returned in good condition. The 739 copies amounted to 85 percent return rate. The 739 copies of questionnaire were used for the analysis of data. The data collected from the respondents were analyzed using mean and standard deviation for the research questions. The data collected from the respondents were analyzed using mean, standard deviation and t-test. The study revealed that small and medium scale enterprises utilize the principle of strategic planning for improved business performance to a high extent. Furthermore, there is a significant difference in the mean ratings of managers of SMEs with 0-5 year and above 5 years experience on the extent they utilize customer satisfaction principles for improved business performance in Anambra State. The researcher therefore recommended that

Managers of SMEs should take time to assess and identify resource gaps and profit generating avenues for the business as part of their strategic planning process

Keywords: *Utilization, Strategic, Planning, Principles and Small and Medium Scale Enterprises*

Introduction

Any economy in the world cannot thrive without functional Small and Medium Enterprises (SMEs). Developed nations depend increasingly on the growth of the SME sector to achieve and sustain economic growth. SME sector is a vital component in achieving economic prosperity. There is a relevant link between the importance of SME and a country's economic growth and development. Many industrialized nations owe their growth and development to a thriving SME sector, and emerging ones regard the sector as the engine for economic development. According to Mutingi and Mbohwa (2017), SMEs have become the key engine of most developing economies, leading to growth and innovation in a variety of societies. Small and medium scale enterprises are vital to supporting the development of the private sector and joint ventures, and therefore need to remain competitive and produce high-quality results, which are of paramount importance not only at the macro level but also at the micro level.

The growth of SMEs is a vital prerequisite for economic and industrial development. According to Gbandi and Amissah (2014), the SME sector has played a significant role in the economic development of various Asian nations, particularly the Asian Giants. the researcher defines small and medium scale enterprises as any enterprise with a maximum asset base of N200 million, excluding land and working capital, with the number of staff employed by the enterprise not less than 10 and not exceeding 300 Many of these types of businesses are run by entrepreneurs who are the individuals who fund and operate the business operations exclusively and sometimes with the help of family members and few other employees. To remain competitive, SMEs must adopt and use quality management principles to improve performance. Without it, SMEs cannot compete on a global scale (Mutingi & Mbohwa, 2017). Monday, Argozie, Bello, and Unam (2015) identified poor management skills as a major hindrance to the competitiveness of Nigerian SMEs. According to Agbola (2013), some of the issues experienced by SMEs might be attributed to different quality concerns, such as low product efficiency, a lack of market infrastructure, a lack of loyalty to top management, bad leadership, and a lack of attention to customers. There has been a decline in job accessibility, while those who are gainfully employed are not even secure in their employment, necessitating the need for Small and Medium Scale Enterprises, which have become a means of ensuring self-sufficiency, job creation, import substitution, and effective and efficient use of local raw materials. This situation seems to show poor strategic planning.

Strategic planning is a process of coordinating activities to achieve an organisation's long term goals. According to Hough, Gamble, Strickland, and Thompson (2008), strategic planning is defined as putting together an action plan for running a business and conducting operations. The authors further elaborated that moulding a strategy represents a commitment to pursue a particular set of actions directed at growing the business. This includes combined efforts to attract and please customers, competing successfully and conducting operations in a way to improve the company's financial performance. Strategic planning is also defined by Drucker in Majama and Magang (2017) as the continuous process of making entrepreneurial decisions systematically and with their greatest knowledge organizing systematically the

efforts to carry out these decisions and measuring the results against the expectations through organized feedback. The principal characteristics of strategic planning, as highlighted by Paterson in Makinde, Akinlabi and Ajike (2015), include 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 in Sandada (2015) summarizes the key aspects of strategic planning to include: developing mission and vision statements, conducting environmental analysis, formulating long term objectives, formulating strategies, implementing strategies and evaluating and controlling the performance. Sandada stated that businesses must undertake strategic planning because their environments are becoming increasingly complex and unstable. This shows that strategic planning practices would therefore help the business to know where they are, where they are going and how to manage. Neneh and Vanzyl (2012) respectively defined strategic plan as the process of identify the resources in the organization while setting up measures to properly utilize the resource to achieve organizational goals. The authors noted that strategic planning creates a viable link between a business' mission, vision, goals, objectives, strategic choices and resources. However, the level to which this strategic planning has been utilized for improving performance in Anambra State has not been empirically verified. It is against this background that the study determined the extent of utilization of strategic planning principles by SMEs for improved performance in Anambra State.

Statement of the Problem

Small and medium-sized enterprises (SMEs) are the foundations of each progressive country's national development and prosperity. This is because small and medium-sized enterprises play an important role in any country's economic progress in terms of job creation, income generation, and preserving an equitable distribution of limited capital. Regrettably, despite the fact that a sizable proportion of Nigerian businesses are small and medium-sized organizations, the performance of the SME sector appear to have stayed lower than expected. Unfortunately, this is the situation in Anambra State, where the performance of the SME sector appears to have fallen short of expectations, owing partly to a lack of appropriate strategic planning. Field observation by the researcher showed that some SMEs seem not to have a formal business strategy to ensure competitiveness and business success. The researcher wonders if this is the true situation among SMEs in Anambra State. Thus, the reason why this study is conducted to ascertain the true extent of utilization of strategic planning principles by SMEs for improved performance in Anambra State.

Research Question

1. To what extent do SMEs utilize the principle of strategic planning for improved business performance in Anambra State?

Hypothesis

The hypothesis was tested at 0.05 level of significance:

1. There is no significant difference in the mean ratings of managers of small and medium scale enterprises on the extent of utilization of strategic planning principles for improved business performance in Anambra State based on size of enterprise.

Method

The descriptive survey research design was adopted for the study. The study was carried out in Anambra State. The population of the study comprised 2,895 small and medium scale enterprises managers in Anambra State who are registered with the State Ministry of Commerce, Industry and Technology. The sample of the study comprised of 869 small and medium scale enterprises managers. The sample was drawn from 2895 registered SMEs across the three senatorial zones (Anambra Central, Anambra North and Anambra South) in Anambra State using proportionate stratified random sampling. The researcher sampled 30 percent of SMEs in each senatorial zone of the state. The use of the proportionate stratified was to ensure that representative from each stratum were equally represented. The instrument for data collection was a structured questionnaire titled: "Questionnaire on Utilization of Strategic Planning Principles for Improved Business Performance (QUSPPIBP)". The instrument has two main sections- A and B. Section A contains one item on respondents' background information covering years of experience. Section B contains 9 items on strategic planning principles for improved performance. The instrument was structured on a 4- point rating scale of Very High Extent (VHE), High Extent (HE), Low Extent (LE) and Very Low Extent (VLE). The instrument was given to two experts in the Department of Business Education and one expert in the Department of Science Education, Ebonyi State University, Abakaliki for validation. To establish the instrument's reliability, it was administered on a sample of 20 managers of small and medium scale enterprises in Asaba, Delta State who are not included in the population of the study. The application of Statistical Package for Social Sciences (SPSS) version 21 using Cronbach Alpha reliability method on the obtained data yielded a score of 0.76 for internal consistency which was deemed reliable for the study.

The researcher administered the copies of the questionnaire to the respondents with the help of six research assistants. Direct delivery and retrieval method were employed in the administration of the instrument in order to minimize wastage and achieve a high return rate. The respondents were allowed some time to complete the questionnaire and were retrieved on the spot. However, in cases where this was not possible, an appointment was booked and the respondents concerned were revisited for retrieval of the instrument. Out of the 869 copies of questionnaire administered, 739 were returned in good condition. The 739 copies amounted to 85 percent return rate. The 739 copies of questionnaire were used for the analysis of data. The data collected from the respondents were analyzed using mean and standard deviation for the research questions. The item by item analysis was based on the real limits of numbers on a 4-point rating scale as shown below:

Response option	Values	Real Limit
Very High Extent (VHE)	4	3.50-4.00
High Extent (HE)	3	2.50-3.49
Low Extent (LE)	2	1.50-2.49
Very Low Extent (VLE)	1	0.50- 1.49

For the hypotheses, t-test was used to test the seven null hypotheses at 0.05 level of significance. Where the p value is greater than the significant level of 0.05, it meant that there is no significant difference in the mean rating of the respondents, therefore the hypothesis was accepted. Conversely, where the p value is less than the significant level of 0.05, it meant that there is a significant difference in the mean rating of the respondents, therefore the hypothesis was rejected.

Result of the findings

Research Question

To what extent do SMEs utilize the principle of strategic planning for improved business performance in Anambra State?

Data collected to answer the research question is presented in Table 1.

Table 1: Mean Ratings on the Extent of Utilization of the Principles of Strategic Planning for Improved Business Performance by SMEs (N=739)

S/No.	Strategic planning principles	Mean	SD	Remarks
1.	Having a clearly defined mission statement	2.78	.91	High Extent
2.	Having a vision statement	2.69	.91	High Extent
3.	Identifying the firm's resources	2.60	.96	High Extent
4.	Classifying the firm's resources	2.50	.96	High Extent
5.	Appraising profit generating potentials of the firm's resources	2.42	.91	Low Extent
6.	Selecting a strategy which best exploits the firm's resources	2.59	.96	High Extent
7.	Ensuring that the business strategy plan is progressively evaluated	2.65	.80	High Extent
8.	Identifying resource gaps which need to be filled	2.46	.89	Low Extent
9.	Investing to replenish the firm's resource base	2.60	.95	High Extent
Cluster Mean		2.58		High Extent

Data in Table 2 reveals that small and medium scale enterprises in Anambra State utilize items, 30, 31, 32, 33, 35, 36 and 38 to a high extent with the mean ratings ranging between 2.50 to 2.78. However, small and medium scale enterprises in Anambra State utilize items 34 and 37 to a low extent with the mean ratings of 2.42 and 2.46 respectively. The standard deviation scores ranging between .80 to .96 reveals that the respondents' opinions were similar. Furthermore, the cluster mean of 2.58 indicates that SMEs utilize the principle of strategic planning for improved business performance in Anambra State to a high extent.

Hypothesis

There is no significant difference in the mean ratings of managers of small and medium scale enterprises on the extent of utilization of strategic planning principles for improved business performance in Anambra State based on years of experience (0-5years and Above 5 years).

Data collected to test the hypothesis is presented on Table 2.

Table 2: Summary of t-test Analysis of Mean Ratings of Experienced and Less Experienced Managers of SMES on the Extent they Utilize Strategic Planning Principles for Improved Business Performance

Variable	N	\bar{X}	SD	df	α	p-value	Decision
0-5 years	220	2.31	.96	737	.05	0.00	Significant
Above 5 years	519	2.10	.73				

Data in Table 2 showed that the p-value of 0.00 is less than .05 alpha level of significance. This means that there is a statistical significant difference in the mean ratings of managers of SMEs with 0-5 year and above 5 years experience on the extent they utilize strategic planning principles for improved business performance in Anambra State, therefore the hypothesis was rejected. This means that utilization of strategic planning is a function of level of experience of the managers. Experience has influence on the responses on strategic planning.

Discussion

The study revealed that SMEs utilize the principle of strategic planning for improved business performance in Anambra State to a high extent. This finding may have resulted because SMEs in Anambra State make out time to engage in strategic planning activities for their businesses. This finding is in disagreement with Alintah-Abel, Okolie, Emoh and Agu (2018) who reported that SMEs utilize strategic planning to a low level. Majama and Magang (2017) stated that SMEs operators do not strategically plan their business operations. In the same vein, Majama and Magang (2017) stated that most SME managers had limited knowledge in the area of strategic planning. Majama and Magang also revealed that they did not plan because of the size of the business, whereas some admitted that they still possessed the traditional based thinking where most business decisions were based on intuition. On the contrary, Ekiz, Ozgurer and Sian (2015) reported that SMEs to a high extent utilize strategic planning in their business operations. Furthermore, the finding of the study showed that there is a significant difference in the mean ratings of managers of SMEs with 0-5 year and above 5 years experience on the extent they utilize strategic planning principles for improved business performance in Anambra State. This indicated that the level of experience of managers of SMEs could influence that utilization of strategic planning principles for improved business performance.

Conclusion

The researcher concludes based on the findings of the study that strategic planning principles were utilized by small and medium scale enterprises for improved performance in Anambra State. Strategic planning is essential to improving the performance of SMEs. Through planning business goals are set and the strategies towards realizing the stipulated goals are put in motion.

Recommendations

Based on the findings of this study, the researcher proffers the following recommendations:

1. Managers of SMEs should take time to assess and identify resource gaps and profit generating avenues for the business as part of their strategic planning process.
2. The National Association for Small and Medium Scale Entrepreneurs (NASME) should organize conferences and workshops for her members so as to educate them on the needs for utilizing strategic planning principles in their business operations.

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