Strategic Planning and Performance- A Study of Small Enterprises in Bangladesh

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ABSTRACT

Most studies on strategic planning and its effect on performance has been restricted to developed countries. Little attention has been given to explore if the findings apply equally in developing countries, where economic and socio-cultural conditions differ considerably. This study attempts to remedy this by exploring how far debates on relationships between strategic planning and performance are relevant to developing countries represented by Bangladesh. The study uses multi-method approach and is based on the data collected from 141 small engineering firms. The data indicate that even though formal strategic planning is unlikely to exist, successful small firms are well aware of opportunities and threats in their environment, their own strengths and weaknesses as well as the implications of their strategies.

Keywords: SME=Small and Medium-sized Enterprises, Strategic Planning, Strategy in SMEs, Developing countries, Bangladesh, Performance.

BACKGROUND

The planning process in small firms and the view that formal strategic planning leads to improved performance have been an important research issue. As strategic planning involves systematic planning process to develop strategies, it is considered a key to improved performance, success and survival of small businesses (Lyles, Baird, Orris, and Kuratko, 1993; Skrt and Antoncic, 2004; Tapinos, Dyson and Meadows, 2005). It is maintained that strategic planning can contribute to performance through generation of relevant information, creation of a better perceptive of important environments and reduction of uncertainty (Hodgetts and Kuratko, 2000). Several researchers have presented empirical evidence to support the beneficial effects of strategic planning on small firm performance (see Schwenk and Shrader, 1993, who analysed a number of earlier studies as to effects of strategic planning on the performance of small firms). A number of subsequent studies have also confirmed this relationship (e.g., Perry, 2001; Kraus, Harms, and Schwartz, 2006).

Despite these apparent advantages and some empirical support, the scope and role of strategic planning in small businesses remains inconclusive. A number of research concluded that formal strategic planning has no direct or otherwise relationship to performance (Shrader, Mulford and Blackburn, 1989; French, Kelly and Harrison, 2004; Gibson and Cassar, 2005; Falshaw, Glaister,
Tatoglu, 2006). It is considered as a heady, high-level, conceptual activity suited solely to large firms (Schwenk and Shrader, 1993). Thus universal agreement that strategic planning (formal or otherwise) is either necessary or desirable for small business is far from reality. The inconsistent result in previous research has made it difficult to argue about the advantages of strategic planning regardless of whatever efforts we make to that direction.

A possible reason for this inconsistency could be the inability of the authors to agree on definitions of planning, strategic planning, small business, and performance in a small firm context. Although, planning ‘formalisation’ or ‘sophistication’ was used by many authors to operationalise strategic planning (Lyles et al., 1993), managers in small firms predominantly engage in strategic thinking which only rarely gets translated into formal plans (Gibb and Scott, 1985; Mintzberg and Waters, 1985; Waalewijn and Segaar 1993). The other problems which might be associated with high level of formality such as ignorance of vital innovations and suppression of creativity and spontaneity also may make the formal strategic planning unsuitable in small business (Mintzberg, 1994).

Various authors such as Armstrong (1982), Pearce II, Freeman, and Robinson Jr. (1987) suggest that the effect of strategic planning on performance is contingent upon some variables relating to firm, environment and personal background of owner-managers. The important variables relating to firm that are considered to moderate the effect of strategic planning on performance include size of firm (Sexton and Auken, 1982; Robinson and Pearce, 1983; Lindecamp and Rice, 1983), age of firm (Lindsay and Rue, 1980; Bracker and Pearson, 1986), capital intensity (Mintzberg and Waters, 1985; Kukalis, 1991; Grinyer, Al-Bazzaz, and Yasai-Ardekani, 1986), type of firm, for example, entrepreneurial or small firm (Matthew, 1991) and organisational slack in terms of time and resources (Gibb and Scott, 1985; Robinson and Pearce, 1984; Mulford, Shrader, and Hansen, 1988; Shuman and Seegar, 1986; Shrader et al., 1989). The important variables relating to personal background of owner-managers include education and training (Van de Ven, Hudson, and Schroeder, 1984; Gibb and Scott, 1985; Cooper, Woo, and Dunkelberg, 1989; Bates, 1990) and type of experience such as experience in
management and in industry, as well as the experience with previous start-ups (Dyke, Fischer, and Reuber, 1992). The important variable relating to environment that is considered to moderate the effect of strategic planning on performance was environmental uncertainty or perceived uncertainty (Mintzberg, 1973; Lindsay and Rue, 1980; Sexton and Auken, 1982; Miller and Friesen, 1983; Mintzberg and Waters, 1985; Shrader et al., 1989; Frank, Plaschka, and Roessl, 1989; Naffziger and Kuratko, 1991; Ansoff, 1991; Kukalis, 1991). In spite of support in literature as to the role of these variables, many of the previous research suffered from having no conceptual model that takes into account the relevant moderating variables (Bracker, Keats and Pearson, 1988; Matthews, 1991; Orpen, 1993; Miller and Cardinal, 1994). The inconsistent result in previous studies has also been associated with methodological problems. Planning and performance data have mainly been self-reported. Since planning is generally thought of as desirable, owner-managers in many instances overstated their involvement in strategic planning and its impact on performance (Orpen, 1993). Moreover early research designs frequently overlooked incorporating systematic questions on informal planning processes, and performance evaluation was often unsophisticated and uncritical (Mintzberg, 1994).

Finally, Small businesses are the largest number of business units in most developing countries and make a significant contribution to GDP, employment and poverty alleviation. They, however, face a very competitive environment due to for example the globalization process, difficult national regulatory environment as well as the emergence of new technologies (UNCTAD, 2000). Although the prevalence of small businesses in the economy and higher levels of environmental change in developing countries may influence the relationship between strategic planning and performance, the issue of changing of the research setting away from developed countries to the developing countries has not yet received adequate research attention. Further, the studies, a few in number though, that looked into planning and performance relationship in developing countries such as Vietnam, Sri Lanka and Ghana (Masurel and Smit, 2000; Wijewardena, De Zoysa, Fonseka, and Perera, 2004; Yusf and Saffu, 2005), however, rarely addressed the operational and methodological limitations of previous studies on relationship between planning and performance. Similar to the previous studies,
they are also based on single source of information and operationalised the concept of strategic planning using ‘formalisation’ or ‘sophistication’ characteristic only. The studies were also based on self-reported data on planning and strategic planning, and used single measure of performance, usually by profit or sales. The present study has made an attempt to overcome some of the weaknesses in the previous studies with a view to produce more consistent results.

The study has also offered a conceptual framework that includes variables relating to firm, personal backgrounds of owner-managers and environmental characteristics which have been known to moderate the relationship between strategic planning and performance to see the relative influence of strategic planning elements on firm's performance compared to those variables (Figure 1).

**Figure 1: Framework Showing the Relationship between Strategic Planning, Firm Characteristics, Personal Background of Owner-manager and Environmental Characteristics**

It has considered the elements of strategic planning in operationalising the concept of strategic planning and used triangular methods in obtaining data through observation and face-to-face in-depth interviews with owner-managers and employees of small business, industry leaders and people from
support organisations. It has used multiple informants in assessing the elements of strategic planning and also used a number of financial and non-financial as well as subjective and objective performance measures. Finally, to gain a better understanding of the relationship between strategic planning and performance, qualitative data were frequently collected.

THE STUDY

A total of 141 small engineering firms were randomly selected from lists of registered firms provided by the government. Following the principle of random sampling technique, a total of 184 firms, 50 per cent of the total firms (368 firms) in the study area were chosen. Of the 184 units included in the initial sample, the owner-managers of 141 firms were contacted and interviewed successfully. Therefore, these 141 firms comprised the final sample, henceforth called the sample. The response rate was 77 per cent. Engineering businesses were studied for the following reasons. Firstly, engineering firms in Bangladesh operate in a highly competitive environment. It is argued that firms operating in such an environment should be more aware of their environment and any changes therein (Timmons, 1994). Secondly, engineering is considered a very important part of manufacturing. It contains 32 per cent of small firms in Bangladesh (BSCIC, 2007). In addition to providing employment for many people in a densely populated country, small engineering enterprises also contribute to the economy by producing import substitute machinery and spare parts, and building and maintaining the industrial base by supplying the machinery and spare parts to large and heavy industries. Thirdly, the engineering industry is regarded as an organised sector (BSCIC, 2007). By restricting the population in this study, the process of sampling and getting access to the sample firms was greatly facilitated. Finally, small businesses are not alike and they do not constitute a single sector of the economy in a real sense (Rosa and Hamilton, 1994). Taking this point into account, only one industry was selected to control the industry influences on strategic planning and its effects on performance (Shrader et al., 1989).
This study used a combination of methods to enhance the validity of research findings (Snow and Thomas, 1994). Personal and largely open-ended interviews were conducted with owner-managers of sample firms. Where possible, informal talks with workers and supervisors were carried out and business records were examined. In some cases, direct observation was used during the interview which included observing the structural condition of the premises, physical capital, nature of the production process and flow of customers.

**Operationalistion of Strategic Planning and Performance**

*Strategic Planning*

Three elements of the strategic planning process such as environmental awareness (opportunities and threats); the idea and/or formal documentation of a future strategic course of action and strategic awareness (awareness of both short and long-term implications of strategic course of actions). On environmental awareness, the owner-managers were asked 29 questions about competitors, customers, the policy and regulatory and technological environment. Then they were asked if they had any projected strategic course of action (idea or formal plan) for exploiting the opportunities or for dealing with the threats that emerged from the environment. Firms were considered to have a formal strategic plan if their ideas of future strategic action were articulated explicitly in a formal documented form. The owner-managers were asked to present their plans if they had them. They were assured that no-one would look into the details of the plans. Finally, regarding strategic awareness of owner-managers, they were asked to talk about the possible effects of their projects on their time and lifestyle, their firms’ capital assets, employees, raw materials and marketing. Before the fieldwork, information was collected about relevant policies and recent policy changes from various government and non-government organisations. A number of visits to some firms were also made to gain an understanding about the products and the technology used in the sample industry. The data provided by the owner-managers on their environmental and strategic awareness were compared with the knowledge gathered from these sources, and this was used in the construction of composite variables.
Performance

Obtaining accurate economic performance data is often a problem with small firms (Dess and Robinson, 1984). This was also found to be true during the pre-testing of the questionnaire when the owner-managers were asked to discuss their sales and profits. It was felt that dependence solely on objective data would be misleading and performance was therefore measured by using both objective and subjective measures. The use of subjective measures of financial performance was found to be informative, and an interesting contrast to the objective measures. For objective performance, value added per full-time employee, numbers of employees, and growth in employment over a period of three years were used. Although data for a longer time could provide a good performance trend, consistent and reliable longitudinal performance data were rarely available. The respondents were asked to provide subjective, numerical evaluations on a four-point scale of their firm's profits, sales and overall success over the last three years compared to those of similar firms in the local industry. A scale of overall performance was developed using responses of below average (1), average (2) and above average (3) about experience of respondents as to sales, profit and overall business during the last three years, which ranged from 9 to 27. This method of evaluating performance was consistent with some other studies (e.g., Tosi and Gomez-Mejia, 1994). Other measures like repayment of loan and new business set-up (entrepreneurial performance) were also considered where possible. In addition to strategic planning elements and performance, data about the backgrounds of owner-managers and their firms were also collected. Some modifications of questions were done after the two-fold pre-testing of the questionnaire with fifteen owner-managers.

Data Analysis

The performance measures were regressed using ordinary least squares against three elements of strategic planning. Several other variables like environmental uncertainty, and variables relating to firm and the personal backgrounds of owner-managers, which have been known to influence performance, were also incorporated in the multiple regression model (step-wise) to see the relative influence of strategic planning elements on firm's performance relative to those variables. The
variables were age of firm, size of firm measured by number of employees, type of firm, capital intensity, education, training, industry and entrepreneurial experience, and environmental certainty.

**FINDINGS**

**Environmental Awareness**

All the firms in the study were found to be aware of many of their competitors, their products, their strengths, their weaknesses, their future courses of action, the sources of competition, and the potential entrants to the market. Owner-managers of the sample firms answered about 89 percent of the questions in the ways in which they were expected to answer. Most of the owner-managers (52%) were not only able to talk about the existing events in industry, but also about changes likely to occur therein in the near future. Similarly, owner-managers were found to be highly aware of the nature of customers, the customers of their competitors and that of their industry; and their present and future demand. One point, however, needing to be mentioned here is that because many firms were found to sell their products to wholesalers or retailers rather than to end users, the owner-managers were therefore frequently found to lack information about end users. Unlike the situation with competitors and customers, the owner-managers were found to be less informed about the technology of their competitors, recent changes in technology, and technological changes likely in the near future. The situation was worse for the policy and regulatory environment. The level of awareness of owner-managers of their policy and regulatory environment was found to be very low. Many of the firms in the sample (40 firms, 28.37%) were found to be completely unaware of recent changes in relevant tax, support and import-export policies.

**Existence of Strategic Plans**

Although most of the owner-managers (114 firms, 81%) were able to shed light on their future strategic actions for using opportunities or for handling threats that emerged in their environments,
many of them could not express their ideas clearly (Table 1). They were asked to narrate their idea
generation process to explore if they had used formal processes either to generate ideas and/or to
translate their ideas into formal strategic plans. In most cases, their strategic courses of action were
unwritten. Where they had written plans, many of them were merely some calculations without
presenting adequate analysis of competitors and markets, and of the weaknesses and strengths of the
firms. Again, only two firms were found to be implementing their written plans. All of the 19 firms
having written plans, however, had at least one strategy unwritten. The remaining nine firms having
written plans were unable to shed light on their future strategic actions. In describing the reasons for
preparing written plans, each of the owner-managers mentioned that they had made those plans
simply as a requirement of seeking financial assistance from supporting organisations. This
requirement was also confirmed by the officials of supporting agencies.

Table 1
Existence of Strategic Course of Action and Use of Formal Plan

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Formal Plan, But Idea of Strategic Course of Action</td>
<td>95</td>
<td>67.4%</td>
</tr>
<tr>
<td>Formal Plan and Idea of Strategic Course of Action</td>
<td>19</td>
<td>13.5%</td>
</tr>
<tr>
<td>No Formal Plan and No Idea of Strategic Course of Action</td>
<td>18</td>
<td>12.8%</td>
</tr>
<tr>
<td>Formal Plan But No Idea of Strategic Course of Action</td>
<td>9</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

**Strategic Awareness**

Strategic awareness implies the ability to make an assessment of the total implications of any
particular change (Gibb and Scott 1985). This means not only awareness of the immediate
implications of any new development but also reflection on the longer term consequence. In order to
gain insights into strategic awareness of owner-managers, who had projections about their strategic
action, they were asked to talk about the implications of their future projects on their time and life
style, the firm’s capital assets, employees, raw materials, and marketing. In measuring the level of
awareness, the firms were assigned a score of 1 for each reasonably satisfactory answer and 0 for no
or for an unsatisfactory answer. The scores were totalled, which ranged from 3 to 7, the mean and the
median were 4.42 and 5 respectively. All the owner-managers, to different degrees, were capable of recognising the possible implications of their projected ideas on the time and life style of owner-managers, the capital assets of the firms, employees, raw materials, and marketing. However, many owner-managers were hardly able to talk about the implications in a very long term basis, i.e., what will happen after a certain level of development is achieved. Moreover, their detailed knowledge of and searching for many possible implications were found to be very limited.

**Effects of Strategic Planning on Performance**

Table 2 shows the summary of results of multiple regression analysis on relationship between elements of strategic planning and firm characteristics, personal background of owner-managers and environment characteristics. Environmental awareness was found to be higher for those firms which were larger in size, well-performing, the owner-managers of which had industry experience (business or work experience in the same industry), and they had both on-the-job and institutional training. The long years of work experience in the same or related industry and the formal training of owner-managers may have contributed to enhance their awareness of competitors, technology, customers and their demand. The firms which were larger in size, well-performing and the owner-managers of which had many years of formal education found to have strategic course of actions for a longer term to explore opportunities and/or to deal with threats in the environment. Finally, strategic awareness was found to be higher for those firms which were highly entrepreneurial (more dynamic and growth-oriented business), larger in size and well-performing. However, strategic awareness was found to be negatively related with the firms of which the owner-managers had only on-the job training. This result suggests that long years of work experience and on-the job training in the same industry may help the owner-managers to be more aware of the environment, however,
institutional training and education play important role in developing ideas to exploit opportunities arising from environment and implications of their ideas on their personal time, lifestyle and organisational resources. Age of firms and capital intensity were not found to be significantly related to the elements of planning while no relationship was found between perceived environmental uncertainty of owner-managers and the elements of strategic planning. Further, successful performers were found to be significantly related to all the elements of strategic planning. It may raise the question as to the causality, i.e., if strategic planning affects performance or vice versa.
Table 2
Results of Regression Analysis Showing the Relationship between the Elements of Strategic Planning and Firm Characteristics, Personal Background of Owner-managers and Environment Characteristics (N=141)†

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Environmental awareness (Model 1)</th>
<th>Strategic course of action (Model 2)</th>
<th>Strategic Awareness (Model 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience (Industry)</td>
<td>0.695 0.234 2.967**</td>
<td>1.219 0.205 5.95***</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>0.682 0.249 2.73***</td>
<td>-0.437 0.200 -2.19*</td>
<td></td>
</tr>
<tr>
<td>Education of owner-manager</td>
<td>0.247 0.75 0.27***</td>
<td>0.799 0.318 2.52*</td>
<td></td>
</tr>
<tr>
<td>Type of firms (Entrepreneurial)</td>
<td>0.023 0.011 2.046*</td>
<td>0.875 0.039 0.15**</td>
<td></td>
</tr>
<tr>
<td>Size of firm</td>
<td>0.023 0.059 3.495**</td>
<td>0.588 0.157 0.29***</td>
<td>0.131 0.050 2.62**</td>
</tr>
<tr>
<td>Past performance</td>
<td>0.209</td>
<td>4.281</td>
<td>2.837</td>
</tr>
<tr>
<td>Constant</td>
<td>5.088</td>
<td>94.95 (-2 Log Likelihood)</td>
<td>0.605</td>
</tr>
<tr>
<td>Multiple R</td>
<td>0.492</td>
<td>92.07 (Goodness of Fit)</td>
<td>0.366</td>
</tr>
<tr>
<td>R2</td>
<td>0.242</td>
<td>42.77 (Model chi square)***</td>
<td>0.343</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>0.225</td>
<td>7.10 (Improvement)***</td>
<td>15.744***</td>
</tr>
<tr>
<td>F</td>
<td>14.551***</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† Only those independent variables that were found to be significantly correlated with elements of strategic planning are presented in the Table.

*p<0.05
**p<0.01
***p<0.001
Table 3 shows the summary of results of multiple regression analysis on relationship between performance and the elements of strategic planning, characteristics of firms, personal backgrounds of owner-managers and environmental characteristics. Strategic awareness was correlated significantly with employment growth (Model 1). Also, firms which were older and whose owner-managers had high strategic awareness and entrepreneurial experience (previous business start-up experience) outperformed their counterparts in terms of numbers of employees (Model 2). In terms of value added per employee, entrepreneurial firms (more dynamic and growth-oriented business), and the firms which had strategic courses of actions outperformed their counterparts (Model 3). Finally, all the three components of strategic planning contributed significantly to the relationship with overall performance of firms under study (Model 4). The variable ‘strategic course of action’ was not incorporated in the multiple regression model as multi-collinearity was observed between strategic course of action and strategic awareness. Table 3 also shows that firms which were larger and largely capital-intensive, and the firms with owner-managers who worked for more hours (less slack time) outperformed other firms which were smaller, largely labour-intensive, and with owner-managers who worked for less hours (more slack time). Overall, results presented in Table 3 suggests that all the elements of strategic planning significantly contribute to the performance while results presented in Table 2 suggests that firm characteristics and personal background of owner-managers significantly contribute to strategic planning in small business. This indicates that firm characteristics such as type of firm, size of firm, and organisational slack as well as personal background of owner-managers such as experience, training and education moderate the relationship between strategic planning and performance of small business.

Further Evidence

Further evidence can also be provided to show that highly environmentally and strategically aware firms performed better than their counterparts:
Table 3
Results of Regression Analysis Showing the Relationship between Performance Measures and the Elements of Strategic Planning, Firm Characteristics, Personal Background of Owner-managers and Environment Characteristics (N=141)†

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Growth in Employment (Model 1)</th>
<th>Number of Employees (Model 2)</th>
<th>Value Added Per Employee (Model 3)</th>
<th>Overall Performance (Model 4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Variables</td>
<td>beta</td>
<td>s.e</td>
<td>t</td>
<td>beta</td>
</tr>
<tr>
<td>Environmental awareness</td>
<td>0.31</td>
<td>0.09</td>
<td>2.32**</td>
<td></td>
</tr>
<tr>
<td>Strategic course of action</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic awareness</td>
<td>4.12</td>
<td>0.99</td>
<td>4.17***</td>
<td>3.43</td>
</tr>
<tr>
<td>Experience (Entrepreneurial)</td>
<td></td>
<td></td>
<td></td>
<td>3.79</td>
</tr>
<tr>
<td>Age of firm</td>
<td></td>
<td></td>
<td></td>
<td>0.318</td>
</tr>
<tr>
<td>Type of firms (Entrepreneurial)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slack time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Intensity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-5.58</td>
<td></td>
<td></td>
<td>2.33</td>
</tr>
<tr>
<td>Multiple R</td>
<td>0.38</td>
<td></td>
<td></td>
<td>0.42</td>
</tr>
<tr>
<td>R2</td>
<td>0.16</td>
<td></td>
<td></td>
<td>0.17</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td>0.14</td>
<td></td>
<td></td>
<td>0.16</td>
</tr>
<tr>
<td>F</td>
<td>15.40***</td>
<td></td>
<td></td>
<td>9.60***</td>
</tr>
</tbody>
</table>

† Only those independent variables that were found to be significantly correlated with the performance measures are presented in the Table.

*p<0.05
**p<0.01
***p<0.001
**Setting Up of New Business Units**

Sixteen of the firms expanded their businesses by setting up new units using backward or forward integration. All but one of these were highly informed of the current and likely events in their environments. They were also highly capable of indicating the possible impacts of their strategic actions for using opportunities or for handling threats.

**Repayment of Loan**

Out of 53 firms which received loans from different banks, 37 firms were found to have more or less clear strategic courses of action, as well as being highly aware of the environment and of the implications of their strategic actions. Of these 37 firms, the loan repayment rate of 23 firms (62%) was found to be satisfactory (3 firms settled their loans well before they got maturity). On the other hand, the loan repayment histories of the remaining 16 firms, which did not have any idea of their strategic courses of action and which were less aware of their environments and of the implications of their strategic courses of action, were very unsatisfactory.

**Other Achievements**

The owner-manager of a highly environmentally aware firm with projections of future strategic actions and with a detailed knowledge of their implications of his strategic actions received five national awards for his outstanding contribution to the economy. Similarly, two firms bought pieces of land with their own funds to move their plants from exiting rented premises, and two others introduced new products using joint ventures with two foreign firms. These firms made projections of their future strategic actions and their owner-managers were able to talk in more detail about most relevant environmental events and the possible implications of their projects.

**CONCLUSION AND IMPLICATIONS**

The main purpose of the research was to explore if strategic planning (both formal and informal) affects the performance of small business. The study has revealed that small businesses can improve
their performance through strategic planning, but only if it is based on owner-managers’ understanding of the opportunities and threats in the environment, and of their own strengths and weaknesses, enabling them to assess both the short and long-term implications (strategic awareness) of their actions. It seems that conceptual and methodological differences across studies, such as controlled or uncontrolled industry effects, archival or informant source of planning and performance data, operational definitions of planning focusing on formalised planning or planning in general, have been largely responsible for the inconsistent findings, and thus the confusion in debates about the value of strategic planning to small business.

The findings of this study have contributed to the stock of knowledge in the literature of strategic planning by relating this to the experience of small firms in a developing country. The study suggests incorporating the elements of strategic planning in operationalising the concept of strategic planning. It has also offered a conceptual framework that includes variables relating to firm, personal backgrounds of owner-managers and environmental characteristics which have been known to moderate the relationship between strategic planning and performance. It has used multiple informants in assessing the elements of strategic planning and also used a number of financial and non-financial as well as subjective and objective performance measures.

The findings have some important implications for owner-managers of small firms and for those concerned with influencing small firm behaviour officially. The findings highlight that the strategic planning as a process acts as a more valuable tool than simply production of a formal plan in small business context. They suggest that small firms will suffer if they are ignorant of their strengths and weaknesses, are unaware of current and likely future changes in their environments and are incapable of responding to such changes. In this respect, it is not a matter of how much time is spent on strategic planning or how formalised it is, but rather the process and quality of strategy that are important. The policy makers should focus more on enhancing the owner-managers’ awareness of the environment, their capability of assessing the risk and opportunities in the environment and
developing their portfolios of ideas, and in doing so, seeking also to encourage effective exploitation by heightening their strategic awareness. This study is confined to small firms in Bangladesh. Future research in other countries and/or in industry context would be an interesting extension of this study which might help to contribute to more consistent findings.

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