

**THE EFFECT OF STRATEGIC PLANNING ON SMEs PERFORMANCE: A
CASE STUDY OF SELECTED SMEs IN KUMASI**

By

MARYANN OPOKU (MBA)

**A THESIS SUBMITTED TO SCHOOL OF BUSINESS, KWAME NKRUMAH
UNIVERSITY OF SCIENCE AND TECHNOLOGY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF**

**MASTER OF BUSINESS ADMINISTRATION
(STRATEGIC MANAGEMENT)**

AUGUST, 2016

DECLARATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

Maryann Opoku
(Pg. 2116314)	Signature	Date

Certified by

Ms Mariama Zakaria
(Supervisor)	Signature	Date

Certified by

Dr. Wilberforce Owusu Ansah
(Head of department)	Signature	Date

DEDICATION

This book is dedicated to my dearest husband.

ACKNOWLEDGEMENTS

I thank God almighty to seeing me through this study. I wish to also thank my supervisor for his immense help and support throughout this study. To all those who helped in diverse ways, I say thank you and God bless you.

ABSTRACT

Strategic management planning has been found to be necessary if organizations are to succeed and perform. This study set out to investigate strategic management in Small and Medium Scale Enterprises and its implication for performance. This study employed case study research design making use of questionnaires to collect quantitative data. Hundred research participants were selected using simple random sampling by lottery method from ten purposively selected Small and Medium Scale Enterprises in Kumasi. Questionnaires were used to collect data and were quantitatively analyzed. The study found that SMEs do implement strategic management practices. When these strategic management practices were subjected to the on sample t-test statistics, almost all of the practices proved significant at alpha level of 0.05. However, planning to put the business in the foreseeable years was not significant at the set alpha level. The study also found that the strategic management implementation faces challenges such as inability to manage change and top managers not supporting strategy. Based on these findings among others, it was recommended that the goals of, and incentives for, the workforce along with the allocation of resources should be aligned with the strategy of the organisation.

TABLE OF CONTENTS

DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENTS	iii
ABSTRACT	iv
LIST OF FIGURES	viii
LIST OF TABLES	ix
CHAPTER ONE	1
INTRODUCTION AND BACKGROUND TO THE STUDY	1
1.1 Introduction	1
1.2 Statement of Problem	3
1.3 Objectives of the Study	5
1.4 Research Questions	6
1.5 Significance of the Study	6
1.6 Scope of the Study.....	7
1.7 Overview of Research Methods	7
1.8 Limitations to the Study	7
1.9 Organization of the Study	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Small and Medium Scale Enterprises (SMEs)	9
2.3 Growth of SMEs in Ghana	12
2.4 Contribution of SMEs in Ghana.....	15
2.5 Strategic Management.....	19
2.6 Theories of Strategies.....	20
2.7 Strategic Management in SMEs And SMEs Performance.....	21
2.7.1 Environmental Scanning in SMEs.....	23

2.7.2 Strategy Formulation in SMEs	24
2.7.3 Strategy Implementation in SMEs.....	26
2.8 Summary of the Theoretical Framework	28
2.9 Performance Measures	28
2.10 Empirical Review	29
2.11 Conceptual Framework	30
CHAPTER THREE	32
RESEARCH METHODS.....	32
3.1 Introduction	32
3.2 Research Design.....	32
3.4 Population.....	33
3.5 Sample Size/Technique	33
3.6 Sources of Data	34
3.7 Data Collection.....	34
3.8 Pre-Testing of Questionnaire	35
3.9 Data Analysis	35
3.9.1 Reliability and Validity	36
3.10 Ethical Consideration	37
CHAPTER FOUR.....	39
FINDINGS AND DATA ANALYSIS.....	39
4.1 Introduction	39
4.2 Demographic Characteristics	39
4.2.1 Demographic Characteristics of the Respondents	39
4.2.2 Background Characteristics of the SMEs.....	41
4.3 Strategic Planning Activities by SMEs	42
4.3.1 Reliability of Response for Strategic Planning Practices	43
4.3.2 Descriptive Statistics for One Sample T-Test of Strategic Planning Practices by SMEs	43
4.3.3 One Sample T-Test of Strategic Planning Practices by SMEs.....	47

4.4 Performance of SMEs	48
4.4.1 Performance Indicators.....	48
4.4.2 What Organization Values.....	49
4.4.3 SMEs Performing as Expected.....	50
4.5 Effects of Strategic Planning on SMEs.....	51
4.5.1 Reliability Response for Effects of Strategic Planning Practices.....	51
4.5.2 Descriptive Statistics on Effects of Strategic Planning Practices.....	52
4.5.3 One Sample T-Test for Effects of Strategic Planning in SMEs	53
4.6 Strategic Planning Challenges Facing SMES	54
4.6.1 Reliability Response for Strategic Planning Challenges Facing SMEs	54
4.6.2 Descriptive Statistics on Strategic Planning Challenges Facing SMEs	54
4.6.3 One Sample T-Test for Strategic Management Challenges Faced by SMEs ...	55
CHAPTER FIVE	58
SUMMARY, CONCLUSION AND RECOMMENDATION.....	58
5.1 Introduction	58
5.2 Summary of Findings	58
5.2.1 Strategic Planning Practices	59
5.2.2 Performance of SMEs.....	59
5.2.3 Effects of Strategic Planning on SMEs	60
5.2.4 Strategic Management Challenges Faced by SMEs	60
5.3 Conclusion.....	60
5.4 Recommendations	62
5.4.1 Suggestions for Further Research	63
REFERENCES	64
APPENDIX.....	74

LIST OF FIGURES

Figure 4.1: Performance Indicators.....	48
Figure 4.2: What SMEs Value Most.....	50
Figure 4.3: SMEs Performing as Expected.....	51

LIST OF TABLES

Table 2.1: Distribution of Firms by number of Employees in Different Countries.....	12
Table 4.1: Demographic Characteristics of Respondents	40
Table 4.2: Background Characteristics of the SMEs	41
Table 4.3: Reliability Statistic for Strategic Management Practices	43
Table 4.4: Descriptive Statistics for One Sample T-Test of Strategic Management Practices	45
Table 4.5: One Sample T-Test of Strategic Management Practices By SMEs.....	48
Table 4.6: Reliability Statistic for Effects of Strategic Management Practices.....	52
Table 4.7: Descriptive Statistics for Effects of Strategic Management on SMEs	52
Table 4.8: One Sample T-Test of Effects of Strategic Management in SMEs	53
Table 4.9: Reliability Statistic for Strategic Management Challenges Facing SMEs	54
Table 4.10: Descriptive Statistics for Strategic Management Challenges Faced by SMEs.....	55
Table 4.11: One Sample T-Test for Strategic Management Challenges Faced by SMEs	56

CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

Although small and medium-sized enterprises (SMEs) usually employ majority of the labour force of an economy, there is an insufficient business-related knowledge base that SMEs management possess (Beaver, 2003). Indeed, formal plans or cost controls are often only provided on an irregular basis and planning instruments are usually only used by a small number of individuals and developed rather intuitively (Brinkmann, 2002). These deficiencies point towards the significance of examining the value of strategic management for SMEs in more detail.

Globally, academicians and practitioners have called for increased use of the strategic planning in SMEs, as the role of strategic planning in large companies and the conception that decisions-making triumphs in enterprises regardless of size have been advocated for. In this sense, many empirical studies point out a link between strategic planning and performance (Bracker et al., 1988).

According to Gibson and Cassar (2002), large companies are more successful than SMEs because the large companies plan strategically. Strategic management is viewed as the set of decisions and actions that result in the formulation, implementation and control of plans designed to achieve an organisations vision, mission, strategy and strategic objectives within the business environment in which it operates (Pearce & Robinson, 2005). Strategy plan implementation is an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a

series of actions and then results to ensure that the vision, mission, strategy, and strategic objectives of the organisation are successfully achieved as planned (Thompson & Strickland, 2003).

Strategic management can be defined in various ways. According to Wheelen and Hungers' study (2006), strategic management is a set of managerial decisions and actions that determines the long-term performance of a corporation. It involves environmental scanning (both external and internal), strategy formulation (strategic or long range planning), strategy implementation, and evaluation and control. They emphasize the analysing and evaluating of external opportunities and threats in terms of an organization's strengths and weaknesses (Wheelen and Hunger, 2006). From the perspective of Dess and Miller (1993), strategic management is a process that combines three major interrelated activities: strategic analysis, strategy formulation and strategy implementation.

In the other way, Lamb (1984) states that strategic management is an on-going process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment.”

Strategic planning as explain by Lamb (1984) indispensable for a company to be more proactive than reactive in moulding its own future; it makes an organization to initiate and affect activities so that it can exert control over its own destiny. At present, the benefits of strategic planning begin to be recognized and realized by more and more people, no matter small business owners, chief executive officers, or presidents and managers of many for-profit and non-profit organizations.

In addition, Mbuta and Nkandela (1998) appreciated the importance of SMEs in contributing to job creation and output growth is now widely accepted in both developed and developing countries. Of particular interest is the process of expansion of these enterprises from micro or small into medium size, as it is when they become medium-sized that growth oriented SMEs make their most tangible contribution to economic growth.

Strategic planning is an important tool for the growth of companies as well as further development or scale expansion. In Ghana, SMEs have achieved fast Growth in recent decades. They are the main source of Ghana's economic growth due to its contribution to job creation, the improvement in Gross Domestic Product. The contributions these SMEs make to the economic development and growth of Ghana are substantial because many people are employed by these enterprises.

1.2 Statement of Problem

The increase in the failure rate of SMEs in Ghana is very alarming. As a result, the performance and efficiency of small and medium businesses as a tool for growth and development in Ghana is not being realized. Various research works have shown that

most small and medium sized enterprises (SMEs) do not engage in strategic planning (Auken 1985; Beaver 2003; Gordon and Sussman 1997; Hogarth-Scott and Riding 2000; Orser, Sandberg, Robinson and Pearce 2001; Robinson and Pearce 1984). This is at odds with much of the strategy literature that dictates that enterprises must actively plan for the future to compete effectively and survive (Ennis, 1998). Accordingly, SME owner/managers have been accused of being “strategically myopic” and lacking the “long-term vision as to where their company is headed” (Mazzarol, 2004). The concern is that by neglecting strategic planning, SMEs may not achieve their full performance and growth potentials, and their survival could be placed at risk (Berry, 1998). Consequently, considerable research effort has been expended on identifying ‘barriers’ that hinder planning in order that these may be overcome or else mitigated to encourage strategic planning in SMEs.

According to Karagozoglu and Lindell (1998), it is argued that SMEs often do not have the resources to ensure the continued success of the strategic plan implementation. Unlike large companies, SMEs normally maintain a lower level of resources such as human resources and more limited access to financial capital and consumers, and also lack a well-developed administration. Therefore, the application of recognised strategic management tools is often not enough (Karagozoglu and Lindell, 1998).

This intense scrutiny has been against the backdrop of the low performance and inefficiency that characterized SMEs particularly in assessing their role on economic growth and development. Although there are government institutional and policy supports aimed at enhancing the capacity of SMEs, SMEs have fallen short of expectation because they are not adhering to proper strategic management practices

(Orser et al., 2000). This has generated serious concern and scepticism as to whether SMEs can bring about economic growth and national development in Ghana.

By employing strategic planning methods, SMEs gain meaningful direction and the ability to illustrate its success to key stakeholders and others (Mazzarol, 2004). Strategic planning is also a teambuilding exercise that involves both staff and key stakeholders in the process of determining the growth and future of SMEs. Without a strategic plan, SMEs may lose its direction, unknowingly drift away from its values, and lack the ability to understand whether or not it is successful in delivering its services or products to its clients (Brinkmann, 2002).

While strategic management is widely practiced by firms and other profit oriented organizations in this country, its adoption by Small and Medium Enterprises is less understood. Strategic planning in Ghana is still insubstantial in SMEs as SMEs are being setup almost every day and also with their collapse overnight. This study is undertaken strategic planning techniques in SMEs and how it affects performance in the quest to contribute to filling the literature gap. It is imperative to study on how strategic management is being adopted by Small and Medium Enterprises (SMEs) as a tool of enhancing their performance.

1.3 Objectives of the Study

The study primarily aimed at assessing the effects of strategic planning on the performance of some selected SMEs in Kumasi.

Specifically, this study sought to;

1. Examine strategic planning activities of selected SMEs in Kumasi.

2. Assess the performance of selected SMEs in Kumasi.
3. Investigate the effects of strategic planning on selected SMEs in Kumasi.
4. Identify challenges in strategic planning facing selected SMEs in Kumasi.

1.4 Research Questions

1. What strategic management activities are undertaken by selected SMEs in Kumasi?
2. How is the performance of selected SMEs in Kumasi?
3. What are the effects of strategic planning on selected SMEs in Kumasi?
4. What are the challenges in strategic planning facing selected SMEs in Kumasi?

1.5 Significance of the Study

This study will be of importance to three main groups of people. Firstly, it will serve those in industry and the economy as a whole. The findings from this study will serve to inform the policy and decisions regarding the SMEs in the country. This will help create an enabling environment for SMEs to operate.

In academia, this study will benefit other scholars who are engaging in studies related to strategic planning in general and strategic planning related to SMEs in particular. This work will serve as a reference guide to such studies for them to build upon.

Lastly, this study will benefit SMEs in Ghana. The findings of this study can be used by these SMEs in devising plans and strategies so that they can perform in their business environments.

1.6 Scope of the Study

The scope of this study covered the role of strategic management in Small and Medium Scale Enterprises in Ghana with particular interest on some randomly selected SMEs operating in the Kumasi metropolis. By choosing different SMEs, which engaged in different businesses, the researcher was able to assess the role of strategic management process and its implication for organizational performance across different environments. The study stayed within the scope of SMEs and strategic planning and the implications thereof.

1.7 Overview of Research Methods

This research employed the cased study design on ten purposively sampled SMEs in Kumasi. The probability sampling technique of systematic sampling was employed to select 100 respondents from the five SMEs for the study. Questionnaires were employed in the collection of data and Statistical Package for Social Sciences (SPSS version 20) was used to aid with data analysis.

1.8 Limitations to the Study

Any research work inevitably is expected to encounter some basic limitations and this study is no exception. Time frame for the completion of this research was a major limiting factor which affected the conduct of a comprehensive research. Lack of readily available organise data was also a major limiting factor. This is because most Ghanaian businesses particularly, the Small and Medium scale Enterprises have not developed the culture of proper records keeping and updates. However, within the constraints, all attempts were made to undertake a valid and comprehensive study.

1.9 Organization of the Study

The project shall be structured in five (5) chapters. The Chapter One shall be the general introduction which will include the background of the study, the objectives of the study, research questions, justification of the study, the scope of the study, and so on. Chapter Two shall be on literature review which will spell out other works on the subject area. Chapter Three will discuss the methodologies used or what the research design is all about. Chapter Four look at the presentation of the research findings and analysis. Chapter Five of the report shall look at the summary of the findings, limitations, recommendations and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is devoted to the review of literature related to the topic under study. Key relevant literature were selected and systematically reviewed in the quest to put the study into perspective. The review starts with general overview of SMEs,

2.2 Small and Medium Scale Enterprises (SMEs)

The European Commission, the executive body of the European Union, with a recommendation of May 2003 has standardized the definition of micro, small and medium enterprises (European Commission, 2003). This definition is appropriated beyond the geographical scope that falls under the jurisdiction of the EU. European Commission at the request of the Council of Industry, has proposed in 1992 limiting addition of the definition of small and medium enterprises that Commission uses. The first recommendation that marked the beginnings of a unique definition of SMEs was that of April 1996 (European Commission, 1996). The OECD estimates that small and medium enterprises account for 90% of firms and employ 63% of the workforce in the world (Munro, 2013). This shows that SMEs are very important in economies and cannot be dismissed.

SMEs are businesses that are individually managed by the owners or co-owners and the governance structure is not too developed (Analouiand Karami, 2003). However, there is no universally accepted definition for small and medium enterprises (SMEs). Instead, it is generally defined in terms of series of measures, such as number of employees, country,

sector, turnover or annual sales. For example Osei et al. (1993), Steel and Webster (1990) in their definition of small and medium enterprises in Ghana made use of the employment cut-off point of 30 employees to determine an SME.

One of the main challenges in developing a cross-country analysis of SME data is the lack of a universal definition of what constitutes an SME (Ardic et al., 2011). Pobobsky (1992) cites a study of the International Labour Organization, which identifies over 50 definitions in 75 countries with considerable ambiguity in the terminology used. Since then the heterogeneity of SME definitions has hardly softened. An acute issue in the literature is the terminology used for the category of businesses that do not fall into the field of large enterprises. One part refers to them as small businesses, others use the concept of small and medium enterprises, while some refer to them as micro, small and medium enterprises. Although referring to the same class of business, the definitions differ in the degree of involvement of these businesses in the generic name. However, these concepts can be used interchangeably and can be understood if an author or an institution shows preference for any of them.

Differences in SME definition extend in three flanks: definitions by international institutions, definitions by national laws and by industry definitions. Finding a universal standard poses a sharp and acute critic to institutionalists, economists, academics and industrialists. Although a dilemma, more negligible is coining enterprise or business, although all authors use them interchangeably. Abbreviation SME which is usually faced in the European Union and international organizations as the World Bank, United Nations and World Trade Organization (Nwankwo and Gbadamosi, 2011), suggests that

companies that fall into categories according to criteria that are different from large companies to be labelled as enterprise (Small and Medium Enterprise).

Although being the most common criterion in the definition, the number of employees has many variances indifferent sources of SME statistical reporting. The largest number of sources defines SMEs to have a cut-off range of 0-250 employees (Ayyagari et al., 2003). Among all SMEs definitions, the one most implemented in SME studies is that of the European Union. However, it remains far from being appropriated by the state governments and policymakers. Although recommended by the EU, that definition is only mandatory for institutions and businesses seeking funding from it (Carter and Jones-Evans, 2006). A World Bank study, materialized by a publication known as MSMB Country Indicators reveals that out of 132 countries covered in the study, 46 of them or a third define SMEs as businesses with fewer than 250 employees (Kushnir et al., 2010). Each country exercises the freedom to define SMEs specifically, as aftermath of which today's SME theory counts with a great host of definitions. The following table (Table 2.1) presents some of them.

Table 2.1: Distribution of Firms by number of Employees in Different Countries

	Micro	Small	Medium	SME	Large
EU countries, Iceland, Norway, and Switzerland	1 - 9	10 - 49	50 - 249	1 - 249	250 +
Australia	0 - 9	10 - 49	50 - 199	0 - 199	200 +
Canada	0 - 9	10 - 49	50 - 499	0 - 499	500 +
Japan	4 - 9	10 - 49	50 - 249	1 - 249	250 +
Korea	5 - 9	10 - 49	50 - 199	5 - 199	200 +
Mexico	0 - 10	11 - 50	51 - 250	1 - 250	251 +
New Zealand	1 - 9	10 - 49	50 - 99	0 - 99	100 +
Turkey	1 - 19	20 - 49	50 - 249	1 - 249	250 +
United States	1 - 9	10 - 99	100 - 499	1 - 499	500 +

Source: OECD, 2010

There is no single and unambiguous definition of SMEs (Storey, 1994). Organizations differ in their level of capitalization, turnover and employment. Therefore, the definition which measures the size (profitability, number of employees, revenue, network, etc.) when the definition is applied to a sector could lead to all companies are classified as small, while the same size definition when applied to other sectors could also lead to a different results.

2.3 Growth of SMEs in Ghana

The government of the Gold Coast, an arm of the British government pursued an economic policy that trained the rising middle class to manage the property of the European merchants and businessmen. According to Kayanula and Quartey (2000), small scale enterprise promotion in Ghana was also not impressive in the 1960s. Dr. Nkrumah (President of the First Republic) in his modernization efforts emphasized state participation but did not encourage the domestic indigenous sector. The local

entrepreneurship was seen as a potential political threat. As the economy declined in the 1980s, large-scale manufacturing employment stagnated which forced many formal sector employees into secondary self-employment in an attempt to earn a decent income. In order to solve these problems governments has put in place measures to promote the growth of SMEs in Ghana by establishing organisations to support the activities of SMEs. Hence National Board for Small Scale Industries (NBSSI) was established under Act 434 in 1981 as an apex body for the development of small-scale industries in Ghana. In order to create a single dynamic integrated organization capitalized and capable of responding to the needs of the SME sector, the government merged the Ghanaian Enterprises Development Commission (GECD) in 1991 and the Cottage Industries in 1994 with the Board. In 1987, the industrial sector also witnessed the coming into operation of the Ghana Appropriate Technology Industrial Service (GRATIS). It was to supervise the operations of Intermediate Technology Transfer Units (ITTUs) in the country. GRATIS aims at upgrading small scale industrial at the grass root level. In 1992, the government in attempt to the response of the private sector to economic reforms undertook a number of measures. According to Kayanula and Quartey (2000), prominent among them is the setting up of the Private Sector Advisory Group and the abolition of the Manufacturing Industries Act, 1971 (Act 356) which repealed a number of price control laws, and the Investment Code of 1985 (PNDC Law 116) which seeks to promote joint ventures between foreign and local investors. In addition to the above, a Legislative Instrument on Immigrant Quota which grants automatic immigrant quota for investors was enacted. Government also provided equipment leasing, an alternative and flexible source of long term financing of plant and equipment for enterprises that cannot afford their own.

In 1997, government proposed the establishment of an Export Development and Investment Fund (EDIF), operational under the Exim Guarantee Company Scheme of the Bank of Ghana. This was in aid of industrial and export services within the first quarter of 1998. To further improve the industrial sector, according to the 1998 Budget Statement, specific attention was given to the following industries for support in accessing the EDIF for rehabilitation and retooling: Textiles/Garments; Wood and Wood Processing; Food and Food Processing and Packaging.

The Ministry for Private sector Development was established in 2001 to co-ordinate and harmonizes all inter-sectorial effort which aimed at the development of the private sector as the engine of growth and poverty reduction. The Ministry of Private Sector Development (MPSD) was charged with the responsibility to facilitate basic courses for the informal sector to awaken individuals and enterprises of the sector to the potential benefits of basic disciplines such as bookkeeping, banking and other entrepreneurship skills. The Ministry made progress towards relieving Small and Medium-Scale Enterprises (SMEs) of one of their major problems, which is access to affordable long-term funds. To boost the country's export trade, an Export Development and Investment Fund (EDIF), has been set up by the government to be given out on very liberal terms. The funds are administered by eleven (11) designated financial institutions. Furthermore, other schemes such as the Government Loan Guarantee, African Development Foundation, Italian Credit facility, etc. was set up by the government. These schemes did not only solve the perennial problem of SMEs inability to provide collaterals demanded by banks, but also ensured an increased flow of capital to the private sector for

innovation, technology development and adoption and development of new products and services for productivity enhancing investment activities.

The President's Special Initiative (PSI) was launched in 2002. It aimed at supporting the production of cassava as well as textiles and garments for export. The President's Special Initiatives (PSI) has been launched in five (5) areas of activity. They are accelerated export development for garment and textiles, salt mining, cotton production, oil palm production, cassava starch production and distance learning. These initiatives are intended to spearhead the expansion and deepening of the economy; create jobs and reduce poverty through agribusiness and export in Ghana. It is also intended to develop a critical mass of high growth oriented internationally competitive exporting firms in the said sectors, targeting the American and European consumers markets. Currently, there is an on-going Rural Enterprise Development Programme in which every district in Ghana is to identify three (3) enterprise projects for development.

2.4 Contribution of SMEs in Ghana

Two schools of thought have emerged in the studies of SMEs. They are the pro-SMEs and anti-SME's perspectives. Most donor countries and development agencies share the view of the pro-SME's that is springing up of such entrepreneurial and innovative ventures help promote economic growth and help reduce the high poverty level in such developing economies (Beck and Demirguc-Kunt, 2004). The pro-SME has argued that SMEs enhance competition and entrepreneurship and thus have economy wide benefits in efficiency, innovation and productivity growth. Thus direct government support of SMEs can help countries reap social benefits. Second, SME's are generally more productive than large firms but are impeded in their development by failures of financial markets and

other institutions for capital and other non-financial assistances. Thus, pending financial and institutional improvements, direct government support of SME"s can boost economic growth and development. The growth of SME"s boosts employment more than the growth of large firms because SME"s are more labour intensive (Snodgrass & Biggs, 1996). So subsidizing SMEs may help reduce poverty (Beck and Demirguc-Kunt, 2005).

However, the anti-SME has questioned the efficacy of SME's in promoting growth and reducing poverty. First, they argue that large enterprises may exploit economies of scale and more easily undertake the fixed costs associated with research and development, boosting productivity. They argue further that some researchers found that small businesses are neither more labour intensive nor better at creating jobs than large firms (Thormiand Yankson, 1985). Moreover, they doubt the crucial role of small businesses and instead emphasize the importance of the business environment facing all firms, big and small. Small businesses create monopoly. They are of the view that if there are low entries and exit barriers, well defined property rights, effective contract enforcement, and access to finance, it will work to promote conducive business environment for all firms and not only small firms (Demirguc-Kunt et al., 2004).

SME"s are thought to be flexible and innovative organizations that are able to respond quickly to customer and market demands (flexibility) Levy and Powell (2005). Contrary to what happens in large firms. The production technologies of many manufacturing SME's may inhibit flexibility (Gupta & Cawthorn, 1996), while Carrie et al. (1994) believe that it is people rather than technology that provides flexibility.

It is estimated that about 69% of the country's population are employed in the MSE sector. Thus the sector provides employment for a considerable number of people both in rural areas as well as cities. However, despite this recognition and its significance for local and national economic development, research has not investigated systematically, the real strengths and weaknesses of these rural enterprises, at least in Northern Ghana where poverty is very high (GSS, 2007). SME's and entrepreneurs are bedrocks of new goods and services, new methods of production, the opening up of an economy by setting or opening up of new markets, introduction of new resources of supply as well as industrial re-organisation (Jennings, 1994). So the innovativeness of these ventures is their capability to create a change by altering the conventional ways in terms of available technology, strategy, skills and styles.

Private sector development is said to be critical for employment creation, growth and development of Africa (Kurokawa et al., 2008). The development of small and medium enterprises (SMEs) is acknowledged as a key condition in promoting equitable and sustainable economic development in Africa. This sector, in terms of economic development has the potential to provide for growth in employment and contribute towards reducing poverty among urban cities in most developing countries. In Ghana, a key strategy the government has adopted for increasing employment and production is to take measures to improve the capacity of the private sector as a means of accelerating the growth of small and medium scale manufacturing industries.

Another current happening is that most entrepreneurs are stuck at mainly the micro level. It is interesting to note that less than 5% of large businesses are Ghanaian owned. According to World Bank estimates, most businesses in Ghana, which account for 70%

of employment in the country, fall within the categories of “micro”, “small” and “medium” entrepreneurs.

Small enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment of Ghana (Aryeetey, 2001). SMEs are also believed to contribute about 70% to Ghana's GDP and account for about 92% of businesses in Ghana. SMEs therefore having a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries. SMEs forms a huge chunk of businesses in both the formal and the informal sector. Whilst SMEs in developed countries make a significant contribution to GDP and national employment, there is not sufficient data to say the same about SMEs in Ghana (Culkin& Smith, 2000).

SMEs in Ghana tend to have few employees who tend also to be mostly relatives of the owner hence there is often lack of separation between ownership and control. Also since SMEs do not traditionally rely on public funds there is lack of accountability and no regulations to comply with in relation to compliance (Abor and Adjasi, 2007). Mostly, the owner managers of these SMEs are hampered by lack of managerial competencies (Gockel and Akoena, 2002). There are a number of factors which pose as barriers to the development of the SME sector in Ghana. These are identified as access to international markets, technology, equipment and finance (Aryeety, 1994).

In Ghana about 48 percent of the population represents the youth population which is from ages 15-35 years of age. Like many African countries, Ghana's population is fairly youthful (Baah et al., 2007).A survey conducted amongst small scale enterprises in

Ghana revealed that young people owned almost 40.0 percent of the enterprises .Younger youth aged 15-25 owned only 5.4 percent of enterprises whilst those aged between 26-35 years owned 33.8 percent (Osei, et al., 1993). From this it is believed that micro and small enterprises in Ghana has a good future.

2.5 Strategic Management

In the 20th century, the subject of strategic planning has been particularly applied to organizations, most typically to business firms and corporations. There have been many definitions of strategic planning by different authors and academia. Some authors define it as the art and science of formulating, implementing and evaluating cross-functional decisions that that enable an organisation to achieve its objective. As this definition implies, strategic planning focuses on integrating management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organisational success.

Proposed working model (defining) for strategic planning based on the earlier theories and practices as ‘an organisational process design to sustain, invigorate and direct the organisation’s human and other resources in the profitable fulfilment of the needs of customers and other principal stakeholders. The process is guided by the organisation’s value system, or culture, which is manifested not only in the organisation’s mission statement, policies, and strategic goals, but also in the behaviour of top management and other key managers in the organisation. The process of strategic management involves setting goals and objectives, and assessing the organisation prospects for attaining these in the context of its internal resources and external environment. It involves which

customers to serve, with which products or services, and meeting those legitimate needs and wants by allocating resources in the most advantageous way (Cole, 1997).

2.6 Theories of Strategies

To get a better understanding of strategic planning, the researcher aims to provide an understanding of the concept of strategy. Several researchers differently defined strategy. According to Ansoff (1965), The Strategy is a common point among the organisation's activities and the products of the organization which determine how the organization has been planned for the future. As per Andrews (1987) strategy is a pattern of decisions in an organization that defines and reveals the goals, objectives and important policies and plans to achieve those goals and determines where the organization expects to be in the future. Chandler (1962) pointed out that strategy is defining goals and objectives of the organization, be it medium or long-term, and the adoption of action plans and allocating resources in order to these fundamental objectives in the long term. As Mintzberg (1987) posits, that strategy is "a pattern in a stream of actions over time."

Mintzberg first came out with the five (5) Ps of strategy in 1987. Each of the five (5) Ps is a different approach to strategy. They are: plan, ploy, pattern, position and perspective. Mintzberg and Waters (1985) also proposed a different framework strategy where it compared two concepts which are planned strategy and emergent strategy. The planned strategy is developed from the strategic making process planning, and the purpose is very clear. While the emergent strategy usually arises from feedbacks or the organisation's daily activities it gets. In addition, Johnson et al (2007) viewed strategy as the direction and scope of organisation's in the long run that will bring benefits to the organization by combinations and the distribution of the resources of the objectives of the organization

and important mission in a difficult environment at good will come. “The strategy of the organization, encompasses internal competitive capacities and actions and external potential opportunities”.

Furthermore, Johnson et al. (2007) also was also of the view that, in a competitive environment, it is vital that organizations make modifications to their strategy from making periodic planning and decision defined conventional systems into a more continuous process with daily activities and massive involvement of employees at every level of the organisation. Henceforth, the researcher focuses on the activities of the organisational stakeholders and how the organisation’s strategic outcomes are influenced by these activities.

2.7 Strategic Management in SMEs And SMEs Performance

Making the process of the strategy is linked closely to the management. Strategy can be defined as the method an organization chooses to attain its objectives and also its long-term success (e.g.Kreikebaum 1993; Nötzold 1994). Strategic management as a discipline emerged around the 1980s upon the progress in strategic planning. In general, strategic management is considered as a long-term (with a minimum of three years), with focused on the future earnings potential and many others and also mainly associated with the top level management that defines the vision, mission and the organisational culture (Haake, 1987; Voigt, 1992).

Strategic planning is trying to prepare for any eventuality through abstraction thereby taking into account the complexity and dynamics of the environment. This denotes the need to have alternative future scenarios and settings. Since you cannot accurately predict

the future, you can prepare for the future and harmonize the organization. Contrary to strategic management, it is not about the future visionary concepts, but the extrapolation of current trend in the future. Therefore strategic planning does not vision, but in particular, guidelines, policies and programs to achieve certain specific goals. Subsequently, strategic planning determines the basic requirements, as well as the scope for the future activities of the organization and in so doing it becomes an important tool for strategic management, which in turn is responsible for goals and visions (Kropfberger, 1986) as well. The survey of SMEs is of keen interest since their strategies are developed in an extremely emerging way (Mintzberg, 1994), which reflects their rapidly changing needs.

Strategic management involves a series of managerial decisions and behaviour which controls or influences a firm's performance. Conceptual model of strategic management consists of four elements: environmental scanning, strategy formulation, strategy implementation and strategy evaluation and control (Analoui and Karami, 2003). Though this model has been attuned and adapted to SMEs because of their size, the nature and characteristics according to many researchers. For instance, Karami (2007) in his work raised a model for SME strategic management which was dynamic, which consists of three phases: awareness: understanding the strategic situation; strategic formulation and strategic implementation.

In the following sections, the authors examine the four basic elements of the conceptual model and the performance of SMEs in these processes that have been found by researchers in previous studies to a preliminary overview of strategic management in

SMEs and forms part of the empirical research with the objectives of exploring the exact features of the strategic management in the manufacturing SMEs in Ghana.

2.7.1 Environmental Scanning in SMEs

To appraise the important factors that would impact both now and the future development of the firm as well as determining the specific factors of influence in the strategic formulation process is the purpose of environmental scanning (Beal, 2000). The environment of an organization usually consists of two aspects: the internal environment and the external environment.

The internal environment of the organization shows the parameters within the company. It consists of strengths and weaknesses, the culture, structure and resources of the company (Beal, 2000). Pettigrew (1992) argued out that it is vital for SMEs recognize the importance of the organizational context that can determine the success of the implementation of the strategy. For example, the collection and analysis of information should be considered as important since such vital information will be beneficial to the strategic development of the company and also influence the future development of the strategy, although many SMEs are limited by their size, time, human and capital resources (Garengo et al., 2005). In contrast, Simon (1993) reports that SMEs were eager to find a balance between the internal contexts and strategic practices that can shape the main direction of the company. Deep understanding of the internal context will offer different strategic results.

To distinguish by the direct impact on firms, the external environment can be divided into general and specific environment. The general environment context of the macro-

environment that could affect all firms in a particular social environment, and it always has a direct impact on firms. The PEST module, which includes political, economic, social and technological, can be used in the analysis of this environment. While the specific environment consist of micro-environmental factors that have a direct impact on a specific firm (Beal, 2000). These factors include government, competitors, creditors, employees, industry associations and local communities. Porter's five forces is commonly used for the analysis of this environment (Porter 1979).

According to studies conducted by previous researchers (Wheelen and Hunger, 2000), the procedure for environmental scanning in SMEs is less advanced than in large enterprises because of the size. In this study, the researcher will examine in which form the Ghanaian manufacturing SMEs undertakes the environmental scanning and which aspects they emphasise by deploying SWOT, PEST and the Porter's five forces model.

2.7.2 Strategy Formulation in SMEs

The second phase of the strategic management is strategy formulation. This process conjoins the strengths and weaknesses internally to effectively manage the opportunities and threats externally (Fowler and Hope, 2007). Many researchers believe that the formulation of the strategy in the SME sector as a rational process of strategic planning, including the development of the mission, goals / objectives, processes and control systems (Karami, 2007). These are also the focal themes that will be examined towards the Ghanaian manufacturing SMEs in this study.

As introduced by Bart (2000), a good mission statement is constituted by aspects include:

- Purpose, value, vision, general corporate goal and a big goal;

- Unique competence, expected competitive position and competitive strategy;
- Behavioural standard;
- Financial and non-financial objectives;
- The specific market, customer and product;
- Self-concept, public image pursued ;
- Concern for survival, customers, employees, shareholders and society.

Objectives can be defined as the result of the planned activities. It must be consistent with the fulfilment of the mission of the company. Company may set targets and objectives for revenue, growth, market share, shareholder value, etc. (Johnson et al., 2007). It has been articulated that the objectives of SMEs should be measurable, achievable, and moreover should be consistent with each other in addition to communicable to others (Klemm et al., 1991).

The knowledge and skills of managers play a crucial role in the organization during the strategy formulation. Moreover, the manager's perception will lead the all-inclusive operation to the organisation such as classifying different employees in to proper position to formulate strategies by bringing their skills and talents into fruition, the development of the semantic network (cognitive map) and the integration of employees to the same knowledge of the systems and the formulation of strategic experts built to achieve the goal of the company. SMEs need to ensure information sharing and maximization of resources among the various departments by configuring the network. It was also named collaborative networking because employees can work with others to develop an effective strategy (Stubbart, 1989). In this context, the role of the manager and employee

participation in the development of the strategy also aimed at the screening of SMEs in Ghana.

2.7.3 Strategy Implementation in SMEs

After the formulation of a strategy, it is necessary to implement it. The implementation of the strategy is to promote and develop programs to put the strategies and policies that were formulated into action (Wheelen and Hunger, 2000). It has to do with managerial interventions that brings into line with the organisational actions with strategic intention (Floyd and Woolridge, 1998). It will display the finishing result of the organisations effort on strategy and also depicts the tendency of the organisation's development in the future. Previous studies (Lorange, 1998; Karami, 2005) have shown that the structure of the organizational, leadership and human resources (employees) play an important role in the implementation of the strategy.

Researchers believe that the organizational structure is a key element to effectively execute the strategy, and discusses how the strategy is implemented after the formulation (Lynch, 2006). In SMEs, the use of structural characteristics is projected to be correlated with the performance and strategy support (Miller, 1988). Drazin and Howard (1984) also posited that the alignment of strategy-structure is an important factor for the full and effective implementation of new business strategies.

Contrary, Sanchez and Sanchez-Marin (2005) argued that the size of the firm offers flexibility that brings positive effects on the chains of production and marketing. Moreover, in a dynamic environment, SMEs have more benefits than larger firms because of their easy adaptability to change as a result of the lower cost of investment

and flexibility. In other words, are large companies are gradually losing their ground on the cost advantages which they originally were enjoying.

Leadership of top managers or top level management can sometimes have major influence on the implementation of strategy. Swierczek and Ha (2003) and Merz and Sauber (1995) established that SMEs with an environment of diversified and flexible management can perform better than conservative SMEs, such as risk-taking, innovative and dynamic companies in the most competitive position, changing posture, as compared to the less innovative SMEs which adopt the "wait and see" approach. Of these, Swierczek and Ha (2003) have shown that the managers with high risk taking capacity, high degree of innovation and productivity will result in a high strategic management practice. Moreover, the actions and core capabilities of these managers will influence the behaviour of the employees in the process of implementing the strategy and also working on the business environment in the long-term growth. Burgelman (1983) illustrates the positive relationship between the leadership and strategic deployment. Top managers or chief executive officers had strong and ample leadership that will lead to the formulated strategies into full use.

More and more studies underline the importance of the participation of employees at all levels of decision-making and action, and that is the basis of a strategy to effectively communicate with all the people in the organization, rather than the people who were the originators of the strategy (Analoui, 2000). Researchers have stated that there is a significance to exploit the human resource of a firm in its strategies, especially in the implementation of the strategy (Lee, Lee and Wu, 2010).

In this research, the Ghanaian manufacturing SMEs will be tested from these three aspects - the structure, leadership and human resources to analyse the characteristics of implementing strategy in these companies.

2.8 Summary of the Theoretical Framework

In conclusion, this chapter is intended to give readers an insight into the concepts for SMEs, strategy, strategic management, and the relationship between strategic management and SMEs. The conceptual model of strategic management involves four processes. These processes are environmental analysis, strategy formulation, strategy implementation and evaluation of strategies and controls. However, not all companies follow all the steps when applying strategic management in their companies. Especially strategic management in SMEs is usually done with an informally comparing to conceptual model.

2.9 Performance Measures

In some situations, it could be assumed that the term 'performance measurement' is used to evaluate the performance of individuals (Berman and Wang, 2000). 'Performance' has a number of meanings relating, for example, to inputs (i.e. resources used), outputs (i.e. services produced) and outcomes. 'Performance measurement' is an informative methodology of what to measure and how to measure it (Roger, 1990). Performance measurement became important because government wanted to see whether its objectives were being achieved and people's needs were being met. The capacity of government for performance measurement is a useful diagnostic strategy to identify areas of organisational deficiency. Measuring the performance of public programmes was clearly part of the results-based management movement for the budgeting process in the 1960s

and the evaluation programme in the 1970s (Poister and Streib (1999)). In the 1990s, performance measurement became a 'new' scientific management approach as part of social agendas.

It is widely believed that performance measurement, with its focus on quality and improvement, has helped improve the performance and credibility of public-funded programmes. For example, the United States Office of Management and Budget created a number of agencies to develop suitable performance indicators and common standards that could be applied to many public organisations in the USA. All levels of organisations were encouraged to report in terms of both service quality and financial data (Wholey and Hatry, 1992). However, some difficulties were encountered; such as how to measure the quality of social services; which level or result would be seen as acceptable; and what action should be taken where results were not acceptable. Performance measurement will never be perfect, but it has been suggested that governments can minimise the possibility of manipulation or other error with more acceptable performance indicators. Measurement, in fact, has become an important question in performance management (Bhen, 2003; PBMSIG, 2001).

2.10 Empirical Review

A number of empirical studies, including Kimhi (1997) and Barton and Gordon (1987), use the lifecycle model as their chosen approach to understand the financial behaviour of SMEs. In line with these studies, La Rocca et al. (2011) found that the financial behaviour of SMEs can be, to a large extent, attributed to the lifecycle pattern which was found consistent over time and quite similar across different industries and institutional contexts. In addition, in their study of small businesses financing using a sample of 60

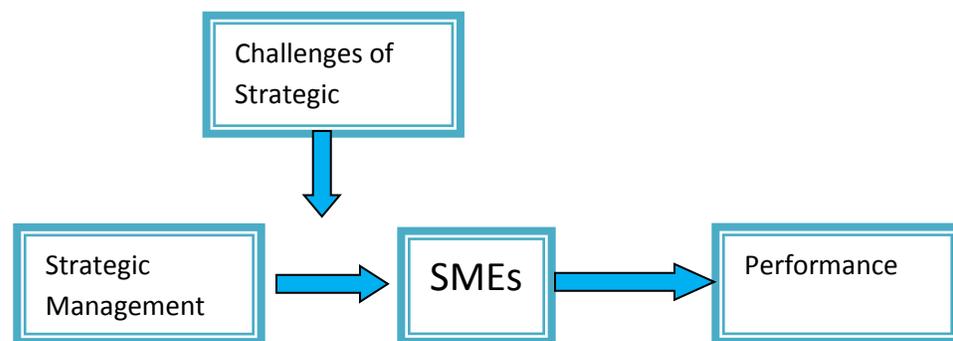
SMEs across three cities in China, Wuet al. (2008) found evidence supporting the business life cycle model.

However, other studies critique the growth life cycle model claiming that it does not offer a complete picture of SME financial decisions and behaviour. For example, Berger and Udell (1998) themselves concede that the lifecycle paradigm is not applicable to all SMEs operating in different industries implying that firm size, age and information availability -which are intended to constitute the backbone of this particular paradigm- are not perfectly correlated. Gregory, Rutherford, Oswald and Gardine (2005) partially agreed with the model stating that SMEs financing cannot be standardized. Moreover, according to their results and contrary to the growth lifecycle model suggestion that the financial needs and options of SMEs lie on some size/age/information continuum, only firm size was found to be a significant predictor (in some, but not all cases) of capital structure decisions in SMEs.

2.11 Conceptual Framework

The conceptual framework below shows the link between strategic management, SMEs and performance.

Figure 2.2: Conceptual framework



Source: Source: OECD, 2010

From the framework above it can be seen that strategic planning is practiced by SMEs. However, there are challenges which affect the implementation of strategic management in SMEs. All these go a long way to affect performance of the SMEs. Among the challenges are the environmental constraints and organizational exigencies.

CHAPTER THREE

RESEARCH METHODS

3.1 Introduction

In this chapter the research methods used in the study is described. The geographical area where the study was conducted, the study design and the population and sample are described. The instrument used to collect the data, including methods implemented to maintain validity and reliability of the instrument are described.

3.2 Research Design

The research design is of crucial importance because it determines the success or failure of research. The research design guides logical arrangements for the collection and analysis of data so that conclusions may be drawn. Thyer in De Vos and Fouche (1998) defines a research design as a blueprint or detailed plan of how a research study is to be conducted - operationalizing variables so they can be measured, selecting a sample of interest to study, collecting data to be used as a basis for testing hypotheses and analysing the results.

This study was quantitative and adopted the case study design. The case study was adopted as the concentration of the study was on five SMEs. The case study allowed for an in-depth data gathering with focus.

3.3 Research Settings

Research setting is the environment or area in which the research was carried out and or the place where the data were collected (Polit and Hungler, 1999).

The research setting for this study is Kumasi which is the capital city of Ashanti region. It is popularly known as “The Garden City” or “heart beat” of Ghana because of its many beautiful species of flowers and plants (Frimpong, 2010). Kumasi was chosen for this study because of its dominance in economic activities. Many SMEs exist in Kumasi as the second largest city in the country. Some of the selected areas for the sampled SMEs were Kejetia, Central Market and Roman Hill. These are the main commercial areas of Kumasi and serve to harbour many organizations.

3.4 Population

Population is an aggregate or totality of all the objects, subjects or members that conform to a set of specification (Polit and Hungler, 1999). In this study, the population was all SMEs in Kumasi. All the employees in these SMEs formed the study population of interest.

3.5 Sample Size/Technique

The sample of any study is the subset of the total population. Data is collected from the sample and inferences are made to the general population from which the sample was drawn. Polansky (1995) defines a sample of selected group of subjects from a larger group. Sampling is a powerful instrument when undertaking a social research. Sampling procedures are used to ascertain how much confidence the researcher can have that information collected could be the same information that can be collected, if everybody in the group had been studied.

The main technique used was purposive sampling technique, also known as selective or judgmental. This is a non-probability sampling technique whereby the elements selected

for the sample are chosen by the judgment of the researcher. I used this method because some SME's are registered and some are not. As a result I targeted those that are registered for reliability and accuracy. It also saves time and money. 10 SMEs were purposively sampled from the city of Kumasi. These SMEs were assured of anonymity so that their names were not recorded in this study. Ten employees each were randomly sampled from each of the ten SME through the lottery method of selection without replacement. Ten employees each from the ten SMEs gave a total sample of 100.

3.6 Sources of Data

Data is defined by Polit and Hungler (1999) as an information obtained in a course of study.

The study made use of both primary and secondary sources of data. The primary data for any study are the data collected first hand by the researcher for a particular purpose. The primary data for this study was collected from the employees of the selected SMEs in Kumasi through the use of questionnaires.

Secondary source of data are those data which had already been collected not for a particular study but the researcher resorts to such data for his or her study. The secondary data collected for this study were from the documents of the SMEs

3.7 Data Collection

Primary data for this study was collected from the employees of the selected SMEs. Questionnaires were chosen as data collection instrument. A questionnaire is a printed self-report form designed to elicit information that can be obtained through the written responses of the subjects (Burns & Grove, 1993). The information obtained through a

questionnaire is similar to that obtained by an interview, but the questions tend to have less depth (Burns & Grove, 1993). The questionnaires were administered by the researcher to those employees who could not read and write while those who could read and write were administered by themselves.

3.8 Pre-Testing of Questionnaire

A pre-test refers to a trial administration of an instrument to identify flaws or errors. When a questionnaire is used as an instrument to gather data, it is necessary to determine whether questions and directions are clear to respondents and whether the respondents understand what is required of them.

An informal pilot study was conducted with 15 respondents. Conducting a local pilot study allowed the researcher to ask participants for suggestive feedback on the questionnaire and also helped eliminate author bias. This pre-testing was done with one SME.

3.9 Data Analysis

Data analysis are the science of examining raw data with the purpose of drawing conclusions about an information (Rouse, 1999). The data collected from the respondents was sorted and edited for analysis. The questionnaires were organised and classified according to the patterns given by the respondents and the responses from the questionnaires were organised in line with the research questions.

Both descriptive and inferential statistics were used in the analysis of the data. A descriptive design may be used for the purpose of developing theory, identifying problems with current practice, justifying current practice, making judgements, or

determining what others in similar situations are doing (Waltz & Bausell, 1981). The purpose of a descriptive design is to provide the perceptions and views of the respondents about the phenomenon studied (Burns & Grove, 1993). Descriptive statistics included frequencies and their percentages. The analysed data was summarised and findings were reported as a description of the total population of the study. In this descriptive analysis, data retrieved were presented in the form of frequencies and percentages as well as graphs. One sample t-test was also conducted as an inferential statistical technique. This was done with the help of Statistical Package for Social Sciences (SPSS) version 20.

3.9.1 Reliability and Validity

Reliability is a measure of how well the study actually measures what it is supposed to measure, i.e. the absence of random errors. Lanyon and Goodstein (1982) define reliability as the repeatability or dependability of measurement. There are many types of reliability but the two most common ones are temporal stability or consistency of results over time, and internal consistency, the degree to which individual items in a test, or groups of items correlate with each other or with the total score on the test. The internal consistency is appropriate to this current research.

The Cronbach alpha computation is among the most commonly used techniques of examining internal consistency or research (Galvan, 2006). This analysis is computed for similar items within the test in totalling to the overall measure, considering the degree to which all of the items measure the same construct (Cronk, 2006). The scores of Cronbach alpha range from 0.00 to 1.00, with values of 0.75 or above usually considered indicating adequate internal consistency reliability when one scale is involved (Galvan, 2006). The Cronbach alpha of 0.79 for this study had shown a sign of internal consistency reliability.

Validity of the instrument is the extent to which that instrument measures what it is supposed to be measuring (Polit and Hungler, 1993). Content validity is the degree to which the instrument represents studied factors. In order to achieve validity of the content, questionnaires contained a series of questions about strategic management and their relations to SMEs.

Advanced validity of the content was guaranteed by consistency in questionnaire administering by the researcher. All questionnaires were distributed to respondents by researcher. The questions were drafted in simple language for clarity and ease of understanding. Clear and unequivocal instructions were given to respondents to help them answer questions. Almost all the respondents completed the questionnaires in the presence of the researcher. This was done to thwart respondents from passing over the questionnaire to others to complete on their behalf.

External validity was also ensured. Burns and Grove (1993) defined external validity as the extent to which the results of the study beyond the sample used can be generalized. All the people the researcher approached to participate in the study completed questionnaires without any hesitation. Moreover, none of the people the researcher approached refused to participate. Therefore, the results can be generalised and in this case all SMEs in Ghana.

3.10 Ethical Consideration

The primary ethical anxiety was that the privacy of the respondents would be protected. The researcher did not provide a space for respondents/organizations to provide their

names or any sort of identification, which provided a more relaxing environment for them to give responses without restraint.

The researcher, on top of the questionnaire, explained the study to overcome the reservations of respondents about providing sensitive and confidential information. Respondents were assured of the privacy of their information, and that their identities would not be revealed. It was also made clear that their contribution was voluntary and they had full authority to refuse or to withdraw at any point in time if they changed their mind about participating.

The purpose of the study and the expected outcome of the interview were explained by the researcher to the respondents before giving them the questionnaires. Employees from each organisation, randomly selected, were provided with the questionnaire and given 30 minutes to complete it. The researcher was present and collected the questionnaires immediately after.

The participants were given the freewill to ask any questions and clarify any sort of ambiguity with respect to the wording and structuring of questionnaire before they answered it, reducing the chance of faulty responses by giving the participants a comprehensive understanding of the study and its purpose.

CHAPTER FOUR

FINDINGS AND DATA ANALYSIS

4.1 Introduction

This chapter presents and analyses the data collected from the field. It must be noted that 100 questionnaires were sent for the respondents to answer. It must be noted that all the questionnaires were returned answered, representing a response rate of 100%. These analyses start off with the demographic characteristics of respondents and then follow through with the specific objectives of the study.

4.2 Demographic Characteristics

The profile of the respondents was considered in terms of sex, age and highest educational level of respondents whereas the characteristics of the organization were considered in terms of type of industry, ownership, trade status and length of firm existence.

4.2.1 Demographic Characteristics of the Respondents

The demographic characteristics of the respondents were all collated into a single table and are shown in Table 4.1.

Table 4.1: Demographic Characteristics of Respondents

Demographic Characteristics	Categories	Frequency	Percent
Sex	Male	59	59
	Female	41	41
	Total	100	100
Age Group	Below 25 years	86	86
	36-45 years	10	10
	46-55 years	4	4
	Total	100	100
Highest Level of Education	SSCE or equivalent	30	30
	Diploma	23	23
	Degree	38	38
	Masters	9	9
	Total	100	100

Source: Field Data, 2016

Table 4.1 shows the number of the female respondents which was forty-one per cent (41%) which is lower than that of the male which was fifty-nine per cent (59%). Only four per cent (4%) of the respondents were between the ages brackets of 46-55 years old. Ten per cent (10%) of the respondents were between 36-45 years old. Out of the hundred respondents, eighty-six per cent (86%) were 25 years or below.

Also, the respondents were asked for their educational levels and the research shows nine per cent (9%) of the total respondents were masters' degree holders. The survey indicates that most of the respondents were bachelor degree holders and they constituted thirty-eight per cent (38%) of the total respondents. About twenty-three per cent (23%) of the total respondents were diploma holders. Also thirty per cent (30%) of the respondents had their highest qualification being SSCE (Senior Secondary Certificate Examination) or its equivalent.

4.2.2 Background Characteristics of the SMEs

The background information of the enterprises was also collected. This was in the quest to gain a deeper understanding about the SMEs being studied so that generalization can be made with caution and great care. In order to under in-depth strategic planning in SMEs, the characteristics of these SMEs should be brought to the fore. This is shown in Table 4.2.

Table 4.2: Background Characteristics of the SMEs

Characteristics of SMEs	Categories	Frequency	Percent
Type of Industry	Agriculture	10	10
	Manufacturing	19	19
	Construction	4	4
	Trading	17	17
	General Services	50	50
	Total	100	100
Type of Ownership	Ghanaian-Owned	76	76
	Foreign-Owned	17	17
	Ghanaian-Foreign	7	7
	Total	100	100
Trade Status	Exporters	28	28
	Importers	72	72
	Total	100	100
Years of Firms Existence	Below 5 years	26	26
	5-10 years	35	35
	Above 10 years	39	39
	Total	100	100

Source: Field Data, 2016

SMEs rendering general services constituted fifty per cent (50%) of the total respondents. The other fifty per cent is spread across agriculture, manufacturing, construction and trading. Respondents in the sector of agriculture constitute ten per cent, manufacturing

constitutes nineteen per cent, and construction constitutes four per cent and four per cent being trading.

Ownership of SMEs in Ghana is as expected is Ghanaian-owned dominated. Out of the hundred respondents for this research, seventy-six per cent worked in Ghanaian-owned SMEs, seventeen per cent in foreign-owned and seven per cent in Ghanaian-foreign owned.

Exporting goods and services to the international market gives SMEs a twofold benefit. The SMEs get an international exposure and also get foreign currencies to cushion the financial burdens of the business especially in these trying times of the Ghanaian economy. Out of the hundred respondents that partook in this research, about seventy-two per cent worked as non-exporters with the remaining twenty-two per cent being exporters.

Out of the 100 respondents 26% of them answered that their firms have been in existence for less than 5 years. A simple majority of 39% had their firms being in existence for more than 10 years. The number of respondents that had their firms existing within the period of 5 to 10 years is thirty-five (35). Pal

4.3 Strategic Planning Activities by SMEs

According to Fawler and Hope (2007), strategic planning is very important for any organization that needs to be sustainable and profitable in foreseeable years. Against this background, the researcher investigated the strategic planning activities engaged in by the SMEs according to their employees. The basic strategies that are most considered by the SMEs in their strategic plans were assessed. On a five point Likert scale, respondents

were asked to indicate their level of agreement from 1=strongly disagree to 5=strongly agree. Descriptive statistics of one sample t-test were presented and analysed. However, Cronbach's alpha was calculated for the items to show its reliability before the one-sample t-test was done.

4.3.1 Reliability of Response for Strategic Planning Practices

The extent to which the responses for the 8 items considered to be strategic planning practices undertaken by the SMEs can be relied upon was tested using Cronbach's Alpha coefficient. This was done for each individual strategic planning scale and presented under sub-headings. Table 4.3 below reveals a Cronbach's Alpha of 0.848 for the scale. This was done using the Reliability Analysis of SPSS. Since this figure is greater than 0.75 (Hinton et al, 2005), the responses provided is reliable and can be used and relied upon for this study. According to Hinton, it is the measure of internal consistency, that is, how closely a set of items are as a group. It is thus the measure of scale reliability.

Table 4.3: Reliability Statistic for Strategic Planning Practices

Cronbach's Alpha based		
Cronbach's Alpha	on Standardized Items	N of Items
0.848	0.841	8

Source: Field Data, 2016

4.3.2 Descriptive Statistics for One Sample T-Test of Strategic Planning Practices by SMEs

Descriptive analysis such as means, standard errors and standard deviations of each of the items on the Likert scale were conducted using Statistical Package for Social Sciences

(SPSS). Using a five-point rating scale, a variable or strategic plan was arbitrary considered important or indicative of it being practiced by SMEs if it had a mean of 3.5 or more (Field, 2005). Mean values of 4.0 indicates very important indicator its practice. The standard error is the standard deviation of sample means and it is a measure of how representative a sample is likely to be of the population (Field, 2005). A large standard error reflects a lot of variability between means of different samples and a small standard error suggests that most sample means are similar to the population mean and so the sample is likely to be an accurate reflection of the population (Field, 2005). Standard deviations of less than 1.0 signal that, there is little variability in the data collected and consistency in agreement among the respondents.

As can be seen below in Table 4.4, there is little variability and more consistency in agreement among the respondents as the standard deviation for all the items on the scale was less than 1. It can also be realized that the standard errors of the means were all below one, also confirming consistency in responses. Assessing skills and abilities of employees as a strategic planning technique had the highest mean score of 4.16 and also the lowest variability of .615 in the response, ranking first among the practices. Using resources and abilities for long term goals followed with a mean statistic of 4.07 and a standard deviation of .866. According to Fred (2011) assessing organizational strength and capabilities enable realistic strategic planning for the success of the organization. It can be realized that assessing factors relevant for sustainability ranked last with a mean of 3.7 and a standard deviation of .789. Since this is not given much attention, it might have accounted for the dissolution of many SMEs in Ghana.

Table 4.4: Descriptive Statistics for One Sample T-Test of Strategic Planning**Practices**

	N	Mean		Std.	Rank
		Statistic	Std. Error	Deviation	
Assessing skills and abilities of employees	100	4.16	.057	.615	1 st
Using resources and abilities for long term goals	100	4.07	.081	.866	2 nd
Devising solutions against business failures	100	4.04	.068	.730	3 rd
Planning to put the business in five years' time	100	3.99	.064	.682	4 th
Business SWOT against skills of people involved	100	3.93	.063	.672	5 th
Assessing daily operations against long term plans	100	3.92	.063	.677	6 th
Analyse strategies of competitors	100	3.90	.072	.777	7 th
Assessing factors essential for sustainability	100	3.87	.074	.789	8 th

Source: Field Data, 2016

Critical success factors are a limited number of key variables or conditions that have huge impact on the efficiency and effectiveness of the organization to fulfil its mission and strategic objectives. Companies need to perform tasks related to the critical success factors at the highest possible level in order to gain competitive advantage and achieve the desired goal. The long term success of any business depends in part on how it can identify the critical factors.

Organizations need to envisage where they can be in five to ten years from time (Orser et al., 2000). This exercise is very healthy for any business because it gives the owner the

possibility of long-term specific decisions. These decisions are, for example, how many employees will be allowed to further their education in the next five years to come.

Identifying obstacles to success in the organisation and finding solutions to overcome them ranked third. This shows how important this strategic management technique is to SMEs. Before embarking on the path to identifying the obstacles to success in business and the development of solutions, first, review of the entire organisational system and barriers to strategic planning. Although the principles are similar to the same process or even the success of the project depends on factors unique to the company.

During the business strategy formulation stage, business owners need to consider strategies of competing companies (Lamb, 1984). While in highly bitty commodity sector, the strategies of individual competitor may be less significant but in concentrated sectors competitor strategy analysis becomes an essential part of strategic planning. Therefore, half of the respondents were able to analyse the strategies of competitors is an indication that you are in the path of the practice of strategic management and this gives them an advantage over their competitors.

Organizations should evaluate the strengths and weaknesses of their business and the skills and abilities of those involved. In the analysis of the strengths and weaknesses, the entrepreneur explores strengths and weaknesses and tries to take advantage of opportunities that exist for the organisation. The personal obstacles, problems that could hinder the progress of the organisation, are also considered. SWOT analysis shows a survey company in their strengths and weaknesses in order to clarify the best next step and how to improve upon the organisation's strategy. SWOT analysis also indicates the

places where the organisation can do more and where they can improve the business. It can be realized from the table that SWOT against skills of employees involved ranked 5th.

Assess the skills and capacities of the workforce of the organisation. All organisations understand the importance of cultivating a skilled workforce. Everything is virtually possible with quality workforce in place. Without it, most organisations will struggle to implement strategies that have been developed. Among the wide range of business processes in relation to the enforcement of the top performers, with high business skills has become the focal point, helping organizations understand where to focus resources, such as incentives, training and education programs to become successful.

4.3.3 One Sample T-Test of Strategic Planning Practices by SMEs

Statistical test using one sample t-test at 95% confidence interval and 5% level of significance was carried out to compare the means of the strategic planning practices by SMEs as per the items on the Likert scale. It should be noted that the degree of freedom is 99 ($n-1$; $100-1$). This was done to find out which of the practices are significant in terms of its practice. From the Table 4.5, it can be seen that despite the high rank (4th) and mean (3.94) statistic of planning to put the business in five years' time, it is not significant at .05 alpha. Same also goes for analysing strategies of competitors. It is also not significant when the scale was subjected to one sample t-test.

All the other good human relations practices were significant at .05 alpha. This means that those good human relations practices are taking place and the respondents are happy with it. All the flagged asterisks are significant practices. The t-statistic and the significance are as shown in Table 4.5.

Table 4.5: One Sample T-Test of Strategic Planning Practices by SMEs

Practices	t-Statistic	Sig.
Planning to put the business in five years' time	.163	.687
Assessing skills and abilities of employees	1.659	.021*
Business SWOT against skills of people involved	9.370	.003*
Devising solutions against business failures	12.195	.001*
Using resources and abilities for long term goals	28.555	.000*
Assessing daily operations against long term plans	20.503	.000*
Assessing factors essential for sustainability	4.541	.036*
Analyse strategies of competitors	13.825	.061*

Source: Field Data, 2016

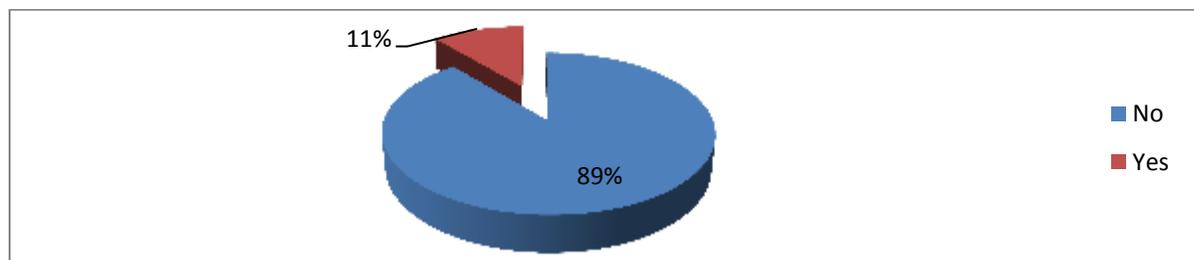
4.4 Performance of SMEs

Garengo et al. (2005), assert that SMEs can perform if strategic planning plans are fully implemented and monitored. According to them, performance need not only be financial but growth in customer's base and other indicators or proxies are important. The respondents were asked few questions regarding the performance of the SMEs they work with.

4.4.1 Performance Indicators

The respondents were asked if the SMEs had performance indicators and also to explain if they have or have not. This is shown in Figure 4.1.

Figure 4.1: Performance Indicators



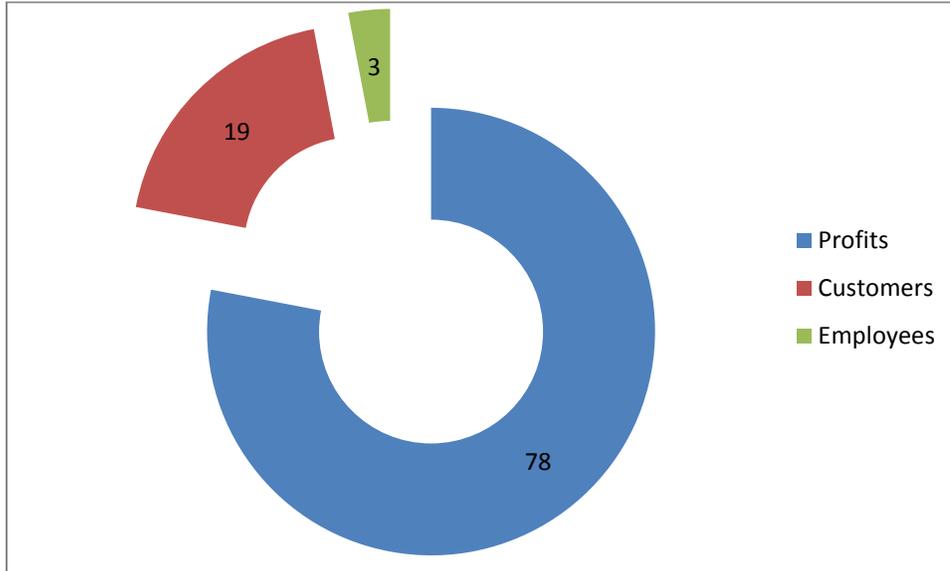
Source: Field Data, 2016

From Figure 4.1, it can be seen that as much as 93% of the respondents said the SMEs they work with does not have performance indicators against which to assess their output with. This was contrasted by 11% who said their organization had performance indicators against which to assess their performance. Sanchez and Sanchez-Marín (2005) posit that SMEs having performance indicators are better with their work output than those who do not have performance indicators. The respondents were asked to explain how they assess organizational performance. To most of them, not making a loss was their main aim for remaining in business and that if they make no loss, then they are performing. They however, did not consider this as an indicator for performance.

4.4.2 What Organization Values

The respondents were asked what their organization values most in terms of customers, profits and employees. This question was asked as all three are very important for the performance and success of an organization. From Figure 4.2, it can be seen that majority of the respondents' organizations value profits (78%), followed customers (19%) and then employees (3%). This was no surprising as employee turnover in SMEs seem to be one of the problems faced by SMEs all over Ghana. This finding shows that SMEs in Ghana do not put value on employees but are only profit oriented. This will however have implication for performance as the employees will not put in their best for the firm.

Figure 4.2: What SMEs Value Most



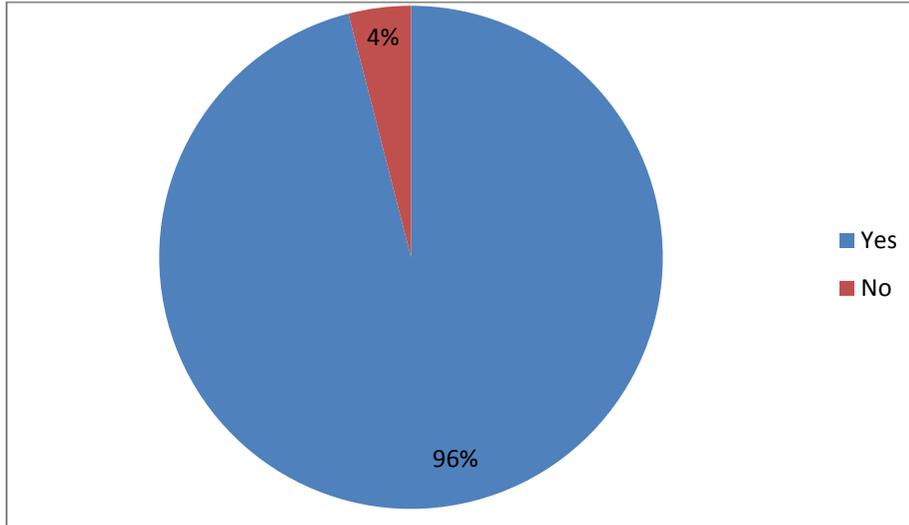
Source: Field Data, 2016

4.4.3 SMEs Performing as Expected

Respondents were asked in their opinion if their SMEs are performing as expected. Only four respondents said their firms are not performing as expected while the remaining 96% were of the opinion that their firms were performing. This is shown in Figure 4.3. The researcher went further to ask the reasons behind respondents' choice of yes or no for such a question.

The common reason given for performing SMEs was the fact that they were not making loss while that of the non-performing SMEs was that they were making loss.

Figure 4.3: SMEs Performing as Expected



Source: Field Data, 2016

4.5 Effects of Strategic Planning on SMEs

Generally, it has been asserted that strategic planning leads to better performance of organizations (Analoui and Karami, 2003). It is argued that if strategic planning techniques are implemented, the organization is likely to reduce waste and increase output which increases profit. With this understanding, a five point liker scale item was presented to the respondents to indicate their level of agreement of disagreement to some effects of strategic management practices in their organizations.

4.5.1 Reliability Response for Effects of Strategic Planning Practices

The Cronbach's Alpha coefficient for the effects of strategic planning practices as seen in Table 4.6 below is 0.812. Since this figure is greater than 0.75 (Hinton et al, 2005), the response provided is reliable and can be used and relied upon for this study. This test was carried out using Reliability Analysis of SPSS.

Table 4.6: Reliability Statistic for Effects of Strategic Planning Practices

Cronbach's Alpha based		
Cronbach's Alpha	on Standardized Items	N of Items
0.812	0.821	6

Source: Field Data, 2016

4.5.2 Descriptive Statistics on Effects of Strategic Planning Practices

Table 4.7 below shows the descriptive statistics for the benefits of strategic planning on SMEs in Kumasi. As can be seen, increased profit ranked first with a mean of 4.10 and standard deviation of .628. A quick observation is that all the listed benefits had their standard deviation below one, indicating a consistency in response as earlier revealed by the Cronbach's Alpha. The standard errors of the various benefits also show the same consistency in agreement from the respondents. Increased customer base ranked second with mean of 4.00 and a standard deviation of .550.

Table 4.7: Descriptive Statistics for Effects of Strategic Planning on SMEs

	N	Mean		Std.	Rank
		Statistic	Std. Error	Deviation	
Increased profit	100	4.10	.063	.628	1 st
Increase customer base	100	4.00	.055	.550	2 nd
Expanding output	100	3.95	.056	.557	3 rd
Sustainability	100	3.82	.072	.716	4 th
Employee commitment	100	3.81	.077	.775	5 th
Reducing waste	100	3.68	.084	.839	6 th

Source: Field Data, 2016

Expanding output followed with a mean of 3.95 and a standard deviation of .557. This was also followed by employee commitment and lastly by reducing waste. Increased

profit cannot be dismissed as an important outcome or benefit of implementing strategic plans by any company (Lynch, 2006). To Lynch, the end of the whole matter is increased profit. It must be noted that all the other effects more or less lead to increasing profit for the organization.

4.5.3 One Sample T-Test for Effects of Strategic Planning in SMEs

Statistical test using one sample t-test at 95% confidence interval and 5% level of significance was carried out to compare the means of the effects of strategic planning practices in the selected SMEs as per the 6 items on the Likert scale. As can be seen, increase in employee commitment and reducing waste did not prove significant at alpha level .05. All the flagged items were significant effects of practicing strategic management techniques.

Table 4.8: One Sample T-Test of Effects of Strategic Planning in SMEs

	t-Statistic	Sig.
Increase customer base	8.144	.005*
Increase in employee commitment	.000	1.000
Sustainability	3.282	.073
Reducing waste	.246	.621
Expanding output	11.827	.001*
Increased profit	16.561	.000*

Source: Field Data, 2016

4.6 Strategic Planning Challenges Facing SMES

Since organizations are made up people and the physical environment, it should be expected that any policy or plans that needs to be implemented will face one or two challenges. This last objective was devoted to investigating the challenges that SMEs face in the designing and implementation of strategic plans for action.

4.6.1 Reliability Response for Strategic Planning Challenges Facing SMES

The Cronbach's Alpha coefficient for the benefits of strategic Planning practices as shown in Table 4.6 below is 0.781. Since this figure is greater than 0.75 (Hinton et al, 2005), the response provided is reliable and can be used and relied upon for this study. This test was carried out using Reliability Analysis of SPSS.

Table 4.9: Reliability Statistic for Strategic Planning Challenges Facing SMES

Cronbach's Alpha based		
Cronbach's Alpha	on Standardized Items	N of Items
0.781	0.786	5

Source: Field Data, 2016

4.6.2 Descriptive Statistics on Strategic Planning Challenges Facing SMES

From Table 4.10 it can be seen that the descriptive statistics of the various challenges of strategic planning techniques are presented. From the table resource allocation not aligning with the strategic plans ranked first with mean of 4.21 and a standard deviation of .666. This was followed by inability to manage change which had a mean of 4.16 and a standard deviation of .652. Third on the rank are top managers not supporting strategies

and fourthly, human capital not effectively developed to support strategy with mean of 3.71 and standard deviation of .725.

Table 4.10: Descriptive Statistics for Strategic Management Challenges Faced by SMEs

	N	Mean		Std. Deviation	
		Statistic	Std. Error	Statistic	Rank
Resource allocation not aligned with strategy	100	4.21	.062	.666	1 st
Inability to manage change	100	4.16	.053	.652	2 nd
Top manager not supporting strategy	100	3.93	.045	.545	3 rd
Human capital not effectively developed to support strategy	100	3.71	.061	.725	4 th
Ineffective control of strategy implementation	100	3.69	.076	.765	5 th

Source: Field Data, 2016

4.6.3 One Sample T-Test for Strategic Management Challenges Faced by SMEs

Statistical test using one sample t-test at 95% confidence interval and 5% level of significance was carried out to compare the means of strategic planning challenges faced by SMEs as per the 5 items on the Likert scale. As can be seen, inability to manage change and top managers not supporting strategy did not prove significant at alpha level .05. All the flagged items were significant strategic management challenges faced by SMEs selected for this study.

Table 4.11: One Sample T-Test for Strategic Planning Challenges Faced by SMEs

	t-Statistic	Sig.
Resource allocation not aligned with strategy	9.241	.004*
Inability to manage change	5.453	.700
Ineffective control of strategy implementation	3.458	.011*
Top manager not supporting strategy	2.871	.073
Human capital not effectively developed to support strategy	.985	.013*

Source: Field Data, 2016

The allocation of an organisation's resources is very essential for achieving the strategic objectives and goals. If resources are not allocated to a worthy course in the organization, the organization cannot follow through with its strategy. Change management is a process that varies with the needs of the organization. There are different approaches employed depending on certain prevailing factors such as the type of business, the objectives of the change and the influence of the external environmental. The leadership style of the owners or managers of small and medium enterprises is key to how the organisation's strategy will be driven, focused, directs the organisation and as a key player in the management of change as required by the new strategy. The organizational structure depicts the flow of information, clarifying the roles and responsibilities assigned to employees and give a degree of flexibility to react to situations arising from strategic decisions.

Human capital is argued that the most important element for success in the business world today. Human capital development requires the creation of enabling educational environment in which people can acquire new ideas, knowledge, skills, behaviours and attitudes needed to implement the firm's strategy. When human capital is designed for the effective implementation of the strategy, this will help small and medium enterprises in

Ghana to achieve its strategic objectives. The strategy control process includes monitoring strategies for implementation. It is also concerned with the detection of problems or changes in strategy and the necessary adjustments. The implementation of this strategy is designed to assess whether the overall strategy should be reviewed in light of the events and the results of the measures and actions for the implementation of the progressive global strategy statement.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The purpose of this study is to assess how Small and Medium Enterprises in Ghana use strategic planning in the day-to-day running of their businesses, an empirical study from strategic planning perspective. This chapter summarises the findings, draw conclusion from the study and makes recommendations. It went on to suggest further research study.

It also aims to explore the main characteristics of the strategic planning process in these SMEs. Based on these objectives, research has been done by in-depth surveys to 10 SMEs in Ghana, and the findings are concluded as below by answering to the three research questions.

5.2 Summary of Findings

The study was conducted using ten purposively selected SMEs in Kumasi as case study. Most of these SMEs were into general services and agriculture and were Ghanaian-owned. Only few were foreign-owned. It was also gathered that majority were into importation while the rest were into exportation and had operated for more than five years.

Regarding the respondents, males constituted the majority followed by females and were mostly below the age group of 25 years. Highest educational background ranged from senior high school to masters' degree with majority of them being senior high school certificate holders.

5.2.1 Strategic Planning Practices

With particular reference to this objective, it was found that in coming out with strategic planning and its implementation, SMEs assess the skills and abilities of employees and also considers the use of resources for long term goal achievement of the organization. It must be argued here that these were the two most practiced together with devising solution against business failure. Other found practices strategic management practices were planning to put business in foreseeable years (sustainability), assessing daily operations against long term plans, and analysing strategies of competitors and assessing factors essential for sustainability.

When these strategic planning practices were subjected to the on sample t-test statistics, almost all of the practices proved significant at alpha level of .05. However, planning to put the business in the foreseeable years was not significant at the set alpha level. This means that despite its high practice, it is not significant for SMEs performance.

5.2.2 Performance of SMEs

Some questions were asked to ascertain the performance of the selected SMEs. It was found that more than half of the SMEs did not have any performance indicators against which to assess their performance. Also majority of the SMEs value profits followed by customers and then employees. This certainly has implication for performance as the employees may feel unappreciated and underperform. However, almost all the respondents said their firms are performing as far as they do not make losses but profits.

5.2.3 Effects of Strategic Planning on SMEs

The effects of strategic planning practice on SMEs were investigated. It was found that increased profit was the most common positive effect of strategic planning practice on SMEs. This was followed by increased customer base, expanding output, sustainability, employees' commitment and lastly reducing of waste during operations.

These were subjected to the one sample t-test, most of the effects were significant at alpha level of .05 except two. These two were sustainability and reducing waste during operations. This means that despite the fact that they are considered positive effects of strategic management practices by SMEs, they not very significant statistically.

5.2.4 Strategic Management Challenges Faced by SMEs

Among the strategic planning practice challenges faced by SMEs was resource allocation no aligning with strategy and inability to manage change. There was also the issue of top managers not supporting strategy, making it difficult to be implemented. It was also found that human capital was not developed to effectively support strategy and there was also the ineffective control of strategy implementation.

These various challenges were put to a statistical test using the one sample t-test at 95% confidence level. It was found that all were significant challenges except inability to manage change and top managers not supporting strategy.

5.3 Conclusion

This research was set out to assess the implementation of strategic planning practices in SMEs in Ghana. The results show that most SMEs current strategic practices are within the set standards they are able to identify the factors that are critical to the long-term

success of the business, visualize what the business might be like five to ten years from now, identify impediments to success in the business and develop solutions to overcome them, assess how everyday operating decisions affect their long-range plans, analyse the strategies of competitors, assess the strengths and limitations of the business as well as the skills and abilities of the people involved, and assess the skills and abilities of the people involved in your business.

It can be concluded that most SMEs are not able to implement proper strategic decisions as a result of the organisation's strategy not being effectively communicated to the workforce and the workforce not understanding the organisation's strategy. The research also concludes that barriers to the application of strategic planning decisions are the allocation of resources not being aligned with the strategy of the organisation, an ability to manage change effectively, top managers not in support of strategy implementation, implementation of strategy not being effectively controlled. The results of this study need to be, however, interpreted with caution given its cross-sectional nature and the focus is on SMEs in Ghana.

Despite the fact that SMEs and large companies differ significantly in terms of size and type of resources, it has been shown that decision-makers of SMEs are aware of strategic planning practices and do apply them but do encounter barriers and impediments in the application and implementation process.

5.4 Recommendations

On the basis of the above conclusion, the researcher makes the following recommendations;

The organisation's strategy should be communicated to the workforce. Communication is key in every business and the quality is also of essence. Hence effective communication should be encouraged to when a strategic decision has been taken by top management and needs to be implemented by the workforce. The organisation's workforce gets to understand the organisation's strategy when there is unequivocal in the language of communication.

The goals of, and incentives for, the workforce along with the allocation of resources should be aligned with the strategy of the organisation. When the business strategy is parallel to resources needed to execute, it gives the workforce enough motivation to push ahead.

Top managers should support strategy implementation in order to manage change effectively and also human capital should be effectively developed to support strategy implementation. With the quality human capital, businesses can implement strategic decisions effectively.

As discussed in the introduction chapter, SMEs in Ghana play a significant role in terms of contribution to Ghana's economic growth. They also enjoy high rates of growth with the shares of GDP and their foreign exchange activities. Therefore, we consider that the government of Ghana should focus on giving technical assistance to SMEs' in the area of strategic planning so that it can have a positive impact on the country's economy growth.

5.4.1 Suggestions for Further Research

Furthermore, this study focused only on SMEs that are operating in Ashanti region in Ghana. Future research could embark on a study in other regions of the country in order to test the reliability and validity of the scale.

Another panorama for future research is to conduct comparative studies of the relationship between strategic planning and business performance, for example between SMEs in an emerging country and that of less developed country.

Again, a research can be examined for SMEs falling under different sectors as to the strategic management and business performance relationship within a particular economic sector, as the findings of that research will be more concentrated and appropriate to that specific sector.

REFERENCES

- Abor J. &Adjasi C. K.D. (2007). Corporate Governance and the Small and Medium Enterprise Sector. Theory and Implications. *Journal of Corporate Governance* vol. 7, pp.2-11.
- Abugre, C. (1994). Where credit is not due - a critical evaluation of ACORD's experiences with financial services. ACORD Research and policy programme, Occasional Paper No.6. Reproduced in Hospes. Financial Landscapes Reconstructed. Boulder: Westview
- Analoui, F. (2000). What Motivates Senior Managers? The Case of Romania. *Journal of Managerial Psychology*, pp 15(4), 324-326.
- Analoui, F., &Karami, A. (2003).*Strategic Management in Small and Medium Enterprises*. London: Thomson Learning.
- Andrews, K. (1987). *The Concept of Corporate Strategy*. Homewood IL: Dow Jones-Irwin.
- Ansoff, H. I. (1965). *Corporate strategy: An analytic approach to business policy for growth and expansion*. New York:McGraw-Hill.
- Ayyagari, M., Beck, T., &Demirgüç-Kunt, A. (2003).Small and medium Enterprises Across the globe: a new database, Working Paper 3127, World Bank.
- Baah,Y. A.&Achakoma A. K. (2007). Youth Employment in Ghana, Policies and Trade Union Initiative. *Ghana Trade Union Congress Discussion Paper*.

- Bart, C.K. (2000). Mission Statement in Canadian Not-for-profit Hospitals: Does Process Matter? *Health Care Management Review* vol. 25(2), pp. 45-63.
- Beal, R. M. (2000). Competing Effectively: Environmental Scanning, Competitive Strategy, and Organizational Performance in Small Manufacturing Firms. *Journal of Small Business Management*, vol.38, pp.27-47.
- Beaver, G. (2003). *Management and the Small Firm*, Strategic Change, vol. 12, pp. 63-68
- Beck, T., Demirgüç-Kunt, A. & Maksimovic, V. (2005). Financial and Legal Constraints to Firm Growth: Does Firm Size Matter? *Journal of Finance*, vol. 60, pp. 137-177.
- Berman, J. A., Gordon, D. D., & Sussman, G. (1997). A Study to Determine the Benefits Small Business Firms Derive from Sophisticated Planning Versus Less Sophisticated Types of Planning', *The Journal of Business and Economic Studies*, vol. 3 (3), pp. 1-11.
- Berry, M. (1998). Strategic Planning in Small High Tech Companies. *Long Range Planning*, vol. 31 (3), pp. 455-466.
- Bracker, J. S., Keats, B. W., & Pearson, J. N. (1988). Planning and Financial Performance Among Small Firms in a Growth Industry, *Strategic Management Journal*, vol. 9(6), pp.591-603.
- Brinkmann, M. (2002). *Strategy development for small and medium-sized enterprises*, Zurich

- Brynard, P.A., & Hanekom, S.X. (2005). *Introduction to research in Public Administration and related academic disciplines*. Pretoria: J L Van Schaik Publishers.
- Burgelman, R. A. (1983). Corporate Entrepreneurship and Strategic Management: Insights from a Process Study. *Management Science*, vol. 29(12), pp.1349-1364.
- Carter, S, Jones-Evans, D.(2006). *Enterprise and Small Business: Principles, Practice and Policy* (2nd ed.). Harlow: Prentice Hall. Curran, J. & Blackburn, RA (2001)
- Chandler, A.D. (1962). *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*. Cambridge, Mass.: MIT Press.
- Cronk, B. (2006). *How to use SPSS: A step-by-step guide to analysis and interpretation* (4th ed.). Glendale, CA: Pyrczak Publishing.
- Culkin, N. & Smith, D. (2000). An Emotional Business: a Guide to Understanding the Motivations of Small Business Decision Takers. *Qualitative Market Research*, vol. 3(3), pp. 145-157.
- De Vos, A.S. and Fouché, C.B. (1998). General introduction to research design, data collection methods and data analysis. In De Vos (ed). *Research at grass roots. A primer for the caring professions*. Van Schaik Publishers: Pretoria.
- Denscombe, M. (2003). *The Good Research Guide for small-scale social research projects* (2nd ed). Philadelphia: Open University Press.
- Dess, G.G. & Miller, A. (1993). *Strategic management*. New York: Mc Grow-Hill book Co

- Dibrell, C., Down, J. & Bull, L. (2007). Dynamic Strategic Planning: Achieving Strategic Flexibility Through Formalization. *Journal of Business Management*, vol. 13(1), pp.21-35. Available from: EBSCO Host: CINAHL: <http://search.global.epnet.com/> (Accessed 12 May 2008).
- Drazin, R. & Howard, P. (1984). Strategy Implementation: A Technique for Organizational Design. *Columbia Journal of World Business*, 19 (summer), pp. 40-46.
- Ennis, S. (1998). Marketing Planning in the Smaller Evolving Firm: Empirical Evidence and Reflections, *Irish Marketing Review*, 11(2), pp. 49-61.
- European Commission (1996).Commission Recommendation of 3 April 1996 concerning the definition of small and medium-sized Enterprises. Official Journal of the European Communities, L 107/4.Retrieved on 1/29/20015 from: <http://ec.europa.eu/enterprise/>
- Floyd, S.W.,&Woolridge, B. (1997).Middle Management's Strategic Influence and Organizational Performance. *Journal of Management Studies*,vol. 34(3), pp. 465-485.
- Fowler, S. J. & Hope, C. (2007).Incorporating Sustainable Business Practices into Company Strategy. *Journal of Business Strategy and the Environment*. Vol. 16, pp. 26–38.
- Fred, R.D. (2011).*Strategic management: Concepts and case* (13thed.). New Jersey: Pearson Education, Inc. Prentice Hall.

- Galvan, J. (2006). *Writing literature reviews: A guide for students of the social and behavioural sciences* (3rd ed.). Glendale, CA: Pyczak Publishing.
- Garengo, P., Biazzo, S., & Bitici, U. S. (2005). Performance measurement systems in SMEs: A review for a research agenda. *International Journal of Management Reviews*, vol. 7(1), pp. 25-47.
- Ghana Statistical Service. (2007). *Pattern and Trends of Poverty in Ghana: 1991-2006*, Accra, Ghana.
- Gibson, B. & Cassar, G. (2002). Planning behaviour variables in small firms, *Journal of Small Business Management*, vol. 40, pp. 171-86.
- Gockel, A. G., & S. K. Akoena (2002). Financial Intermediation for Poor Credit Demand by Micro - Small and Medium Scale Enterprises in Ghana. A Further Assignment for Financial Sector IFLIP Research Paper 02-6 International Labour Organisation. Geneva.
- Gupta, M. & Cawthorn, G. (1996). Managerial implications of flexible manufacturing for SMEs. *Elsevier Advanced Technology, Technovation*, vol. 16(2), pp. 77-83.
- Hamlet, B. (2005). Developing a model for establishing, implementing and maintaining learnerships in South Africa. M.Tech. Dissertation. Port Elizabeth: Nelson Mandela Metropolitan University
- Jennings, C. (1994). Enterprise Britain: A national profile of small business owners and the self-employed. Small Business Research Trust.

- Johnson, G., Scholes, K., & Whittington, R. (2007). *Exploring Corporate Strategy* (8thed.). England: Pearson Education Limited.
- Karagozoglu, N., & Lindell, M. (1998). Internationalization of small and medium-sized technology-based firms: An exploratory study. *Journal of Small Business Management*, vol. 36(1), pp. 44—59
- Karami, A. (2007). *Strategy Formulation in Entrepreneurial Firms*. UK: Ashgate Publishing Limited.
- Karami, A., (2005). *Senior Managers and Strategic Management Process*. University of Bradford: U.K.
- Kayanula D. & Quartey, P. (2000). The Policy Environment for Promoting Small and Medium Sized Enterprise in Ghana and Malawi. *Finance and Development Research Programme Working Paper*. Series No.15.
- Klemm, M., Sanderson, S. & Luffman, G. (1991). Mission statements: selling corporate values to employees. *Long Range Planning*, vol. 24(3), pp. 73-78.
- Kombo, D. K., & Tromp, D.L. (2006). *Proposal and thesis writing: An introduction*. Nairobi: Pauline's Publications Africa. BURNS, N & GROVE, SK. 1993. The practice of nursing research: Conduct, critique and utilization. 2nd ed. Philadelphia: Saunders
- Kumar, R. (2005). *Research methodology, A step-by-step guide for beginners* (2nd ed.). London: SAGE Publications.

- Kurokawa, K., Tombo, F. & Willem te Velde, D. (2008). Donor Support to Private Sector Development in Sub-Saharan Africa. *JICA ODI Working Paper*. Paper 290.
- Lamb, R. (1984). *Boydell Competitive strategic management*. Englewood Cliffs, NJ, Prentice-Hall
- Lanyon, R., & Goodstein, L. (1982). *Personality assessment* (2nd ed.). New York: John Wiley & Sons.
- Lee, F., Lee, T. & Wu, W. (2010). The relationship between human resource management practices, business strategy and firm performance: evidence from steel industry in Taiwan.
- Levy, M. & Powell, P. (2005). *Strategies for Growth in SMEs: The Role of Information and Information Systems*. Butterworth-Heinemann.
- Lorange, P. (1998). Strategy Implementation: The New Realities. *Long Range Planning*, vol. 31(1), pp. 18-29.
- Lynch, R. (2006). *Corporate Strategy* (4th ed.). London: Prentice Hall
- Mazzarol, T. (2004). Strategic Management of Small Firms: A Proposed Framework for Entrepreneurial Ventures', paper presented at the 17th Annual SEAANZ Conference - Entrepreneurship as the Way of the Future, Brisbane, Queensland
- Mbuta, W. S. & Nkandela, A. (1998). Report on profiles of support programmes by small enterprises development institutions. UNDP/GRZ Project No. ZAM 93/003 Support to Micro and Small Enterprise Sector. Lusaka

- Merz, G. R., & Sauber, M. H. (1995). Profile of Managerial Activities in Small Firms. *Strategic Management Journal*, vol. 16, pp. 551-564.
- Mintzberg, H. & Waters, J. A. (1985). Of Strategies, Deliberate and Emergent. *Strategic Management Journal*, vol. 6, pp. 257-272.
- Nwankwo, S, Gbadamosi, T, (2011). Entrepreneurship Marketing: Principles and practice of SME marketing. Abington: Routledge.
- O'leary, Z. (2004). *The essential guide to doing research*. London: SAGE Publications.
- OECD. (2010). SMEs, Entrepreneurship, and Innovation. Paris: OECD.
- Orser, B. J., Hogarth-Scott, S., & Riding, A. L. (2000). Performance, Firm Size and Management Problem Solving. *Journal of Small Business Management*, vol. 38(4), pp. 42- 58
- Osei, B., Baah-Nuakoh, A., Tutu, K.A., & Sowa, N.K. (1993), *Impact of Structural Adjustment on Small-Scale Enterprises in Ghana*.
- Pearce, J.A., & Robinson, R.B. (2005). *Formulation, implementation and control of competitive strategy* (9th ed.). Boston: McGraw-Hill Irwin
- Pettigrew, A. M. (1992). The Character and Significance of Strategy Process Research. *Strategic Management Journal*, vol. 13, pp. 5-16.
- Polit, D. F., & Hungler, B. P. (1993). *Nursing research: Principles and methods* (3rd ed.). Philadelphia: Lippincott.

- Polonsky, M.J. (1995). A stakeholder theory approach to designing environmental marketing strategy. *Journal of Business & Industrial Marketing*, vol. 10(3), pp. 29-46.
- Porter, M. E. (1979). The Structure within Industries and Companies' Performance, *Journal of the Review of Economics and Statistics*, pp. 214-227.
- Robinson, R. B., & Pearce, J. A.(1984). Research Thrusts in Small Firm Strategic Planning.*Academy of Management*, vol. 9(1), pp.128-137
- Sanchez, A. A., & Sanchez-Marin, G. (2005). Strategic Orientation, Management Characteristics, and Performance: A Study of Spanish SMEs. *Journal of Small Business Management*, vol. 43(3), pp. 287-308.
- Sandberg, W. R., Robinson, R. B., & Pearce, J. A. (2001). Why Small Businesses Need a Strategic Plan, *Business and Economic Review*, vol. 48(1), pp.12-15.
- Sexton, D. L., & van Auken, P.(1985). A Longitudinal Study of Small Business Strategic Planning. *Journal of Small Business Management*, vol. 23, pp. 7-15.
- Stubbart, C. I. (1989). Managerial Cognition: A Missing Link in Strategic Management Research. *Journal of Management Studies*, vol.26 (4), pp. 325-347.
- Swierczek, F. W., & Ha, T. T. (2003). Entrepreneurial orientation, uncertainty avoidance and firm performance: An analysis of Thai and Vietnamese SMEs. *The International Journal of Entrepreneurship and Innovation*, vol. 4(1), pp. 46-58 (13).

Thompson, A.A., & Strickland, A.J. (2003). *Strategic Management: Concepts and cases* (13thed.). New York: McGraw-Hill.

Thormi, W. H., & Yankson, P. W. K. (1985). *Small-scale industries decentralization in Ghana, preliminary report on small-scale enterprises in small and medium-sized towns in Ghana*, Frankfurt/Accra.

Wheelen T. L. & Hunger J. D. (2000). *Strategic Management and Business Policy* (7thed.). New Jersey: Prentice Hall.

Wheelen, T.L., & Hunger, D.J. (2006). *Conceptsin Strategic Management and Business Policy* (10thed). New Jersey, Pearson Education, Inc.

APPENDIX

ABOUT THIS QUESTIONNAIRE

This questionnaire is part of a study being conducted by Maryann Opoku to assess strategic management in Small and Medium Enterprises in Ghana. All information you provide will be kept strictly confidential and under no circumstances will your individual responses be released to any outside party. Participation in this project is voluntary and you are free to discontinue at any time. We would greatly appreciate you taking the time to complete our questionnaire.

Thank you for your participation.

PART A: Demographic and Organizational Characteristics

1. Gender: Male [] Female []
2. Age: 25 years or below [] 26 – 35 [] 36 – 45 [] 46 – 55 [] Above 55 []
3. Which industry are you operating? Agriculture [] Manufacturing []
Mining [] Construction [] Trading [] General Services []
4. Ownership. Ghanaian-owned [] Foreign-owned [] Ghanaian-Foreign owned []
5. Trade status. Exporters [] Non-exporters []
6. How long has your firm been in existence? Below 5 years [] 5 -10 years []
Above 10 years []
7. Highest Educational Level: BECE or equivalent [] SSCE or equivalent []
Diploma [] Bachelor degree [] Master Degree [] Other []

PART B: Strategic Management Activities

On the Scale of one to five chose the most appropriate corresponding answer to each statement provided regarding the activities in strategic management engaged in by your organization. Where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree

No.	Statement	1	2	3	4	5
8.	Assessing skills and abilities of employees	<input type="checkbox"/>				
9.	Using resources and abilities for long term goals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	Devising solutions against business failures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11.	Planning to put the business in five years time	<input type="checkbox"/>				
12.	Business SWOT against skills of people involved	<input type="checkbox"/>				
13.	Assessing daily operations against long term plans	<input type="checkbox"/>				
14.	Analyze strategies of competitors					
15.	Assessing factors essential for sustainability					

PART C: Performance of SMEs

16. Does this firm have any performance indicators? Yes [] No []

17. Explain your choice of answer in question 16.

18. As an organization, what do you value most? Customers [] Profits
 [] Employees []

19. Will you say your organization is performing as expected? Yes [] No []

20. Explain your choice of answer in question 19.

PART D: Effects of Strategic Management Planning

On the Scale of one to five chose the most appropriate corresponding answer to each statement provided regarding the effects of strategic management engaged in by your organization. Where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree

No.	Statement	1	2	3	4	5
21.	Increased profit	<input type="checkbox"/>				
22.	Increase customer base	<input type="checkbox"/>				
23.	Expanding output	<input type="checkbox"/>				
24.	Sustainability	<input type="checkbox"/>				
25.	Employee commitment	<input type="checkbox"/>				
26.	Reducing waste	<input type="checkbox"/>				

PART E: Strategic Management Challenges facing SMEs

On the Scale of one to five chose the most appropriate corresponding answer to each statement provided regarding strategic management challenges in by your organization.

Where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5=Strongly Agree

No.	Statement	1	2	3	4	5
27.	Resource allocation not aligned with strategy	<input type="checkbox"/>				
28.	Inability to manage change	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
29.	Top manager not supporting strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
30.	Human capital not effectively developed to support strategy	<input type="checkbox"/>				
31.	Ineffective control of strategy implementation	<input type="checkbox"/>				