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# Strategic Planning: A Management Contrivance for Effective Performance of Small and Medium Enterprises in Tanzania? A Survey of Selected SMEs in Ilala Municipality

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## Abstract

Effective strategic planning and its implementation enhance Small and Medium Enterprises' (SMEs) performance which in the long run has a significant impact on their survival. Hence, the plans become handy as they influence better decisions, accountability, organization focus, proper resources allocation and utilisation, good returns, market recognition, growth and success of entrepreneurial ventures. The overall objective of this study was to evaluate the effectiveness of strategic planning in the performance of SMEs. Specifically it looks at factors which influence SMEs to adopt strategic planning; contributions of the strategic planning in SMEs performance; and examine factors influencing effectiveness of strategic planning. 50 different categories of SMEs in Ilala Municipality were surveyed and data were collected using questionnaires, interviews and focused group discussions. Data were analysed by using descriptive statistics aided by Statistical Package for Social Science (SPSS) version 20 and thematic approach analysis. Findings revealed that organizational complexities, environment dynamics and external constraints are among the factors towards strategic planning adoption. Most of entrepreneurs seem not to be familiar with the process as they could not differentiate it from a business plan. Strategic planning is considered to be effective only if it is well formulated and properly implemented to attain the desired goals regardless of the challenges in the process and this can happen when; resources are adequate, management supports team work and also the plans are flexible. It is regarded as a factor for success through its contribution in better decisions and solutions, satisfaction to the customers, competitive advantage and market recognition which they all facilitate the chances of success and improve performance. It is concluded that there is a positive relationship between effective strategic planning and performance improvement, hence, the study recommends a need for providing training to entrepreneurs concerning proper formulation and implementation of strategic plans; also it is important to improve legal framework and development of internal experts for SMEs to ensure that they adopt and become able to continuously apply effective strategic planning.

**Key words:** Strategic Planning, Performance of SMEs, Ilala and Tanzania

## 1. Introduction

Small and Medium Enterprises (SMEs) are important for economic and social development in both developed and developing countries (Hobohm, 2008). However in Tanzania SMEs are facing high failure rate and many are underperforming despite the government's continuous effort on encouraging entrepreneurship so as to see growth in this sector. They are associated with problems such as weak, fragmented and uncoordinated institutions and associations supporting them (Olomi, 2009), the complicated legal and cumbersome regulatory framework; insufficient data for their development, limited access to financial services, weak business support, inadequate quality standard control, low technology, limited access to raw materials, poor infrastructure including working premises, roads, cold rooms, serviced land warehouses, power, even locations where these services are available, the supply is unreliable and costly (Kazungu, Ndiege, Mchopa and Moshi, 2014). Poor performance of SMEs in Tanzania has been largely attributed by lack of effective strategic plans (Nkonoki, 2010). Despite the fact that strategic planning leads to increased firm performance yet the majority of SMEs do not plan and the reasons why are not well known as such it needs to be advocated for different SMEs to apply in their operations (Wang et al, 2007). To ensure sustained development of the sector, it is important to understand strategically as to why more SMEs fail to improve their performance, unable to compete and survive in the market and die easily.

While we acknowledge the importance of SMEs as the engine of economic growth, challenges and problems that this sector is experiencing, little is still known on the poor performance of SMEs in Tanzania as attributed by lack of effectiveness in strategic planning. This study therefore explore the link between strategic planning and SMEs performance in Tanzania, it is mainly focused at evaluating the effectiveness of strategic planning on the performance of SMEs in Ilala Municipality. More specifically, this study intended to: Find out factors which influenced SMEs to adopt strategic planning in their operations; describe the contribution of the strategic planning in SMEs to improve performance; and to examine factors influencing effectiveness of strategic planning in enabling the SMEs to improve performance to achieve their goals.

## 2. Literature Review

### 2.1 Theoretical and Conceptual Definitions

**Strategic Planning:** Bazaz (2009) defined strategic planning as a management tool that helps an organization focuses its energy, to ensure that its members are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. It is used to set priorities, focus energy and resources and strengthen operations. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future.

**Small and Medium Enterprises:** The SMEs nomenclature is used to mean small and medium enterprises. It is sometimes referred to as micro, small and medium enterprises (MSMEs) (URT, 2003). The SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services. There is no consensus of SME definition as various countries had different definition depending on the phase of economic development and their prevailing social conditions. In this, various indexes are used by member economies to define the term such as number of employees, invested capital, total amount of assets, sales volume (turnover) and production capability. In Tanzania, the SME's development policy of 2003 defines these ventures in terms of annual turnover and the number of employees. Small Enterprises are those with employee between 5 and 49 and a capital investment ranging between Tshs.5 million to Tshs.200 million, while Medium Enterprises have employee ranging between 50 and 99, with a capital investment of 200 million to 800 million. From this definition majority of SME's fall under the informal sector, mainly performing activities such as trading, manufacturing, agriculture, mining, and services with little or no access to organized markets, credit institutions, formal education and training. (Kazungu et al, 2014).

**Table 1: Categories of SMEs in the context of Tanzania**

Category	No. of Employees	Capital Investment in Tshs
Micro Enterprise	1 – 4	Up to 5million
Small Enterprise	5 – 49	Above 5mil to 200mil
Medium Enterprise	50 – 99	Above 200mil to 800mil
Large Enterprise	100 +	Above 800mil

**Source:** URT (2003), SMEs Development Policy, Ministry of Industry and trade

**Organisation Performance:** Performance is defined as a measure of how well or poorly the firm is doing. Financial measures such as return on investment, return on equity, return on capital, etc. and non-financial measures such as employee retention, market share are used holistically and collaboratively to measure an organisation's performance (Mohutsiwa, 2012). Also, Richard, et al (2009) has defined organizational performance as the actual output of the results of an organization as measured against its intended goals and objectives.

### 2.2 Importance of Strategic Planning to SMEs

The purpose of strategic planning is to assist an enterprise in establishing priorities and to better serve the needs of its customers. Kauffman (1983) pointed out that the purpose of strategic planning is to aid in decision making relative to finding and securing a useful place for an organization in the market and society. Strategic planning is a useful tool for plotting organization survival in the future so that an organization's current and future operations will be compatible with that which is required in tomorrow's world. This implies that without strategic planning the SMEs cannot have the sense of direction in performing their businesses. The effectiveness of strategic planning can be measured in terms of the extent to which it influences organizational performance, which affects its survival rate. According to Lawlor (2006) the result of using good strategic plan will be an organization with focus, accountability, more time for the important activities, better decisions, proper allocation of resources, good returns, market recognition and enhanced chance of success. Strategic planning enhances better organizational performance, which in the long run has impact on its survival (Taiwo and Idunnu, 2007). As it is important for SMEs to have strategic planning in their operations it is important to emphasize on effective strategic planning so as to achieve the laid down goals and objectives.

The importance of a strategic plan lies in using it as a measurement tool. Chart the success or failure in reaching the goals and objectives on a regular basis, such as monthly or quarterly. If your business is not on track for success, you have the opportunity to make adjustments and ensure a profitable year (Christ, 2012). Strategic planning process delivers a set of defined initiatives (projects) that achieve a desired set of business goals (McDonald, 2007). The planning process involves a definition of these business goals, an assessment of the

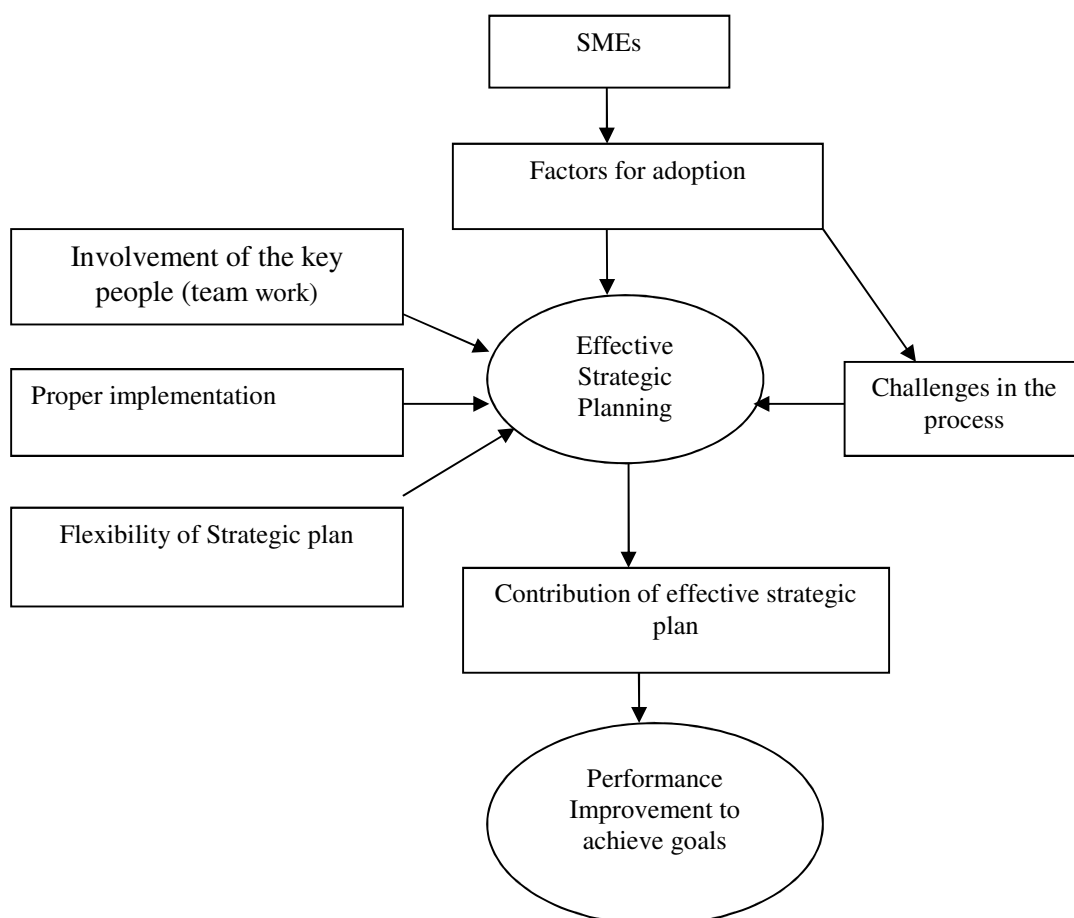
resources available for meeting these goals and the definition of specific plans (initiatives) that are designed to achieve the goals.

A good strategic plan should involve almost all key stakeholders of an organisation, according to Rowley et al (1997) benefits of involvement in planning include but not limited to; clarification of the institution's mission, improved ability for the institution to face challenges, to be proactive and to actively shape its own destiny, the capability to manage change and innovation, the capacity to support decision-making, the strengthening of leadership, help with the allocation of resources, the improvement of institutional quality assurance measures and overall enhancement of the ability of the institution to think and act strategically. It is not possible to see these benefits if the planning process is not effective. So there is a great need to discuss on effective strategic planning because what is important is not the document produced but how the whole process is conducted otherwise we might end up having the documents on shelves which are of no use in SMEs.

### 2.3 Conceptual Framework

The conceptual framework used in this study guided in evaluating the effectiveness of strategic planning in the performance of SMEs. Adoption of strategic planning by SMEs in their operation can be influenced by different factors and probably that is the reason some do it while others are not. In the process of adoption SMEs tend to face different challenges which might have impact in the effectiveness of strategic planning. With effective strategic planning this study assumes that the following factors are concerned; involvement of key people, proper strategic plan implementation and flexibility of strategic plan. Various contributions of effective strategic planning in the operations of the business determine the performance improvement and goal achievement in SMEs. Basing on various contributions of strategic planning in SMEs it can be easy to determine if it is successive in improving performance and goal achievement in the operation of different enterprises.

**Figure 2: Conceptual Framework**



### **2.3.1 Involvement of all the key people in the process of strategic planning**

Effective strategic planning allows several members of the enterprise to participate in the planning process and hence plays an important role in determining the direction of an organization. It is suggested that if strategic planning is applied more purposefully by the organizations the common goals will be clearer and better pursued by individual employees. As a strategist, the employees or members of the enterprise must be involved to make sound tactical and operational decisions that are aligned with the desired strategic direction. To ensure that these decisions are well made, the articulated strategic direction and strategic plans must be applicable and clearly related to the issues that people face. When the members of the organization especially the employees who are the main implementers of strategic plan feel the sense of involvement they shall take that they are part of the strategic plan and its achievement so if the goals are achieved they shall be impressed as they are as well focusing on the goals achievement by an organization.

### **2.3.2 Proper implementation of strategic plan**

Implementation is the process that turns strategies and plans into actions in order to accomplish strategic objectives and goals. Implementing the strategic plan is as important as or even more important than the strategy itself. The critical actions move a strategic plan from a document that sits on the shelf to actions that drive organization performance growth. Sadly, the majority of SMEs which have strategic plans fail to implement them and ending up performing poorly. A strategic plan provides an organization with the roadmap it needs to pursue a specific strategic direction and set of performance goals, deliver customer value and be successful. However, this is just a plan; it does not guarantee that the desired performance is reached. There must be sufficient resources which can facilitate the whole process of implementation so as to achieve the goals by an organization (Thompson Jr., 2007).

### **2.3.3 Flexibility of strategic plan**

An effective strategy is deeply understood and shared by the enterprise and allows flexibility so that the direction of the enterprise can be adapted to changing circumstances. It results from the varied input of a diverse group of thinkers, follows a thorough and deep analysis of both the external environment and the internal capabilities of the organization and identifies areas of Competitive advantage. In order to assure that the SME is stable and able to react to changes in the marketplace, it is essential that the strategy is flexible and adaptable. An enterprise can count on timely and accurate information about market conditions. It is essential to build and employ effective mechanisms for observing and listening to what is going on in the competitive environment. Real-time information in turn must feed on-going strategic and operational shifts and deployments. With the Competitive advantage the organization can strategically achieve its goals.

### **2.3.4 Performance improvement and achievement of goals by SMEs**

Different enterprises do have different goals depending on their operations. All of these must be clearly shown in the strategic plan. Strategic plan is taken as a tool to achieve the organization's goals. The performance improvement and achievement of goals by an enterprise is a dependent variable and it depends on the independent variables explained.

There should be proper implementation of the strategic plan in SMEs so as to achieve their goals. If the strategic plan is not well implemented then it is not possible to achieve the desired goals and objectives since this is the one which shows the direction for the proper performance of an organization. Once the goals are achieved this is the good indicator of the performance growth in the organization.

## **3. Methods, Materials and Approaches**

A case study research design was used to conduct the study at Ilala Municipality in Dar es Salaam. The area was chosen for the study because many SMEs are located there and it was easy to get the sample frame at SIDO in the same Municipality. Amalgamation of methods and tools like structured questionnaires, interviews and documentary review was used to conduct a thorough inquiry on the phenomenon in its real-life context. The study employed a sample size of fifty respondents which constituted owner-managers, employees and other key people involved in strategic planning from different categories of SMEs identified with the use of stratified sampling and purposive sampling techniques. The units of inquiry are different types of SMEs doing strategic planning in Ilala Municipal and both primary and secondary data were collected from various members involved in strategic plan formulation and implementation in the SMEs.

Structured questionnaires, in-depth interviews and discussions with various key employees were conducted to collect primary data when evaluating the effectiveness of strategic planning in the performance of SMEs. Pre-tested interview guides were used to conduct in-depth interviews to participants from different categories of SMEs. Interviews were used to attract the high response rate, to enable control on the interview proceedings, to

ensure that all questions are answered and to appreciate the nonverbal behaviour. The structured questions were similar to questions which were developed in the questionnaires for consistency. Documentation from both published and unpublished materials were used for secondary data; these were gathered mainly from libraries, archives, journals, government policies and documents, websites. Quantitative and qualitative data were edited, coded and tabulated using descriptive statistics aided by Statistical Package for Social Science (SPSS), treated by mathematical (frequencies and percentage) and statistical (graph, table and charts) to help evaluate the results. Qualitative data were analysed manually. Interviews were recorded and transcribed shortly after each interview session. The transcripts were coded before being analysed manually by employing thematic analysis approach.

#### 4. Results and Discussion

##### 4.1 Demographic Characteristics of the Respondents

The respondents for this study were the owners and employees of different categories of SMEs in Ilala municipal and they had different characteristics in terms of age, education level, and position in the organization. As for the age of respondents, it was revealed in table 2 that most of the respondents were falling in the age of 20 – 40 years by 66% while the rest of them were falling in the age of 41 – 60 years which is 34% of the total respondents. The fact that most of the respondents had an average age of 20 to 40 years implies that owners and employees of SME's are falling under majority age. Again from table 2 it was found out that 12% of respondents had primary school education, 44% secondary education, 22% certificate and diploma holders, 14% bachelor degree holders while only 8% with master degree. Comparison between education level and position in the business organization was also a concern of this study and results in table 2 shows that there were 18 owners and 32 employees, out of that 5 owners and 1 employee had primary school education, 4 owners and 18 employees had secondary education, 3 owners and 8 employees had certificate/diploma while 2 owners and 5 employees had bachelor degree. Also there were 4 owners with masters. With the depicted level of education among SMEs owners and employees it is not easy to use internal capacity to develop and implement strategic plans effectively.

**Table 2: Age, Education and Position in the business**

Age	Frequency	Percentage (%)	Level of Education	Frequency	Percentage (%)	Position in the business	
						Owner Count	Employee Count
20-40 years	33	66.0	Primary School	6	12.0	5	1
			Secondary school	22	44.0	4	18
			Certificate and Diploma	11	22.0	3	8
41-60 years	17	34.0	Bachelor Degree	7	14.0	2	5
			Masters	4	8.0	4	0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>18</b>	<b>32</b>

##### 4.2 Factors which influenced SMEs to adopt strategic planning in their operations

In order to find out the factors that influence adoption of strategic planning by SMEs, respondents were asked to indicate the extent to which they agree or disagree with the statements regarding factors that drove them to adopt strategic planning in their operations. Findings in table 3 indicated that 80% of responses pointed out that organizational complexity influenced their adoption to strategic planning and 72% pointed external constraints, 88% by globalization while 98% scarce firm resources, 86% new technology, 76% due to environment dynamics in business operations while 12% said that government requirements caused the adoption of strategic planning in their operations.



**Table 3: Factors that drove SMEs to adopt strategic planning in operations**

Factor	Response	Frequency (n=50)	Percentage (%)
Organization complexities	Strongly Agree	12	24.0
	Agree	28	56.0
	Disagree	10	20.0
External constraints	Strongly Agree	17	34.0
	Agree	19	38.0
	Disagree	14	28.0
Globalization	Strongly Agree	30	60.0
	Agree	14	28.0
	Disagree	6	12.0
Scarce firm resources	Strongly Agree	40	80.0
	Agree	9	18.0
	Disagree	1	2.0
New technology	Strongly Agree	16	32.0
	Agree	27	54.0
	Disagree	7	14.0
Drive from the government	Strongly Agree	1	2.0
	Agree	5	10.0
	Disagree	44	88.0
Environment dynamics	Strongly Agree	30	60.0
	Agree	8	16.0
	Disagree	12	24.0

#### 4.3 Contribution of the strategic planning to SMEs improved performance

The study found out that there are various contributions of strategic planning in the successful operation of the business. Findings in table 4 noted that the presence of effective strategic plan could facilitate good performance through; better decisions, better solutions and improved customer satisfaction they were higher than the others but also enhancement of chances of success, competitive advantage, and increased energy followed. Also there were two contributions which were ranked equally which are market recognition and increased capacity. There were some of the contributions mentioned by the respondents which are; Innovation in products, marketing updates, new customers, good financial returns which enables to understand where to improve in the business, timely accessibility of resources, access to markets, guidance in business undertakings, measures success, identification of problems and attainment of goals set by the SMEs. All these are in line with Robinson and Pearce (1984) who suggested that strategic planning is a substantial success factor for small or new ventures as it increases not only the rate, but also the extent of success and business performance.

Formal strategic planning is thought to help young and fast growing enterprises and it was found that enterprises conducting formal strategic planning have higher survival rates. Armstrong (1982) examined the extent of formal planning by five main variables (i.e. setting objectives, generating strategies, evaluating strategies, monitoring the process and commitment to the process) and concluded that it positively affects success. The results show that strategic planning is the set of managerial decision and action that determines the long-run performance of an organization as it shows the direction in which the organization is heading and means to get there. It is important because different strategies are always there to make the right decisions for performance improvement. Respondents in the current study commented positively and ranked it to be the best contribution of strategic planning. Barney (1997) supported that strategy is a pattern of resource allocation that enables firms to maintain or improve their performances. A good strategy neutralizes threats, exploits opportunities, capitalizes on strengths and/or fixes weaknesses. Strategic plan is a unifying theme that gives coherence and direction to the actions and decisions of an organization as it guides managerial decisions toward superior performance. Delivering value to the customer should be at the heart of strategy. Through strategic planning managers help their enterprises create value by devising strategies that exploit core competencies and attain good performance. Therefore this study observed that strategic planning has a great contribution in improving customer satisfaction through delivering the required value of products. Customers are always interested in the value when they are buying products; therefore through strategic planning SMEs are able to deliver what is needed by their customers because they have different strategies to meet their business goals.

A strategic plan of an organization is a comprehensive master plan stating how the organization will achieve its mission and its objectives. Doing things better than others enables the organization to gain a position in the

market place. It maximizes competitive advantage and minimizes competitive disadvantage. All of these are done so that we can effectively cope with the changing environment in which the businesses are operating to attain the Sustainable Competitive Advantage. This is supported by Hunger and Wheelen (2009) who found out that strategic planning has evolved to the point that its primary value is to help the organization operate successfully in dynamic and complex environment. Moreover Ole Gabriel (2012) commented that “Excellent execution of an excellent strategy is the best test of managerial excellence and the most reliable recipe for winning in the market place”.

From this study it was also depicted that strategic planning increases the chances of success and people are becoming aware and appreciate the use of strategic planning in their operations to improve performance through different strategies they have in achieving their goals. SMEs that engage in strategic planning (compared to those that do not) were observed to achieve higher sales growth, higher returns on assets, higher margins on profit and higher employee growth. This proves what Wang, Walker and Redmond (2007) pointed out that with respect to performance, strategic planning is generally more common in better performing SMEs.

**Table 4: Contributions of strategic planning in performance**

Contributions	Frequency (n=50)	Percentage	Ranking
Better Decisions	24	48	1
Better solutions	11	22	2
Improved customer satisfaction	5	10	3
Greatly enhances the chance of success	3	6	4
Competitive advantage	3	6	5
Increased energy	2	4	6
Market recognition	1	2	7
Increased capacity	1	2	8

#### 4.4 Factors influencing effectiveness of strategic planning and SMEs performance

This aimed at getting information concerning the factors for effective strategic planning in the organization. Different questions were addressed basing on various variables to find out the factors causing the effectiveness of strategic planning. The current study explored that SMEs did enough preparation for the adoption of strategic planning in their operations and as indicated in the table 5 below 30 respondents 60% agreed that there is enough time for preparation of strategic plan while 40% disagreed. Preparations of strategic plan largely depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization and expertise of planners so there must be reasonable efforts made to ensure that everything is in place before strategic planning process. The study also investigated on SMEs awareness on the procedures involved in strategic planning process, and it was found that 70% of respondents claimed to be aware of the procedures which are involved in the strategic planning process while 30% were not aware of the procedures involved. The observed process of strategic planning by the surveyed SMEs seems to be informal without much involvement of the employees and most of them were not aware of the procedures involved as they had no chance to participate. This is supported by Kraus, Reiche and Reschke (2007) who commented that, strategic planning in SMEs does not always take place in a highly sophisticated or formal way. It often occurs as a sign of strategic thinking describe SMEs' planning activities as ranging from an unstructured and informal approach to a more structured and formal approach.

Despite the fact that many respondents claimed to be aware on the procedure but only few of them were always involved in the process of strategic planning. Table 5 shows that only 30% were involved always, 26% rarely involved and 44% were not involved at all. The study went further into accessing information as to whether capacities building in form of trainings or seminars are given to the employees in order to equip them with necessary knowledge, methods and tools for the process. It was revealed in table 5 that 26% of respondents are provided with enough training and 74% are not provided with any sort of formal training on strategic planning. Training is a vital for effective planning and its implementation as supported by Hunger, D and Wheelen, L (2009) that once a new strategy is formulated, either different kind of people may be needed or the current



employees may need to be retrained to implement the new strategy. Thus training the existing employees to learn new skills and development is one way to implement a business strategy.

Findings from table 5 reflects the nature and quality of human resource involved in the process of strategic planning, were 46% of respondents agreed that quality is of great concern in the process, 34% said rarely quality human resource is involved while 20% said the quality of people who are involved in strategic planning process in SMEs is poor. It should be noted that strategic plan implementation is very demanding and without resources strategic plan becomes difficult to implement so they end up putting it aside. This is in line with Daft (2002) who commented that strategy implementation is the use of managerial and organizational tools to direct resources toward accomplishing strategic results. Since strategy implementation is the administration and execution of the strategic plan, managers may use persuasion, new equipment, changes in organization structure, or a reward system to ensure that enough resources are used to make formulated strategy a reality.

**Table 5: Factors Influencing Effective strategic planning and SMEs performance**

Factor	Variable	Frequency (n=50)	Percentage (%)
Enough preparation process	Always	30	60
	Rarely	20	40
	Not at all	0	0.0
Awareness on the procedures involved in strategic planning process	Always	35	70.0
	Rarely	0	0.0
	Not at all	15	30.0
Involvement in the process of strategic planning	Always	15	30.0
	Rarely	13	26.0
	Not at all	22	44.0
Provision of training to employees for strategic planning process	Always	13	26.0
	Rarely	5	10.0
	Not at all	32	64.0
Knowledgeable people are involved in the preparations of strategic planning	Always	23	46.0
	Rarely	17	34.0
	Not at all	10	20.0

#### 4.5 Involvement in the process and position in the business

This was done to find out who were involved more in to the process compared to others. It was based on the fact that there were owners and employees involved in the process and the results in table 6 display that owner-managers are mostly involved in the process more than the employees. The fact is that some owner managers ignore the best practices and engage in strategic planning by giving the directives as usual and they forgot that strategic implementation processes require the work and attention of employees and managers within a business. The implementation process has the potential to impact a wide range of duties and responsibilities so the employees need to have a thorough understanding of their responsibilities during the process and afterward. This was supported by Bradford, R. W. (2001) that aligning everyone in the organization with the strategy is one of the most important things to be done beyond formulating and implementing great strategies. Alignment will make it much easier for the management team to push the organization in the direction intended. Most of them complained that the process is costly and time consuming and they don't see the need of involving all the employees but also it was noted that they had insufficient knowledge on the process.

**Table 6: Comparison on involvement in the process and position in the business**

Involvement in the process		Position in the business	
		Owner Count	Employee Count
How often do you get involved in the process?	Always	10	5
	Rarely	2	11
	Not at all	6	16

#### 4.6 Management support towards formulation and implementation of strategic plan

Table 7 shows the management support towards employee involvement in the formulation and implementation of strategic plan in SMEs. In order to ascertain the support provided by the management, the respondents were given a list of variables and asked to comment on the variables given concerning the management support. It was observed that good policies were only the variable which was given positive response to be good by 50% of the respondents while enough budgets, motivation and availability of resources for formulation and implementation of strategic plans were noted to be the worst as compared to other factors.

**Table 7: Management support**

Factors	Response	Frequency (n=50)	Percentage (%)
Training to employees	Good	18	36.0
	Fair	15	30.0
	Not fair	17	34.0
Availability of information	Good	15	30.0
	Fair	13	26.0
	Not fair	22	44.0
Good policies	Good	25	50.0
	Fair	18	36.0
	Not fair	7	14.0
Enough budgets	Good	6	12.0
	Fair	14	28.0
	Not fair	30	60.0
Motivation	Good	8	16.0
	Fair	11	22.0
	Not fair	31	62.0
Resources	Good	8	16.0
	Fair	4	8.0
	Not fair	38	76.0

### 5. Conclusion and Recommendations

#### 5.1 Conclusion

The study revealed that most of SMEs do not plan strategically despite the vital importance of effective planning to enterprise's performance. Conversely, it was noted that strategic plan can help to reduce the level of uncertainty in the organization and promotes long-term thinking and decision making which increases organization growth. It goes without saying, that SMEs doing good strategic planning are able to achieve good performance and attain their goals as it was proved in this study. Generally it was found out that strategic planning process in SMEs was not effective due to the fact that most of them were not aware of the process and also the rate of involvement especially on the side of employees was low. Nevertheless SMEs which have adopted strategic planning in their operations some of them have failed to realize its contributions in performance improvement due to different challenges which cause them to mess up in the process. Some of the SMEs failed in the process of formulation while others do have good strategic plans prepared by experts but they still failed to achieve their goals due to improper implementation of the plans. It is therefore concluded that the inter-relationship between planning and performance in small and medium enterprises bears a significantly on strategic management research agendas, and that strategic planning must be viewed as an imperative and ongoing process that, SMEs must focus on through proper and periodic revisiting and revising all areas of the plan that can be improved upon for better business performance.

#### 5.2 Recommendations

Based on the findings, discussion and conclusion drawn in this study it has been noted that several empirical studies reveal a link between strategic planning and success and this study recommends the following;

There should be greater effort on training especially in the formulation and implementation of strategic plan to SMEs so that they can adopt it and see its good achievement. It is crucial that these operators in this sector be equipped with necessary information concerning the process for them to make the best use of it. There must be proper implementation of the well formulated strategic plans. This is because most of SMEs normally maintain a lower level of resources, have more limited access to human, financial and customer capital, and lack a well-developed administration and these must be taken care of in the formulation and implementation of the strategic plan. The government should emphasize on effectiveness of strategic planning in SMEs because considerable evidence shows that strategic planning leads to increased firm performance.

Thus, to make strategic planning in SMEs worthwhile, the respective instruments have to be aligned with the cultural, organizational and financial conditions of the enterprise in order to be successful. The formulation and implementation of strategic plan requires personnel who are experts in the process at the municipal and organizational level in all the categories of SMEs. Hence, to be successful in the application of strategic planning there is a need of having adequate experts at SIDO and in SMEs who will be in charge of the day to day adoption and implementation activities. It is therefore recommended that efforts should be taken by the Government and the respective enterprises to train their people on effective strategic planning techniques so that they may become competent and conversant and in return participate actively on the whole process. Finally the study recommends formulation of an enabling legal frame work together with the development of internal experts for SMEs to ensure that they adopt and become able to continuously develop and apply effective strategic planning for improved and sustainable performance of their ventures.

## 6. Areas for further research

Strategic planning in business is still a new concept in most of the SMEs in Tanzania thus number of researches are demanded so as to realize its contribution in performance improvement and goal achievement. Possible areas include; Factors behind most SMEs' reluctance in adoption and execution of strategic planning in their operations as this was a limitation to this study that many SMEs are not using strategic planning. Also the relationship between strategic planning and business growth is another under researched area.

## 7. References

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