

THE EFFECT OF STRATEGIC PLANNING ON PROFITABILITY OF SMALL MEDIUM ENTERPRISES

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Abstract

Although attention is paid to the effectiveness of business and political relations in emerging economies, there is not much research that explicitly examines business and political relations in the development of small and medium enterprises (SMEs) in emerging economies. The main aim of this study is to investigate importance of strategic planning in attaining competitive advantage in SMEs of Pakistan. The data was collected from different SMEs of Pakistan based on Non probability purposive sampling technique; the data was collected through questionnaires. Descriptive statistics, correlation matrix, and linear regression model were applied for analysis. The independent variables were Vision statement, mission statement, objectives, values and SWOT analysis. According to the results of the study vision statement, mission statement, and objective were found insignificant in achieving competitive advantage whereas, a positive and significant relationship was found for value statement and SWOT analysis with competitive advantage. The results of the study suggested that in Pakistan less attention is paid on development of vision and mission statement which might be the cause of high percentage of failure among many SMEs in Pakistan. As lack of strategic preparation can cause the business to collapse when managers fail to update their goals and objectives regularly therefore strategic it is very important for SMEs to pay significant attention on its strategic planning process, as they have a very significant role in sustainable economic growth of the country.

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Introduction

Strategic planning is a vital tool for the growth and expansion of business which leads to the development of the country. As it helps in identifying the goals, opportunities, understanding the businesses' environment and give access to expand the market. The major functions of strategic planning are determining vision and mission statement, objectives and goals often company.. Hofer and Schendel (2003) assert that strategic planning is an anticipatory decision-making process necessary for effective performance. It shows the clear direction in which help entrepreneurs to design vision of the business, but they have to be modified according to different external environment. Innocent and Levi (2017) suggests that strategic planning helps in identifying a well defined set of initiatives which will help in achieving organization goals. This planning process helps in identifying goals and assessment of available resources in order to achieve the identified goals. This process helps in identifying priorities of each goals in order of their importance. As the main reason of failure of small business is lack of proper planning and focus of short term profit as compared to the long-term profit. As a result Poor designed strategies will not only adversely effect business profits but also damage goodwill of the company (Mattheusen & Spontak, 2018).

In Pakistan SMEs are not able to sustain profitability due to lack of finance, technology, unskilled employees, knowledge and inappropriate process of marketing. These problems do not provide access to businesses to upgrade their distribution channels and other opportunity resulting into large number of failures (Aaltonen & Ikavalk, 2002). Most of the businesses in Pakistan are small medium, so this research will be helpful to understand reasons behind the success and failure of SME"s in earlier stages and how these businesses will be successful in future if certain weak areas are identified. As SMEs can help in innovation, job creation, exposure towards exporting and promoting equal wealth distribution, and play a significant role in sustainable economic growth. In Pakistan many small businesses try to avoid efforts in developing and implementing a comprehensive strategic planning. Owners and managers do not pay attention on the strategic planning because they have fail to identify its importance, inconsistent government policy, lack of energy resources etc. The use of strategic management in the Pakistani business environment is still at very low level whereas, The ability to succeed in an ever-changing environment requires considerable efforts in strategic planning management. This work will try to assess the level of strategic planning used by SMEs in Pakistan and its impact on their competitive advantage. The research objectives includes

investigate the impact of strategic planning on profitability on small medium enterprises, analyze and identify potential problems faced by small medium enterprises due to lack of strategic planning.

Literature Review

Strategy provides a path to entrepreneurs by creating changes in existing environment for operating functions of the business which leads towards the accomplishment of goals. Effective strategies are considered as the best asset for the business as it gives successful results to management (Adeleke et al, 2008). Strategic planning is the process in which entrepreneurs make planning for operating business functions as well as for achieving goals, make decisions for the allocation of resources and finance for the longer time period. The purpose of effective strategic planning is to set the actions for the growth of the organization. Strategic planning helps the manager to show what to achieve, where we are, where we will in future (Majama, Israel & Magang, 2017).

There is a difference between business plan and strategic planning. Business plan is a short-term planning for any business which needs improvements while on other hand Strategic planning is long-term planning, which helps the organizations to achieve long term growth and development. Andersen (2000) suggested that strategic planning is associated with high performance in all industrial areas studied. The operational impact of strategic planning does not differ significantly between different industry groups. Therefore, strategic planning is an important driver to work in all industrial settings, and it improves both economic performance and organizational renaming.

Mori, Kazungu and Mchopa (2014) showed that organizational problems, environmental variability and external challenges are among the factors that lead to the adoption of strategic planning. Strategic planning is considered to be effective only if it is well-designed and well-executed to achieve desirable goals regardless of system challenges and this is possible if; resources are sufficient, managers support team work and plans are flexible. It is considered a factor in its success through its use contribution to better decisions and solutions, customer satisfaction, competitive advantage and market all the recognition that facilitates the chances of success and improves performance. The entrepreneurs need training on construction and efficient designing of strategic plans which is according to the legal framework of the country

Ducker (2012) defined strategic planning as the continuous process of making entrepreneurial decisions systematically and with their greatest knowledge organizing systematically the efforts to carry out these decisions and measuring the results against the expectations through organized feedback. Kraus, Reiche and Reschke (2007) stated that strategic planning is

an attempt to prepare for future contingencies, and thus to account for environmental dynamics and complexities. Strategic planning is the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies, and strategies. It involves the development of detailed plans to implement policies and strategies to achieve objectives. “Strategic planning contains different aspects such that conducting operation in away to improve the financial performance of the business, making business successful, attracting customers and investors (Majama, Israel & Magang, 2017). Strategic planning is an important factor for evaluating the firm growth; contribute to the small business. It identifies the strength and weakness of SME’s. It also contains such strategies through which entrepreneurs will be able to achieve opportunities by reducing the weaknesses. It is a valuable way of making decisions; this will secure business for the long-term (Esbio & Micalat, 2005). Strategic planning is a management process that combines four basic features; a clear statement of the organization’s mission; the identification of the agency’s external constituencies or stakeholders, and the delineation of the agency’s strategic goals and objectives, typically in a 3-5 years plan; and the development of strategies to achieve them” (Innocent & Levi, 2017).

Porter (1985) considered that the competitive advantage grows from the value of the firm which is created for its customers exceeding the cost of creating it. Porter saw competitive advantage as strategic goals; that is the dependent on variations and the reasons behind this good performance is related to gain competitive advantage. As strategic plan must be flexible for the implementation of existing plan and also for adjustment of new strategies where needed. It is important tool for the business success and for long-term survival by performing business operations efficiently in well structure form. It indicates that without strategic plan SMEs are not being able to perform their tasks in an organized form and there will be no clear sense of direction, mission and vision of their business (Geela,2018). Businesses have to make such strategies through which they can analyze their performances form time to time. If the result shows that your business is not attaining goals than you have to develop and implement new strategy which must be efficient for the improvement and ultimately for achieving competitive advantage (Geela, 2018).

Importance of SMEs in Pakistan

SMEs are considered as important part for Pakistan economy. As it helps to improves the standard of living, of people, creating jobs, helps to come out from poverty level and develop economy in a better way. SME brings people together and create a social connection between public. The government of Pakistan had developed comprehensive policy regarding SMEs to covers area of financial enclosure; promote human development,

technological innovation and create healthy business climate. All these things which were described in the policy help in transformation of Pakistan economy through different processes. SME can help contributes to the development of the economy, create jobs for a growing work force, provide much-needed economy mobility, creativity, and increase exports and add value to GDP. SMEs make 30% of GDP, 25 percent of exports and 78 percent of industries jobs which show its important role in the country's economic growth. SME development is directly proportional to a liberal society (Shah, 2018).

In Pakistan most of the organizations are not performing their activities in an organized form. Up to 70 percent organizations are owned by sole proprietorship, and they need improvement because they don't have proper strategies while other 30 percent businesses are based on partnership. GDP shows the direction of the economy as economic condition depends upon SME's performance. According to Gauge total business investment of Pakistan is 3.2 million. If this investment properly utilized by entrepreneurs, it will increase the GDP of Pakistan. SME's have the potential worth to fulfill the economic needs by using strategies. But unfortunately, in Pakistan GDP is moving towards downfall from 2009 due to lack of unorganized performance structure. If entrepreneurs preferred to use their country resources well rather than importing from other countries will be helpful in generating profit for their country development (Shah, 2018).

Contribution of SME'S in the Development of Pakistan

Total no's of Economic Development	3.2 Million
Total SME'S	94%
Contribution in generating employees (Agriculture)	90%
Total no's of non agriculture work force (in SME'S)	78%
Share in export earning	25%
Share in gross domestic production	30%
Share in manufacturing industries	38%

Source: Zafar & Mustafa, 2017

SMEs are suffering from various problems which affect their ability to grow economy. Due to financial problem SMES have failed to expand their businesses though out the world. In Pakistan rate of taxes are high due to which investors avoid investing here. Pakistan is going from a decline phase; their business activities are quite enough because of low buying power of consumers means consumers do not have the capability to purchase luxurious goods and products. In 2011, Pakistan scored 96 points in the economic development out of 183 countries, but in 2017, Pakistan score were move to 48 points out of 190 countries. These reports show the downfall of Pakistan economy throughout the world. The reason behind this

down fall was high interest rates of banks on business loans which has deprived the SMEs sector. Due to which this sector is not able to provide support to the economic growth of the country. Addition factor is lack of proper strategic planning they are unable to work properly and suffer from losses (Shah, 2018).

SMEs & Strategic Planning

SMEs are generally defined in accordance with the employees' numbers, annual report of sales, turnover ratio of employees in organization, etc. It is difficult to analyze the SMES in cross countries due to lack of proper definition of SMEs (Geela, 2018). In Pakistan many SMEs are owned by individual owner or co-owners and top-level management are not properly establish as compared to the large-scale business who have proper management team including executive, manager, assistant manager, and employees. As, SMEs have the capacity to achieve immediate goals as compared to the long-term businesses, it is easy to identify the problem which occurs during the growth and development process. These problems are structured in a systematic way which helps entrepreneurs to understand the nature of problem and current challenges for businesses cash flow planning is consider to be very important factor after that strategic planning and budgeting which is necessary for meeting goals and for operating functions (Karel, Adam & Radomir, 2013).

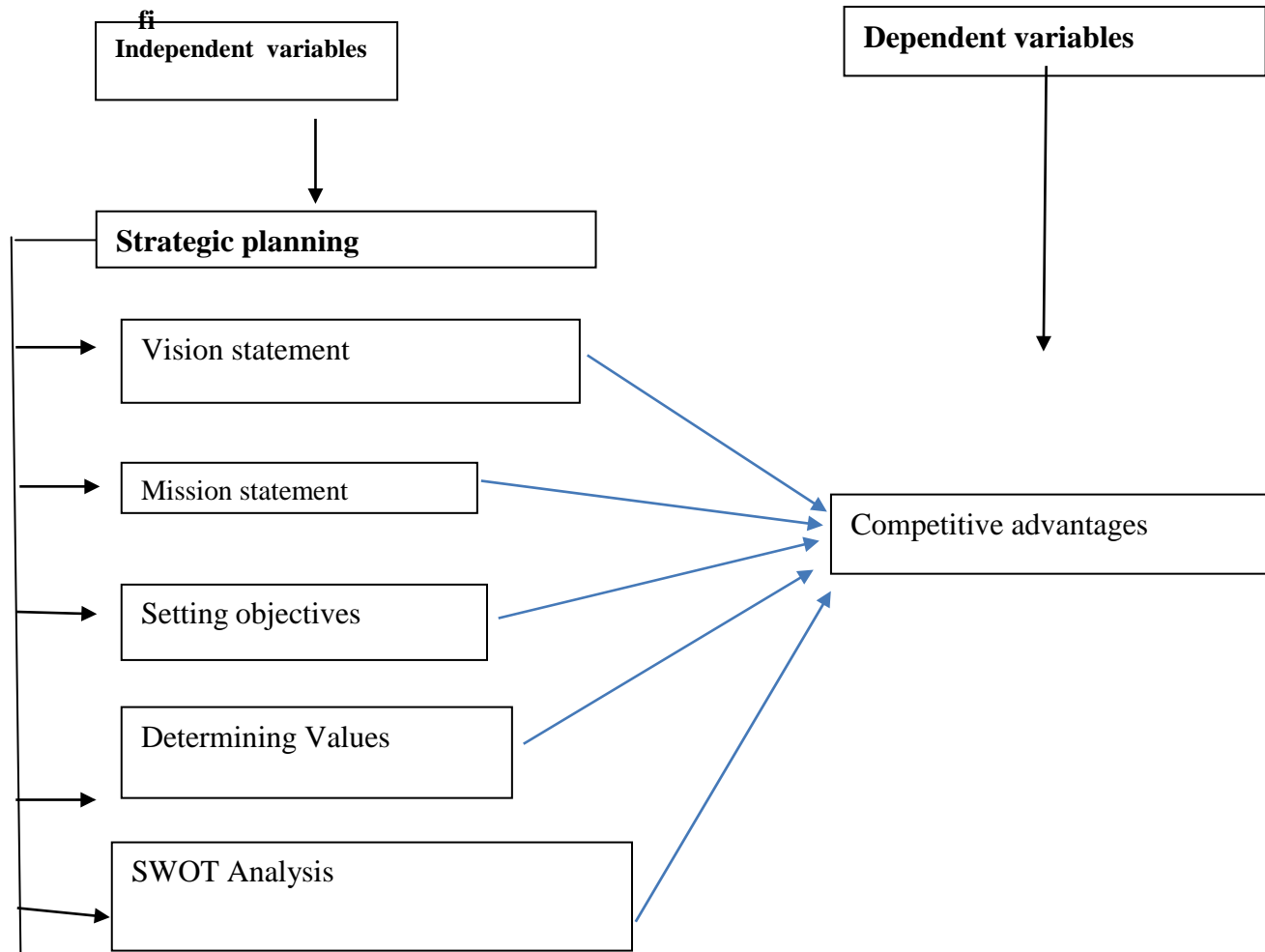
SME can improve their business performance with strategies to beat large firms and by adopting long-term planning which gives them a proper direction of future success. Qualitative research shows that strategic management tools and techniques are being used in organizations throughout the world (Siddique, 2015). It shows that good environment of the business gives better result. In today's business environment, increase amount of insecurity, and uncertainty requires businesses to explore and analyze their environment in order to be analyze market volatility in a way that effectively enhances competition. (Karami, 2008). Therefore, it is very important for business to scan their environment carefully for internal strength, weaknesses, opportunities and threats. Strategic planning, among other things, involves the analysis of the internal and external business environment with the intention of discovering organizational strengths, weaknesses, opportunities and threats. Firms rely on analyzing the business environment in establishing their goals and in determining the strategies to employ in order to achieve the set of objectives (Chikwama, 2016). When environment changes; it put pressure on the financial position of the business, and it affects the performance of the organization, so for long-term survival, organizations have to choose the best strategies. Regular checking on ongoing strategies will be compulsory mostly for small business enterprise because the environment, situation changes frequently in small

medium enterprise (Mattheussen & Spontak, 2018). Vision statement contains all the future information. This statement helps the enterprises to take the effective decisions for operation functions. Mission statement contains the present information related to the organization. Jony, Ouma and Moso (2018) found that changes in equipment and vision, organizational performance increased by 0.867 which means a positive impact of mission and vision on organizational performance.

Armstrong (1982) suggested a positive and significant impact of strategic planning and performance of the organization. According to Steiner (1979) strategic planning is not only limited to only combination of different plans specially at different hierarchy levels or monitoring and controlling of budgets but a system approach which intends to manage the firm to sustain in dynamic and challenging environment to attain targets and goals Comprehensive knowledge and certainty about future due t success of the organization (Thiele and Fellnhofer, 2015). Additionally, effective strategic planning leads to effective strategic implementation as it create a clear path for execution resulting in better financial performance (Kohtamäki et al., 2012).

Kraus et al. (2006) worked on Australian small firms and suggested a positive effect of strategic planning and firm performance. Falshaw et al. (2006) suggested an insignificance relationship between these two variables in UK firms. Many previous studies regarding strategic planning and firm performance were done in developed countries many in UK (e.g. Berry, 1998; Griggs 2002; 2004; Kraus et al., 2006; Falshaw et al., 2006). A moderate impact of environmental; turbulence was found on the performance many Turkish firms and it was also found that fiirms operating in high turbulent environment are more effected by strategic planning. (Glaister et al. (2008). This supports the view that strategic planning can help mangers in surviving in an uncertain environment. According to Dibrell et al. (2014) it is organizational innovativeness which enhance the effective ness of strategic planning which further positive effect financial performance of the firm. A significant impact of strategic planning and firm performance was found in Middle eastern countries (Aldehayyat''s and Twaissi, 2011).

Sometime they do not work properly in the organization according to their responsibilities (Innocent & Levi, 2017).For small businesses, formulating strategic planning is essential because, it is a clear statement of business strength, opportunity, weakness and threat. It is a set of values that can help entrepreneurs and make guidance system for corrections; it is an opportunity to check the organizations performance and its success by viewing a mission, vision and business objectives (Geela, 2018). Based on the above discussion the following theoretical model was developed in order to investigate role of strategic planning in the success of an organization: based on the above discussion following conceptual model was developed:



Hypotheses

H₁ Developing a clear vision statement has a positive impact on competitive advantage of SMEs in Pakistan.

H₂ Developing a clear mission statement has a positive impact on competitive advantage of SMEs in Pakistan.

H₃ Long-term objectives have the positive impact on competitive advantage of SMEs in Pakistan.

H₄ Determining values of the enterprises has positive impact on competitive advantage of SMEs in Pakistan.

H₅ Conducting SWOT analysis has a positive impact on competitive advantage of SMEs in Pakistan.

Methodology

The study is based on primary data, a questionnaire-based survey was conducted to collect data from Owners, managers, and workers of different SMEs of Pakistan. Total responses were 138 in which 3 responses were not properly attempted by the respondents. The sampling techniques used for data collection was non probability purposive sampling. For data analysis all the responses were shifted to the IBM SPSS statistics. Descriptive and statistics, correlation, matrix and regression method was used for analysis.

Results

This section contains the presentation of results and discussions of data collected through survey. The results are presented in following tables:

Table 1: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	126	89.4	91.3	91.3
	Female	12	8.5	8.7	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

The above table shows that there were 141 total respondents, of which 126 were male and 12 were female.

Table 2: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25 or below	6	4.3	4.3	4.3
	26- 35	22	15.6	15.9	20.3
	36-45	49	34.8	35.5	55.8
	46-55	46	32.6	33.3	89.1
	above 55	15	10.6	10.9	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

The table 2 revealed that 4.3% of respondent’s aged 25 or below on average, while 15.9% of respondents were 26 to 35 years old, 35.5% of respondents aged 36 to 45, 33.3% of respondents aged 46 to 55, the remaining 10.9% of respondents aged over 55 years.

Table 3: Industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agriculture	2	1.4	1.4	1.4
	Manufacturing	5	3.5	3.6	5.1
	educational institute	16	11.3	11.6	16.7
	outlets or shops	23	16.3	16.7	33.3
	general services	81	57.4	58.7	92.0
	Others	11	7.8	8.0	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

The table 3 indicates that 1.4% of the participants were related to agriculture field, while 3.6% of the respondents were engaged with the manufacturing industry, 11.6% of the respondents were the employees of educational institute, 16.7 % of the participants were the workers of outlets or shops, the result of this table is, the 58.7% of the respondents were employees of general services involved participants and 8.0% respondents are related to other businesses.

Table 4: Education Level

Education level		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Intermediate	1	.7	.7	.7
	Diploma	16	11.3	11.6	12.3
	Bachelors	17	12.1	12.3	24.6
	master degree	41	29.1	29.7	54.3
	Others	63	44.7	45.7	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

The table 4 indicates education level of the participants. 7% were intermediate, 11.6% graduated, 12.3% have a bachelor's degree, and 29.7% have a master's degree, while 45.7% have done other studies.

Table 5: Organization Focus on Strategic Planning

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	67	47.5	48.6	48.6
	Strongly Agree	71	50.4	51.4	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

The table 5 shows that 48.6% respondents were agree and 51.4% participants were strongly agreed with the statement that their organization focus on strategic planning. So that the outcome of the data collected shows that strategic planning on their company was used by most of the small business to achieve their goals.

Table 6: Perception of Strategic Planning Influence on Organization Performance

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	3	2.1	2.2	2.2
	Agree	58	41.1	42.0	44.2
	Strongly Agree	77	54.6	55.8	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

According to table 6, 42.0% are agree responses, 55.8% are strongly agree responses and 2.2% are neutral response’s ratio response with the statement that strategic planning influence on organization performance. This analysis indicates intensely that due to the implementation of strategic planning within the organization, there sale will be increases which will leads to the company growth.

Table 7: Registered & Unregistered SMEs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	36.9	37.7	37.7
	No	84	59.6	60.9	98.6
	Missing	2	1.4	1.4	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

According to the results 37.7% of the responded answered that their business id registered whereas 60.9 % answered that there business was not registered.

Table 8: Record Keeping

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manually	1	.7	.7	.7
	Computerised	137	97.2	99.3	100.0
	Total	138	97.9	100.0	
Missing	System	3	2.1		
Total		141	100.0		

From the respondent's response it is concluded that 0.7% enterprises record their transactions manually while 99.3% record business financial transaction on computer base. It is concluded that most of the enterprises record their activities on the basis of computer.

Table 9: Preferable Area of your Enterprise to Invest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Innovation	18	12.8	13.0	13.0
	In existing market	27	19.1	19.6	32.6
	Both of them	92	65.2	66.7	99.3
	Total	138	97.9	100.0	
Missing		3	2.1		
Total		141	100.0		

From responses it is exposed out that mostly entrepreneurs invest in existing and prefers to invest in innovation side, while 13.0% invest in innovation market and 19.6% invest in existing market.

Table 10: Reliability Test

Variables	Cronbach Alpa
Vision Statement (VS)	.656
Mission Statement (MS)	.630
Objective (O)	.717
Value Statement (V)	.660
SWOT Analysis (SWOT)	.794
Strategic Management Challenges (SMC)	.681
Competitive Advantages (CA)	.658

The table 10 shows cronbah alfa for all variables are more than 6 which shows that the scales used for the variable are internally consistent. Reliability of the vision statement .656, mission statement has .630, objective has .717, value statement has .660, SWOT analysis has .794, strategic management challenges have .681 and competitive advantages have .658.

Table 11: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
VS	138	3.00	5.00	4.2754	.44286
MS	138	2.80	5.00	4.1348	.40230
OBJ	138	3.00	5.00	4.2841	.37265
V	138	2.50	5.00	3.9746	.48733
SWOT	138	3.00	5.00	4.2126	.44474
SMC	138	3.00	5.00	4.4058	.35123
CA	138	3.33	5.00	4.2560	.34655

Descriptive statistics Table suggests that mean value for vision statement is 4.2754, mission statement mean is 4.1348, objectives is 4.2841, values statement is 3.9746, SWOT analysis mean is 4.2126, strategic management challenges mean is 4.4058 and competitive advantages mean is 4.2560. This suggest that strategic planning was significantly recognized by organization and it has significantly impacted their organization as well.

Table 12: Correlation

	VS	MS	OBJ	V	SWOT	CA
VS	1	.181*	-.006	.066	-.048	.089
MS		1	.160	.386**	.073	.149
OBJ			1	.241**	.261**	.179*
V				1	.143	.276**
SWOT					1	.281**
CA						1

The table 12 indicates the correlation matrix and the result shows the multi correlation problem is not in the data due to less similarity in the records.

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.384 ^a	.147	.115	.32599

The table 13 R and R Square show 14.7% and 11.5% variation in the dependent variable is due to the independent variables identified in the model.

Table 14 : ANOVAa

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.426	5	.485	4.566	.001 ^b
Residual	14.027	132	.106		
Total	16.453	137			

The above table shows the ANOVA result which suggests The value of F. statistic (4.566) with p. value .001 suggests that the model is significant

Table 15: Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients	T	P. Value
	B	Std. Error	Beta		
(Constant)	2.267	.503		4.502	.000
VS	.065	.064	.083	1.010	.314
MS	.021	.076	.024	.275	.784
OBJ	.058	.079	.062	.729	.467
V	.151	.063	.213	2.386	.018
SWOT	.184	.065	.237	2.826	.005

Table 15 presents the results of regression model. The that value statement (VS) shows suggested an insignificant impact on competitive advantage t value of 1.10 with p value 0.314, the variable mission statement (MS) with t. value 0.275 and value .784 was also insignificant. The variable objectives (OBJ) with t value 0.129 and p value 0.467 was also insignificant. The variable Values (V) SHOWS positive and significant impact on competitive advantage with t value 2.386 and p value 0.018. the variable swot analysis (SWOT) is positively significant in achieving competitive advantage with t value 2.836 and p v value 0.005.

Analysis and Discussions

The work has analyzed the impact of strategic management on enhancing the competitive advantage of the SMEs. The results suggests that vision and mission statement were insignificant in achieving complete advantage which the rejecting first and second hypothesis. This result is not consistent with result of Mattheusen & Spontak, (2018) and Chikwama (2016) who suggested a positive and significant impact of well-developed vision and mission statement in achieving competitive advantage. This suggests that in SMEs in Pakistan are not putting much efforts in developing a proper vision and mission statement. The participative decision making

can enhance not only employee performance but play an important role in development of vision and mission statement. The variable of developing objective was also insignificant rejecting the third hypotheses. This finding is not consistent with the findings of Geela (2018) and Innocent (2017), which showed a positive and substantial impact of developed objective on the competitive advantage. Determining values at work place are important as values at the workplace are the guiding principles that are most important for the businesses. Entrepreneurs use these strongly held values to distinguish between right and wrong ways of working which helps them in making valuable career choices and decision and formulating strategies which is necessary for the enterprises. The findings indicate that the variable of values is significant in the model and have influence the competitive advantage, accepting the fourth hypotheses. This outcome is consistent with the outcome of Mori (2013), which indicated a positive relationship between determining values and competitive advantage. The results suggests that the SWOT analysis is significant in the model and has a positive effect on the competitive advantage, accepting the fifth hypothesis. This finding is consistent with Geela (2018) and Mattheussen & Spontak (2018), which showed a positive and substantial effect on the competitive advantage of a company. Overall, the study suggests that in Pakistani SME sector competitive only developing organization values and SSWOT analysis had played its role in attaining competitive advantage. The F Statistic with significant p value suggests that overall model is significant but adjusted R value is low which shows That the model is significant but its impact is very low.

Conclusion

The purpose of the study was to examine strategic planning effect on profitability of small and medium-sized enterprises, to identify issues of small and medium-enterprises due to lack of strategic planning, to evaluate the output of SME's using the strategic plan and to identify key factors of strategic planning for the effectiveness of SMEs in Pakistan. The Data was obtained from the questionaries survey, a purposive sampling procedure of non-probability was used. Descriptive and statistical, correlation matrix, and regression techniques was used for analysis. The survey includes 138 responses from the white-collar workers, executives, and owners of the enterprises. The variables which are used in this study were vision statement, mission statement, objectives, determining values and SWOT analysis. According to the result of this research vision statement, mission statement and objective were insignificant while Value statement and swot analysis are positively significant in achieving competitive advantage, which indicate that entrepreneurs do not pay much attention on deployment of vision and mission statement mission and objective which are considered as important

factors of strategic planning. Determining values and SWOT analysis showed a positive and significant impact on competitive advantage. The objective of strategic planning is to set out actions for the growth of the organization and it is concluded that the reason behind the failure of SMEs in Pakistan is, entrepreneurs do not implement proper strategic planning and fails in a shorter time period. The lack of strategic preparation leads the business to collapse when plans are not updated regularly according to changing environment. Therefore, its important that SMEs should learn how to set long-term goals in the management of their businesses through implementation plans, to utilize human and material capital rationally with specific goals to meet a purposeful end. They should try to prepare a well-structured strategic business plan in order to contribute in the development of the country.

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