Strategic Planning Process Characteristics and SMEs Performance: A Study of SME’s in Delta and Edo States.

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ABSTRACT
This study examines the impact of strategic planning process characteristics on the SMEs performance. Regarding the critics about the bi-variate methodology on previous research that have been conducted on Strategic Planning performance relationship the present study attempts to examine this relationship taking account the role of contextual variables. A total of 150 SMEs responded to the survey. Data were analyzed by PLS technique. The findings revealed that Strategic planning process characteristics have positive effect on the performance. Result of analyses showed that there is a positive relationship between the level of formality and comprehensiveness of Strategic Planning and performance and to large extent there is positive relationship between participation of Strategic Planning and performance. The current research reflects the value of strategic planning to the SMEs and the role that strategic planning plays in improving their performance. The study recommends that SMEs vigorously carry out the various strategic planning process qualities that is related to their performance. More so, SMEs owners/managers should encourage the use of strategic planning formality which will ultimately lead to a higher level of performance for financial and non-financial variables.

Keywords: Strategic Planning, Performance, Process, Characteristics.

1. INTRODUCTION
Strategic Planning process is an exercise in which all firm owners/managers should be involved with it. Therefore, Strategic scholars are interested in understanding why firms make the strategic choices they do, and how these choices and other factors affect firm performance. Understanding these may lead to suggest ways firms can improve performance.(Grover & Segars, 2005). Indeed, the relationship and effects of strategic planning on organizational performance has been a central field of studies for researchers over the past three decades. There are numerous research findings on the relationship between strategic planning and organizational performance, but many of these findings have proved uncertain and ambiguous (Glaister et al., 2008, Rudd et al.,2008, O’Regan and Ghobadian, 2002a). These findings include the range from positive relationships between strategic planning and performance to no relationships; to negative relationships (Efendioglu and Karabulut, 2010). For example there are empirical supports for a positive relationship between strategic planning and performance (Glaister et al., 2008, Al-Shammari and Hussein, 2007, Phillips et al., 2001, Baker and Leidecker, 2001), On the other hand, there are also evidences signifying that no such relationship exist (French et al., 2004, Falshaw et al., 2006), and some researchers have countered that explicit strategic planning is dysfunctional, or at best irrelevant (Miller and Marcus, 2006, Rudd et al., 2008, Hoffman, 2007). In addition these studies have been criticized for little consideration on examining organizational or contextual influences (Glaister et al., 2008). This study
attempts to examine the relationship between process characteristics of Strategic Planning and performance of SMEs in Delta and Edo States considering the role of contextual variables like the size of company, type of industry, position of respondents in company, years of establishment of company and demographic features of SMEs owners/managers.

**Objectives of the Study**

From the above discussion, this research seeks the following specific objectives:

- To investigate the relationship between the process of strategic planning and SMEs performance.
- To determine the relationship between the level of formality of strategic planning and SMEs’ performance.
- To determine the relationship between the level of comprehensiveness of strategic planning and SMEs’ performance.
- To determine the relationship between the level of participation in strategic planning and SMEs’ performance.
- To identify the differences that exist in the relationship between Strategic Planning and performance in terms of different (a) firm sizes, (b) industry types, (c) position in company, (d) years of establishment and (e) demographic features of SMEs owners/managers (i.e., race, age, gender and education background).

**Research Questions**

In other to achieve the objectives of this research work, the following questions guided the work.

1. What is the extent of the relationship between the process of strategic planning and SMEs performance?
2. To what extent does the formality of strategic planning influence SMEs performance?
3. What is the relationship between the level of comprehensiveness of strategic planning and SMEs performance?
4. What is the relationship between the level of participation of strategic planning and SMEs performance?

**Research Hypothesis**

The following hypotheses were also tested.

- \( H_1 \): There is a positive relationship between strategic planning and SMEs Performance (financial and non-financial).
- \( H_2 \): There is a positive relationship between the level of strategic planning formality and performance of SMEs (financial and non-financial).
- \( H_3 \): There is a positive relationship between the level of strategic planning comprehensiveness and performance of SMEs (financial and non-financial).
- \( H_4 \): There is a positive relationship between the level of strategic planning participation and performance of SMEs (financial and non-financial).

**Literature Review**

The majority of researches and studies that have conducted in strategic planning have focused on two areas: the impact of strategic planning on firm performance and the role of strategic planning in strategic decision making (Grant, 2003). Bromiley (2004) suggests that strategic management research has three primary objectives: Explaining firm behavior at the strategic level; explaining performance differences among firms and providing suggestions to improve firm performance. Table 1 shows some of the selected empirical studies that have been conducted on strategic planning-performance relationship. As can be seen in Table 1 there are numerous research findings on the relationship between strategic planning and organizational performance, but many of these findings have proved uncertain and ambiguous (Glaister et al., 2008, Rudd et al, 2008, O’Regan and Ghobadian, 2002a). These findings include the range from positive relationships between strategic planning and performance to no relationships; to negative relationships (Efendioglu and Karabulut, 2010). Reviewing the literature, in spite of growing importance of small businesses in the global economy and research efforts that have conducted in this field, there is surprisingly little empirical work that has examined the relationship between strategic planning process and organizational performance in SMEs.
Strategic planning process contains several characteristics. Phillips et al (2001) stated four characteristics for strategic planning process, including: formality, participation, sophistication and comprehensiveness. Groverand Segar (2005) have emphasized on the comprehensiveness, formalization, participation and consistency and two other features that are related to information systems. Although, small businesses follow a much less complex process (both in terms of steps followed and methods used) in making their strategic decisions than that used by larger organizations (Jocumsen, 2014). Accordingly, in this research three characteristics of strategic planning process that are more common between academics were considered as main characteristics of strategic planning process in SMEs, including: formality, comprehensiveness and participation (Hutzschenreuter and Kleindienst, 2006).

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**WEBOMETRIC ANALYSIS**

Table 1: Outline of Selected Empirical Studies on Strategic Planning Performance Relationship

<table>
<thead>
<tr>
<th>Authors</th>
<th>Variables Studied</th>
<th>Research Method</th>
<th>Analytic Tools</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Al-Shammar and Hussein, 2007)</td>
<td>The relationship between strategic planning and firm performance, both financial (ROA and growth in revenue) and behavioural indicators in Jordan</td>
<td>Data was gathered via a self administered questionnaire that sent to the CEOs of 37 firms based on a sample of Jordanian manufacturing organizations</td>
<td>One-way analysis of variance of (ANOVA)</td>
<td>This study shows firms that engaging in strategic planning than firm that are not implementing this practice</td>
</tr>
<tr>
<td>(Baker and Leidecker, 2001)</td>
<td>The relationship between the use of strategic planning tools and firm performance (ROA, profitability, annual sales).</td>
<td>Questionnaire was mailed to the CEOs of the 25 companies in the state of California</td>
<td>Correlation analysis</td>
<td>There is a strong relationship between the use of strategic planning tools and firms’ ROA. There is a strong positive correlation between three specific strategic management tools and firm profitability</td>
</tr>
<tr>
<td>(Efendioğlu and Karabulut, 2010)</td>
<td>The impact of strategic planning on financial performance</td>
<td>The data were gathered via a questionnaire that was mailed to the CEO of the top 500 manufacturing Turkish firms in (2006)</td>
<td>Correlation</td>
<td>There is not a clear answer for the basic question about the link/positive correlation between the use of strategic tools and company performance.</td>
</tr>
<tr>
<td>(Falshaw et al, 2006)</td>
<td>The relationship between strategic planning and performance (with considering the effect of a set of contextual variables on this relationships)</td>
<td>Data gathered via a questionnaire that was sent to CEOs from 500 companies</td>
<td>Regression analysis</td>
<td>No relationship between formal planning processes and subjective company performance</td>
</tr>
<tr>
<td>(French et al, 2004)</td>
<td>Strategic planning factors and performance relationship</td>
<td>Questionnaire was sent to 145 small regional professional firms in new South Wales, Australia.</td>
<td>Standard multiple regression, One-way ANOVA</td>
<td>There is a link between planning and performance but the link is not strong</td>
</tr>
<tr>
<td>(Glaister et al, 2008)</td>
<td>The relationship between degree of formality of strategic planning and performance regarding the moderating effect of organizational structure, environmental turbulence, firm size.</td>
<td>Data collected through questionnaire that was sent to CEOs of 135 Turkish manufacturing companies.</td>
<td>Correlations, LISREL, casual modeling</td>
<td>There is a strong and positive relationship between formal strategic planning and firm performance. For firms in the high environmental turbulence group and more organic structure, the relationship between FSP and firm performance is stronger</td>
</tr>
<tr>
<td>(Hoffman, 2007)</td>
<td>Relationship between strategic planning (process and content) and performance (subjective &amp; objective) regarding the moderating effect of culture</td>
<td>Data was collected via a mailed questionnaire that sent to stratified random sample of CEOs of 150 multinational manufacturing firms</td>
<td>Correlation and One-way analysis of variance (ANOVA)</td>
<td>The analysis shows culture has a moderating effect on the relationship between strategic planning and performance</td>
</tr>
<tr>
<td>(Kraus et al, 2006)</td>
<td>The performance implications of essential elements of strategic planning in smaller firms</td>
<td>The study was based on a representative sample of 290 small Austrian enterprises</td>
<td>Logistic regression analysis</td>
<td>The analysis shows planning formalizations has a positive significant impact on the probability of belonging to the group of growth firms. Other aspect of strategic</td>
</tr>
</tbody>
</table>
Strategic Planning Formality

The field of strategic planning and the formality of planning have been associated together from their earliest foundation (Falshaw et al., 2006). The reason of having a written and detailed strategic planning is to ensure strategic planning process receives commitment from those who are affected by it and to allow an explicit evaluation and clearly specify objectives is part of the formal strategic planning. The meaning of the term formal strategic planning is to express that a firm’s strategic planning process involves explicit systematic procedures of determining the mission, major objectives, strategies, and policies that manage the gaining and distribution, of resources to achieve organizational goals. These systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan (Mintzberg and Lampel, 2012).

According to Papke-Shields et al. (2002), formality is “the extent to which the planning process structured through written procedures, schedules and other documents and the extent of documentation resulting from the planning process”. Grover and Segar (2005) also have defined the formality of strategic planning as the existence of structures, techniques, written procedures, and policies which guide the planning process.

A formal strategic plan implies a resolute means to contain factors and techniques in an organized and methodical way to achieve specified tasks and an attempt to adjust a company’s strength relative to that of its competitors, in the most efficient and effective way. Nevertheless, the empirical evidence about the impact of formal strategic planning on the performance is largely questionable and uncertain. Doubtfully this is an outcome of a lack of a generally accepted definition of formal and informal strategic planning. O’Regan and Ghobadian (2002a) revealed the accentuation and stress on the characteristics of strategic planning by firms who utilize formal planning is higher in every case compared with non-formal planning firms.

On one hand, formality in strategic planning proves to have positive result for small firm performance. However, Lyles et al (2013) in their study on small firms found mixed results that indicate formal strategic planning may have its greatest impact in large firms. Moreover, Schwenk and Sharder’s (2013) analysis found a positive association between formal strategic planning and performance. Hassan and Minden (2010) argued that the using formalized strategic planning depends on to the defender strategic orientation. On the other hand, some authors have also stated that formalization of planning does not affect performance (Ackelsberg and Arlow, 2005).
(2004) also stated that there is a strong link between strategic planning and SME & performance. Moreover, they have brought into question the value of classical strategic planning process for small firms. Falshaw et al (2006) claimed that there is no relationship between formal strategic planning process and subjective performance of companies. They have used three contingent variables: size, environmental turbulence and Industry. They stated organizational size (in terms of turnover), environmental turbulence and organization’s industry lead to more formalized planning systems. In conclusion, regardless of the supposed positive association between strategic planning and firm performance in the prescriptive literature, but after decades of research, there is not yet an established theory/model on the actual differences regarding performance between formalized and non-formalized plans (Glaister et al., 2008) and the effect of formal strategic planning on a firm’s performance is still ambiguous.

**Strategic Planning Comprehensiveness**

The comprehensiveness has identified as “the extent to which an organization attempts to be exhaustive or inclusive in making and integrating strategic decisions” (Grover and Segars, 2005). Academics believe that comprehensiveness is the extent to which an organizations key decision maker, have tendency to use an extensive process for decision making that includes high level of investigation to developing alternatives courses of action, evaluating alternatives and developing multiple criteria to screen alternatives (Elbanna and Child, 2016, Forbes, 2005, Miller, 2018, Papke-Shields et al, 2012). Although, according to Jocumsen (2014), small businesses follow a much less complex process (both in, terms of ‘steps followed and methods used) in making their strategic decisions than that suggested by theoretical framework and used by larger organizations. Even though, he added that before attempting to introduce changes to methods and process of strategic decisions, the currently methods used in strategic decision making process should be fully accepted. Comprehensiveness process seems to have effect on firm performance. Three reasons support this idea.

Firstly, it helps to decision makers dealing effectively with inherent complexity of strategic decisions. Secondly, it helps to decision makers in reducing the effect of cognitive biases, and finally, it enhance implementation motivation among decision makers (Miller, 2018). Although, the relationship between strategic planning comprehensiveness and performance is not clear and the empirical studies in this field seem to produce contradictory results (Elbanna, 2017). Figure 1: conceptual framework of the study

As a result, there is not a clear understanding of the effects of comprehensiveness on firm performance, even though this is a dominant paradigm in the teaching and practice of strategic management (George, 2007); furthermore, there are not empirical evidences who clarify this relationship in SMEs context. Accordingly, in this research the relationship. Between strategic planning comprehensiveness and performance was tested.

**Strategic Planning Participation**

Participation is the other-important component of strategic planning process. Although, the major responsibility of an organization’s owner or chief executive officer is making good strategic decision, both managers and employees must also be involved in all activities of strategic management process. Actually, participation is a key to gain commitment for needed changes (David, 2001).

To initiate planning process and systems in a meaningful way, the organization needs participation and commitment of all organizational levels (McDonald, 2016). Indeed, the only way to gain ownership and commitment to strategic plan is participation in planning (Phillips, 2016). According to Grover and Segar (2005) participation contains the extent of involvement in strategic planning, or variety of individuals involved in strategic planning (Papke-Shield et al, 2012).

In line with Ketokivi and Castaner (2004) participation in the strategic planning process can generate informational, affective and emotional effects. Indeed, in a participative strategic planning process, top management usually forms a number of teams of employees from different units and hierarchical levels in order to analyze the implementation of past strategies and the organizational environment and to propose goals, as well as strategies, and budgets for achieving those goals. Participation indecisions as the extent to which lower level managers participate in the organization’s strategic decision making processes and thereby influence the organization’s strategic outcomes (Andersen, 2017).
The role of participation in the process of strategic planning has highlighted with authors (e.g. (Elbanna, 2018, Fiegener, 2005). Most of researchers have emphasized on the management participation in strategy development as an important factor for organizational performance (Elbanna, 2018). According to Andersen, (2017) participation in decisions, and strategic planning processes were all positively correlated with economic performance. Although, most of these studies have been conducted on large firms’ context, the basic elements of strategic planning are same in large and small companies (Tapinos et al., 2005). Yet, empirical evidences that concentrate on the relationship between the levels of staff participation in strategic planning process in SMEs context are scarce (Phillips et al., 200; Papke-Shield et al., 2012).

**Control variables**

Researchers argue that every investigation on relationship between strategic planning and performance should be considered in relation with organizational or contextual variable& (Glaister et al., 2008). In this study some contextual and organizational variables that have been examined .Previous researches are controlled. Although, there may be several determinants of strategic planning performance relationship this study posits that firm size, type of industry, position in company, years of company establishment and demographic characteristics of SMEs owner-managers (i.e. age, race, gender and education level) are major variables that are controlled in this research.

**Theoretical Framework of Research**

Figure 1, summaries the theoretical framework of this study. As shown, this research focuses on the relationship between the strategic planning process characteristics (i.e. formality, comprehensiveness and participation) and performance.

![Conceptual Framework of the study](image)

**Figure 1: Conceptual Framework of the study**

**RESEARCH METHODOLOGY**

This study kicks starts with knowing the number of registered SMEs with Cooperate Affairs Commission (CAC) as well as sending email to the number of the number of SMEs in these two states
The owners/managers able measure of written documentations of earlier research by Phillips (201-
edian et al., 2008, Phillips (201-
ess and planning satisfying criterion help researcher to be sure that the resulting sample is distributed in the same way as the population (Bryman, 2008). Two stratifying criterion were used in this study, namely size and type of industry. Size has two levels, small and medium. Type of industry includes 6 groups of SMEs that have the majority of them (75.8%) including, Textiles and Clothing; Metal and Non-Metallic Mineral Products; Food Products and Beverages; Paper and Recorded Media; Furniture and Wood Products; and Rubber and Plastic Products.

The email describes the purpose of the survey and provides a link to the questionnaire. The questionnaire was mailed in three rounds. The first round generates 100 responses, followed by a reminder and 38 responses in the second round and finally 12 responses in the third round giving a response rate of 150 respondents. It is not easy to get a high respond rate from the respondent in SMEs context.

3.1 Strategic Planning measures

In assessing the level of formality of strategic planning process two measures were employed by researchers. The first measure that has been used with a number of prior studies is the presence or absence of a written strategic plan (Ghobadian et al., 2008).

This measure dichotomizes firms into planner and non-planners. But the formality of strategic planning process is a multi-dimensional phenomenon. Therefore, using a one-dimensional variable to conceptualize a multi-dimensional phenomenon is inefficient. To overcome this problem researcher has to make use of multiple indicators to assess how closely the element of written documentations looks like to the normative strategic planning process. Some researchers stated dimensions that define the main characteristics of the formal strategic planning process (Ghobadian et al., 2008, Phillips et al., 2001).

Phillips (2016) measured the formality of planning based on some elements included: existence of explicit goal setting; long-range and written planning; specifying the responsibilities and assigning implementation responsibilities to specified individuals; level of commitment to long-range plan; budgeting based on market segments; reviewing the performance against the budget. Similarly, Ghobadian et al. (2008) have used seven dimensions that define the main characteristics of the formal strategic planning process. They argued these dimensions have identified by several authors to describe the features of formal strategic planning. It seems that there is convergence and overlapping between these dimensions and which stated by other researchers.

After a synthesis of above literature, in this study, a mixed instrument has been decided and used to determine the level of formality of strategic planning process. Beside, to compare strategic planning of SMEs, in this study two other dimensions that have been identified as main dimensions of strategic planning process were used. These dimensions are planning comprehensiveness and planning participation.

According to Phillips (2016), the comprehensiveness of planning is a suitable measure to compare strategic planning practice of companies, especially when we do not have access to detailed market share and, profitability data. Reviewing the literature, there are some measures that have been used by researchers for measuring the comprehensiveness (e.g. (Atuahene-Gima and Haiyang, 2004, Forbes, 2005, Goll and Rasheed., 2005, Papadakis and Barwise, 2014). Considering the common measures in literature the level of planning comprehensiveness was determined in terms of the following criteria:

• Using experiences from a number of management levels.
• Using divers set of ideas that include a number of internal and external sources of ideas, rather than limited internal sources.
• Evaluating thoroughly each possible action before planning.
• Attempting to determine optimal courses of action from identified alternatives in planning.

The participation level for this study was assessed based on the level of influence from two dimensions that had been validated in earlier research by Phillips (2016) and Phillips et al (2001) and Papke-Shield et al (2012). First dimension is the level of influence that differing staff levels exert on the strategic planning process. Second dimension is the level of influence that differing functional areas exert on the strategic planning process.

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(Delta and Edo).The owners/managers are surveyed as respondents, because, they have a significant impact on every aspect of the strategic and activities of SMEs.

Considering the control variables, the stratified random sampling method was used for gathering quantitative data, because the stratifying criterion help researcher to be sure that the resulting sample is distributed in the same way as the population (Bryman, 2008).
Performance measures

Previous studies have used either a subjective or an objective approach to measuring performance (Greenley and Foxall, 2017). It seems that the simplest way to measure performance is using the objective financial measures (Haber and Reichel, 2005, Sousa et al., 2006). The principal performance measures are financial returns and firm growth i.e. short and long term (Daily et al., 2002). Some researchers (Sa’ari, 2005, Hashim and Zakaria, 2007) have measured the performance of exporting SMEs by using the return on assets (ROA), return on sales (ROS), return on investment (ROI), and also growth. Growth is based on the composite of the average performance of the ROA, ROS and ROI of the SMEs (BPCI= (ROA+ ROI+ROS)/3) (Lee, 2008). Nevertheless, it seems that selection of each of these indicators depends on data, availability and data accuracy. Although, obtaining objective financial data is difficult in SMEs, because the most of small firms are privately held, it is unlikely that CEOs will be willing to provide detailed accounting data on the firm’s performance (Garg et al., 2003). Hence, these data are sometimes confidential. Furthermore, checking the accuracy of objective financial data on SMEs is impossible, because these data are not openly available (Haber and Reichel, 2005). The point of this discussion is to highlight the fact that data availability and accuracy associated with financial measures in SMEs are two main problems that lead to using subjective measures for evaluating SMEs’ performance. In addition, industry-specific factors affect on absolute scores on objective financial performance measures. Consequently, making any comparison between objective financial data obtained for SMEs in different industries could be misleading and inappropriate. In contrast, subjective measures are more flexible and useful for SMEs, particularly for multi-industry comparison (Covin and Slevin, 2009).

It is well documented that subjective performance measures are valid and reliable for founder reported performance measures (Chandler and Hanks, 2004, Brush and Vanderwerf, 2012, Simpson et al., 2004). On the other hand, there is a strong relationship between owner/managers mentality and subjective financial performance of their enterprises (Wijewardena et al., 2008). Moreover, the subjective approach has, been used widely in empirical studies. Using subjective measures based on executives’ perceptions of performance, have ‘been justified by several authors (McDougall et al., 2014, Golden, 2012, Hart and Banbury, 2014, Powell, 2012). All of them have found consistency between executives’ perceptions of performance and objective measures (Falshaw et al., 2016).

The SME owners-managers are the best sources for obtaining direct measures of firm performance. Nonetheless, the researchers have often restricted their request for data to firm growth in sales/or in number of employees) because of the sensitivity surrounding financial measures and concerned about response rate (Watson, 2007).

Furthermore, growth is very important for business survival and also for policy makers. Consequently, firm growth (in sales/or number of employees) has selected as a good indicator for performance of unlisted firms (Delmar and Shane, 2003). Conversely, it is argued by some researchers that performance measures should include both financial and non-financial meters (Laitinen, 2002). Because the financial measures alone are not sufficient for making decisions in modern firms. According to Reijonen and Raija Komppula (2007) these non-financial measures usually contain the time, flexibility, quality of manufacturing and entrepreneurial satisfaction. These measures can be turned into numbers and evaluated numerically.

Having synthesized above literature, and given the difficulty in collecting valid data in one hand and the need for valid performance measures on the other hand, in this study both subjective financial and non-financial performance measures were used simultaneously. The term “subjective measures” refers to self-reported measures (Haber and Reichel, 2005). These measures include: growth in market share; growth in revenues (sales); growth in profitability; growth in number of employees, growth in quality of products and growth in customer satisfaction, in last three years of SMEs activities that are used as subjective (financial and non-financial) performance measures.

4. DATA PRESENTATION AND ANALYSIS

Based on the collected data the majority of respondents are Male (66%). The sample was slightly dominated by respondents with 20-30 years old (38%) and 31- 40 years old (24%). Approximately 70% of respondents are managers in their company. More than 62% of respondents had at least undergraduate degree.
Regarding the population of this research was the SMEs; small-to-medium size companies were selected as sample of this study. Firms that participated in the survey were divided into two categories: small (56.2) and (43.8%) Type of industry was including 6 groups of SMEs that had the majority in Delta and Edo States (75.8%). The study’s analysis was based on 121 usable responses from different industry types.

About 13.22% of respondents were from textiles and clothing industries, metal and nonmetallic mineral products (25.62%), food products and beverages (9.91%), paper and recorded media (16.52%), furniture and wood products (14.04%), rubber and plastic products (13.22%) and other firms (7.43%). Table 4.3 shows the information about the status of participating firms.

In this study, exploratory factor analysis (EFA) was used to test factorial validity. The results of EFA analysis revealed 13 factors with an Eigenvalue greater than one and no single factor explained a great amount of variance (i.e., variances ranged from 2.28% to11.71%). This test confirmed the lack of significant systematic common method bias or variance in the data. Principal Components Analysis (PCA) has been used as the most common EFA procedure. Thus, a PCA/EFA analysis was conducted in SPSS 19.0 using collected data. Initially, KMO index (i.e. Kaiser-Meyer-Olkin measure of sampling adequacy) was 0.798 indicating adequacy of sample size for EFA test. The PCA analysis of main variables confirmed all items did align properly with their related theoretical constructs and thus satisfy three objectives of EFA as discussed previously. Convergent validity is the agreement among measures that are related theoretically. Item loadings, and average variance extracted values (AVE) are two methods to examine this validity. The AVE values of the variables, indicated in Table 2, are between 0.55 and 0.80, providing more proof for convergent validity. As suggested by Hair et al., (2013), all AVEs were above 0.5 indicating those constructs can explain high percentage of variance of the latent variable.

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>Composite</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formality</td>
<td>0.669</td>
<td>0.920</td>
<td>0.892</td>
</tr>
<tr>
<td>Comprehensiveness</td>
<td>0.704</td>
<td>0.904</td>
<td>0.859</td>
</tr>
<tr>
<td>Participation</td>
<td>0.801</td>
<td>0.923</td>
<td>0.877</td>
</tr>
<tr>
<td>Financial performance</td>
<td>0.616</td>
<td>0.905</td>
<td>0.873</td>
</tr>
<tr>
<td>Non-Financial Performance</td>
<td>0.605</td>
<td>0.932</td>
<td>0.917</td>
</tr>
</tbody>
</table>

As is presented in Table 2, all variables have the CR greater than 0.70. Therefore, both Cronbach alpha and composite reliability suggest satisfactory level of construct reliability Partial least Square analysis (PLS) using Smart PLS was utilized as the second main statistical technique in this study for testing the main relationship between variables. The Smart PLS is one of the PLS software applications that is flexible and useful tool for building statistical models provide results for all types of variables, regardless of whether they have metric, quasi-metric, ordinal, or categorical scales (e.g., binary coded) (Ringle et al., 2005). However, recent review of PLS-SEM use in the strategic management field, the method’s dissemination is not as widespread as in other (Hair et al., 2013). According to Hair et al. (2013) hierarchical component models are relatively easy to conduct in PLS-SEM; thereby Smart PLS is a recommended analysis tool for models involving hierarchical constructs that are those constructs with more than one dimension. Another advantage of using Smart PLS in this study was that it has the ability to handle smaller sample sizes and nonlinear effects can be easily included in a PLS path model (Hair et al., 2013).

Using SPLS analysis, it is necessary to generate the significance of estimates using resampling methods because data normality is not an assumption in SPLS. The most common resampling methods in SPLS are Bootstraping, jacknifing, blindfolding. However, among those methods, to generate t-values and valid standard errors, bootstrapping considered superior to the jacknifing and blindfolding. In bootstrapping approach, PLS creates N sample by replacement from the data set of the study, then, reestimates confidence interval, standard
error, and related t-test (Chin et al., 2003). In this study, the distribution of all path estimates was approximated using bootstrapping method.

As can be seen in Table 2, based on the results of bootstrapping for main relationships-statistics were significant for most of the main relationships (p<0.05, or p<0.01), thus, establishing the accuracy and significance of path estimates. A summary of hypotheses and results of related analyses are shown in Table 3.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Original Sample</th>
<th>Sample Mean</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1:SP =&gt;TPERF</td>
<td>0.4214</td>
<td>0.4221</td>
<td>0.0623</td>
<td>6.7589</td>
<td>Supported</td>
</tr>
<tr>
<td>H1a:SP =&gt; FPERF</td>
<td>0.3410</td>
<td>0.3566</td>
<td>0.0698</td>
<td>4.8829</td>
<td>Supported</td>
</tr>
<tr>
<td>H1b:SP =&gt; NFPERF</td>
<td>0.4534</td>
<td>0.4695</td>
<td>0.0611</td>
<td>7.4162</td>
<td>Supported</td>
</tr>
<tr>
<td>H2a:form =&gt; Fperf</td>
<td>0.3174</td>
<td>0.2654</td>
<td>0.1367</td>
<td>2.3218</td>
<td>Supported</td>
</tr>
<tr>
<td>H2b:form =&gt; NFperf</td>
<td>0.2585</td>
<td>0.2328</td>
<td>0.1140</td>
<td>2.2664</td>
<td>Supported</td>
</tr>
<tr>
<td>H3a:comp =&gt; Fperf</td>
<td>0.2826</td>
<td>0.2346</td>
<td>0.1297</td>
<td>2.1788</td>
<td>Supported</td>
</tr>
<tr>
<td>H3b:comp =&gt; NFperf</td>
<td>0.3093</td>
<td>0.2381</td>
<td>0.1073</td>
<td>2.8813</td>
<td>Supported</td>
</tr>
<tr>
<td>H4a:part =&gt; Fperf</td>
<td>0.2096</td>
<td>0.1994</td>
<td>0.0876</td>
<td>2.3915</td>
<td>Supported</td>
</tr>
<tr>
<td>H4b:part =&gt; NFperf</td>
<td>0.0852</td>
<td>0.0889</td>
<td>0.0828</td>
<td>1.0285</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

In this study, race, gender, age, education background, position in company, firm size, industry type, and years of company establishment, were assumed as control variables. These variables were chosen for this study in order to characterize the relationship between strategic planning and performance based on its different organizational and managerial aspects. By doing so, the researcher analyzed the different categories formed by those factors. Hence, any influence of each of eight control variables in the relationship between strategic planning dimensions and performance was elaborated in next sections using analysis of variance (ANOVA). The result did not show any significant difference for the relationship between strategic planning and performance in terms of different groups of age, education background, years of company establishment, type of industry, and position in company. Based on the result of ANOVA analysis the relationship between strategic planning formality and performance is different according to the size of companies. Furthermore, the relationship between strategic planning comprehensiveness and performance is different according to race and gender of participants.

**FINDINGS AND CONCLUSION**

To enlighten the ambiguous and inconsistent strategic planning aspects and SMEs’ performance, in this study, strategic planning characteristics have been proposed to be related to performance Result of analyses showed that there is a positive relationship between strategic planning and performance and was consistent with studies in strategic planning and performance relationship (Mazzarol et al, 2009, Siu et al, 2004, Ogunmokun and HsinTang, 2012).

Based on the result of this study there is a significant relationship between strategic planning and total performance. The relationship between strategic planning and non-financial performance is stronger than the relationship between strategic planning and financial performance. It means that the SMEs that used higher level of strategic planning, had higher level of non-financial performance (rather than financial performance) in terms of customer satisfaction, quality of products and increase in market share during the last three years of their activities. These findings to great extent are consistent with Ogunmokun and Tang (2012) which states that the extent to which the strategic planning activities performed by SMEs is related to the level of performance. Indeed the extent to which firms carried out the various strategic planning process activities is related to the performance of the SMEs (Ogunmokun and HsinTang, 2012).

Result of analyses showed that there is a positive relationship between formality of strategic planning and performance. This finding supports the hypotheses H2a, b and shows the importance of formality in strategic planning for SMEs and was consistent with previous studies (Philips et al.,2001; French et al., 2004; Kraus et al, 2006; Mazzarol et al., 2009; Siu et al., 2004, Claycomb et al., 2000;
Ogunmokun and Tang, 2012). Formality in strategic planning proved to have positive result for small firm performance.

Regardless of barriers to strategic planning in SMEs the results of this study showed that the SMEs’ owners/managers who have formal strategic planning (e.g. adapting specified objectives and having long-range and written plans to guide the operating activities) have higher level of performance (financial and non-financial).

The results of analyses supported the relationship between strategic planning comprehensiveness and performance. Indeed, the analysis implied that the SMEs who had higher level of comprehensiveness had also higher level of performance (financial and non-financial).

The level of comprehensiveness was determined in terms of using various internal and external sources in planning, attempting to determine optimal courses of action from identified alternatives and evaluating thoroughly each possible action before making strategic decisions. Although, small businesses follow a much less complex process (both in terms of steps followed and methods used) in making their strategic decisions than that suggested by theoretical framework and used by larger organizations (Jocumsen; 2004).

Based on the result of analyses there is a positive relationship between strategic planning participation and financial performance and was consistent with limited previous research in this area (Elbana, 2008; Andersen, 2004). Indeed, the analysis showed that the SME5 who had higher level of participation in strategic planning had also higher level of financial performance. A likely explanation of this finding is that the participation in strategic planning is likely to have strong effect on employees’ awareness and understanding of organizational goals that is necessary for employees to orient themselves toward the achievement of the organization’s goals, not only the goals associated with their position (Ketokivi and Castaner, 2004). Practically, the significant relationship between participation in strategic planning and financial performance implies that if SMEs’ owners/managers communicate the priorities resulting from planning process to the different managerial levels and functions after having engaged in a participatory process, participants’ expectations will be fulfilled, even if they do not fully agree with the announced goals and it would cause improving the planning effectiveness and performance (Elbanna, 2008).

RECOMMENDATIONS

Based on the above conclusion and findings, the following recommendations were made:

- SMEs should vigorously carry out the various strategic planning process activities that is related to their performance.
- SMEs owners/managers should encourage the use of strategic planning formality which will ultimately lead to higher level of performance for financial and non-financial.
- Small business follows a much less complex process both in terms of steps followed and methods used in making strategic decisions; therefore, SMEs should apply higher level of comprehensiveness in order to achieve a higher level of performance for financial and non-financial variables.
- SMEs owners/managers should communicate the priorities resulting from planning process to different managerial levels and this will help SMEs to have a higher level of participation in strategic planning and at the same time will ultimately improve the level of financial performance.

REFERENCES


