

THE EFFECT OF BUSINESS PLANS ON BUSINESS PERFORMANCE

A CASE OF SELECTED SMES IN GHANA

KNUST

By

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DECLARATION

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

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DEDICATION

This research work is dedicated to my Mother, Madam Zaratu Azumi Salifu, my Father, Mr Prince Nuhu Nkpaah and all those who contributed in one way or the other to make this work a success.



ABSTRACT

All over the world, governments and other development agencies have underscored the important role of SMEs right from helping address unemployment and social issues to being a major source of government revenue for infrastructural projects. This study sought to examine the impact of business and growth of Ghanaian SMEs. The research design used was descriptive.

The population for the research comprised all SMEs in the Kumasi metropolis out of which 100 SMEs were sampled for the study. Data was collected from primary source by administering questionnaires to owners of the SMEs sampled. By convenience sampling technique, the SMEs were selected and by purposive sampling, the owners were selected. After the study, it was concluded that, SMEs that had business plans performed well in the area of sales, clientele base, and staff capacity. There was however, no relationship between having a business plan and the number of branch networks. Although the percentage was not that encouraging, some SMEs had a clearly developed corporate level strategy. The study also found that significant number of SMEs conducted SWOT analysis, made projections, undertook monitoring and modification policy, and had a formally developed business plan. It was revealed that non-financial benefits that SMEs enjoyed by using a formally developed business plan included increase in customer satisfaction, efficiency gains, increase the level of commitment to set target, enhances product or service delivery, and increase in product or service quality. Considering the significance of the effect of business plan on SMEs growth and performance, the researcher recommends that institutions like the National Board for Small Scale Industries should be well resourced to help SMEs develop a compressive business plan. Also, the initiative by TECHNOSERV/ENGINE to help SMEs develop skills in formal business plan preparation should be sustained in the long run.

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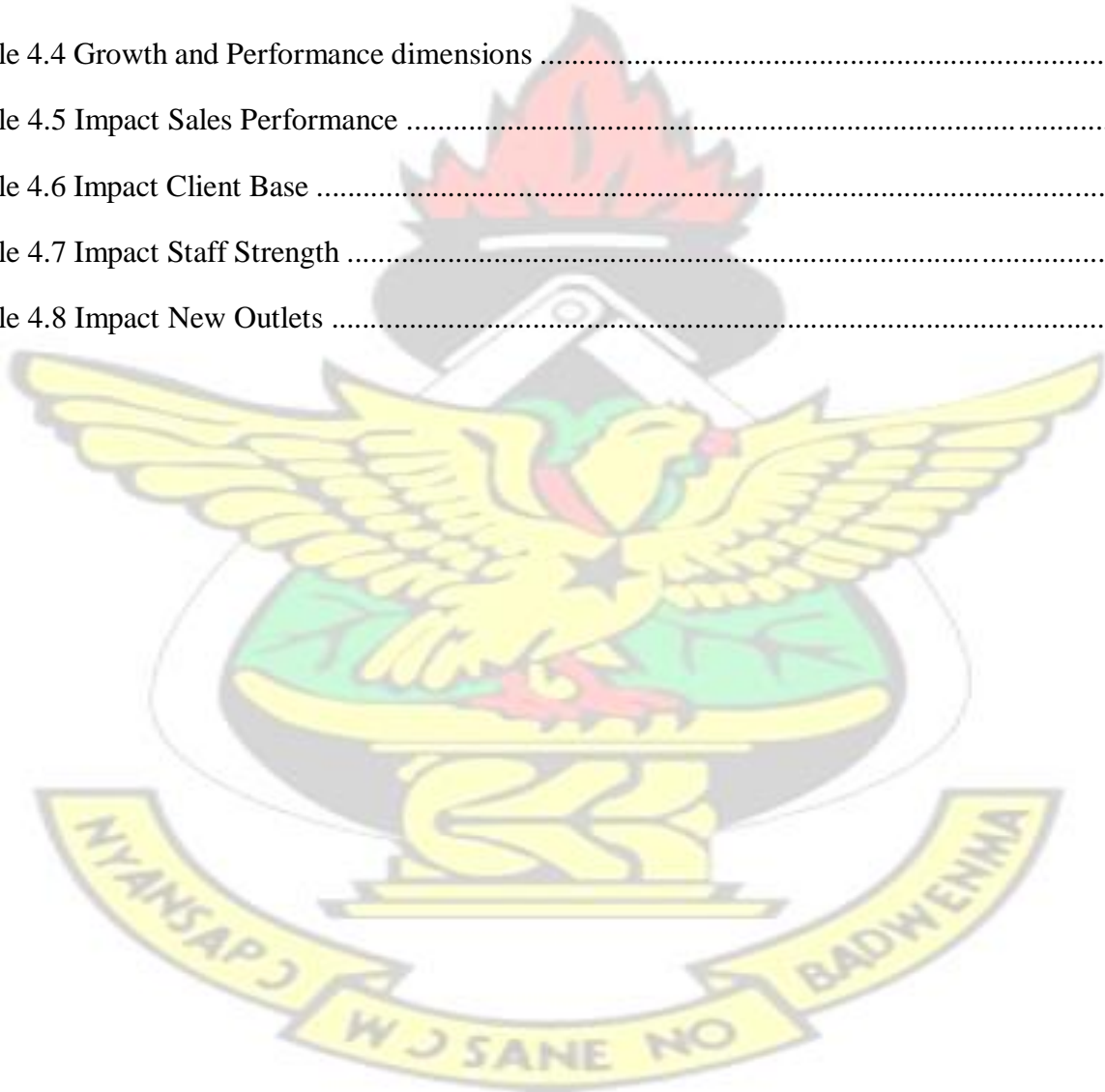
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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

All over the world, governments and other development agencies have underscored the important role of SMEs right from helping address unemployment and social issues to being a major source of government revenue for infrastructural projects. SMEs, by number, dominate the world business stage. Although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (Ayyagari et al. 2011). Japan has the highest proportion of SMEs among the industrialised countries, accounting for more than 99% of total enterprises (EIU 2010). India, according to its Ministry of Micro, Small and Medium Enterprises, had 13 million SMEs in 2008, equivalent to 80% of all the country's businesses (Ghatak, 2010). In South Africa, it is estimated that 91% of the formal business entities are SMEs (Abor and Quartey, 2010). Estimated data for the 27 countries in the European Union for 2012 also illustrate the importance of SMEs (EU, 2012). In Ghana, the trend is not different.

Indeed the growth and performance of SMEs has gained a lot of interest globally. Whilst different theories exist in explaining why some SMEs outperform others using competitive strategies (Mintzberg, 1988; Porter, 1980 and 1985) and firm specific resource capabilities (Priem and Butler, 2001; Rouse and Daellenbach, 2002), this work examines the impact of Business Plans on the performance of SMEs in Ghana. According to Osiyevskyy et al. (2013), companies that plan do better than companies that do not. The argument is whether business planning has any correlation with SMEs performance? The answer to this question has important implications for

SME managers and entrepreneurs, who make strategic decisions regarding investing scarce resources based on their experiences and beliefs about the contribution of business planning activities to business growth and success (Honig, 2004). Since 1970, this deceptively complex relationship has been investigated by strategic management scholars attempting to quantify the link between business planning and corporate performance (e.g., Boyd, 1991; Powell, 1992). More recently, this issue has also emerged in the field of entrepreneurship, where the impact of business planning on survival and growth of new ventures and nascent entrepreneurs has seen endless scrutiny and debate (Castrogiovanni, 1996; Delmar & Shane, 2003; Honig & Samuelsson, 2012). Despite dozens of prior studies, employing a variety of conceptual frameworks, approaches and measures of business planning's impact on firm performance, scholars remain divided in their findings. Empirical evidence has supported positive (Delmar & Shane, 2003), non-significant (Honig & Samuelsson, 2012) and negative (Carter et al., 1996; Allison et al., 2000) associations between business planning and organizational performance. As a result, researchers face considerable challenge when attempting to link planning and performance; including time delays between planning activity and expected results, and the considerable complexities of both constructs. It also likely that the differing results may reflect the distinct impact of unique components of the business planning process.

This research aims at providing useful contribution on the subject matter by examining specific relationships between firm performance and some distinct business planning activities, while controlling for firm size and market type. With narrowed focus on established small and medium enterprises (SMEs) spotlights firms often overlooked by prior studies in strategy and entrepreneurship fields. Indeed most studies in strategic management field concentrated primarily on large corporations; while most papers in the entrepreneurship field focus on new and start-up

ventures. This study's focal type of firm, established SMEs, may also be of value to both disciplines; new and nimble enough to be entrepreneurial, yet large and stable enough to have employees and sophisticated planning activities.

1.2 Statement of the Problem

Most SME's in Ghana are dominated by sole-proprietorship, who make business decisions, based on non-formal decision making processes, but rather on their personal inclinations and leadership behaviours which do not help these enterprises to perform as expected, in some cases (Ayyagari et al. 2011; Ghatak, 2010). Besides, most SMEs are busily engulfed with operational problems, which prevent them from devoting adequate time to strategic management issues. Thus, the business owners and managers place very little value on formal planning, strategic thinking and a developing long-term vision (Pelham, 2000). In the face of weak leadership and managerial capabilities, most SMEs do not survive after their second "anniversaries" (Kayanula & Quartey, 2000).

A cursory review of literature also reveal that not much has been studied on SMEs, as regards how they can take advantage of formal planning, strategic thinking and a developing long-term vision to improve upon their performance for better growth (Ayyagari et al. 2011). This study therefore sought to bridge the knowledge gap by investigating the effect of business planning processes on the performance of SMEs in Ghana.

1.3 Objectives of the Study

The aim of the study is to assess the effect of SMEs business plans on business growth and performance. The specific objectives are as follows;

- i. To examine SMEs adherence to formal business planning practices among selected SMEs.
- ii. To analyse the growth and performance of selected SMEs in Ghana over the past 5years.
- iii. To examine the effect of Business Plans on SMEs performance among selected SMEs in Ghana.

1.4 Research Questions

The following research questions would be investigated:

- i. What is the level of adherence of selected Ghanaian SMEs to formal business planning practices?
- ii. What is the level of growth and performance of selected SMEs in Ghana over the past 5years?
- iii. What are the effects of Business Plans on performance of some selected SMEs in Ghana?

1.5 Scope of the Study

This study focused on SMEs within the Ashanti region. The study included SMEs across wide sectors of the economy. In terms of concepts and literature scope, the study looks at the performance of SMEs over the past five years using financial ratios. Again, attention was given to business planning activities and how it correlates to performance. The researcher also reviewed empirical work on the subject matter. Businesses considered for the study had the following characteristics; Employs less than 29 workers; total assets of less than USD100,000; and an annual turnover of between USD10,000 and USD200,000.

1.6 Justification of the study

The intended contribution of this study is the development of hypotheses that more clearly correlates the impacts of business planning and established SMEs revenue growth and performance. These results may provide value to SME in deciding on specific business planning activities to maximize their companies' growth. The recommendations when implemented, would enhance the growth of SMEs in Ghana. And the associated ripple effect on the economy of Ghana would be greatly felt.

In the area of academia, this research would also serve as a basis for further research by students and researchers as it adds to empirical work on business planning and performance.

1.7 Limitations of the Study

The first limitation was uncooperative respondents. As usual, not every respondent during research is completely willing to cooperate positively towards the demands of the researcher, some are even hostile. However, giving up on the respondent will only hinder the acquisition of the necessary information, so the researchers were not tired as far as wooing the respondents to cooperate was concerned.

The next challenge was time required to carry out the research. The time required to carry out the research is not adequate, given unpredicted and uncertain happenings that may hinder timeliness such as delays and bad weather which the researchers had to bear with and tried as much as possible to work longer hour in order to compensate for the lost time.

Another challenge was the cost of the research. Just like any other research, costs are normally unavoidable and these included, transport costs, airtime costs, typing, printing and binding costs

among others that came up unpredicted. However, as far as costs are concerned, the researchers had to acquire soft loans from friends and relatives so as to meet the costs of the research.

1.8 Structure of the Study

The study is organized into five chapters. Chapter one presents the general introduction, the problem statement, the objectives, the research questions, justification, the scope and limitations of the study. The second chapter reviews existing literature that primarily deals with discussions and review of literature related to the concepts of the research. Chapter three presents the research methodology. It contains research method selection, case study design, discussion of validity and reliability issues and the method of data analyses. The fourth chapter comprises compilation, analysis of data and discussion of results. Chapter five presents the summary and concise highlight of the various findings of the study and the conclusions of the researchers. The chapter also provides appropriate recommendations based on the research findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Although small and medium-sized enterprises (SMEs) typically employ a major share of an economy's total employees, SME management suffers from an insufficient business-related knowledge base that top managers in SMEs possess. Indeed, formal plans or cost controls are often only provided on an irregular basis and planning instruments are usually only used by a small number of individuals and developed rather intuitively (Brinkmann, 2002). These shortcomings point towards the importance of examining the value of strategic planning for SMEs in more detail. Given the role of strategic instruments in large companies and the notion that rational decision-making should prevail in enterprises regardless of size, practitioners and academics alike have recently called for an increased use of planning in SMEs. In this vein, several empirical studies reveal a link between business planning and success (Rue & Ibrahim, 1998; Bracker et al., 1988; Lyles et al., 1993; Schwenk & Shrader, 1993). This chapter looks at an empirical review of concepts and studies on the effect of business planning on SMEs growth and performance.

2.2 Definition of Small and Medium Enterprises (SMES)

Just as there is no uniformly acceptable definition for entrepreneurship, so also there is no single uniformly acceptable definition of a small business. This is so because a small firm in one industry and one in another industry might have different levels of capitalization, sales and employment from a small firm in another industry.

McMahon et al. (1993) indicated that small enterprises are easier to describe than to define in precise terms. What small enterprises in fact have in common and what sets them apart from large enterprises, are other less tangible attributes that are more difficult or even impossible to measure. They have summarized a common view that small firms are best identified by their inherent characteristics. The Bolton Committee of 1971 tried to overcome this problem by formulating two different definitions. They brought out an economic definition and a statistical definition. The economic definition regarded firms being small if they satisfied the following criteria: they had a relatively small share of the market; they were managed by owners or part owners in a personalized way and not through the medium of a formalized management structure; and they were independent in the sense of not forming part of a large enterprise. The statistical definition on the other hand was designed to address to three issues. The first was to quantify the current size of the small firm sector and its contribution to economic aggregates such as GDP, employment, exports and so on and so forth. Second purpose was to compare the extent to which the small firm sector has changed its economic contribution overtime. Thirdly the statistical definition in principle had to enable a comparison to be made between the contributions of small firms in one country with that of other nations. The definitions by the Bolton committee were largely criticized. Following a number of criticisms of the Bolton committee definitions, the European commission developed a term called small and medium enterprise (SME). The SME sector is disaggregated into three components: Micro enterprises: those with between 0 and 9 employees. Small enterprises: those with 10 to 99 employees. Medium enterprises: those with 100-499 employees.

The definition bases itself to the number of employees in a firm and it is of an advantage since it does not vary according to the sector of the enterprise. Another advantage of the definition is that it regards employees less than 100 being a small business which is more appealing given the rise

of productivity which have taken place in the last quarter of a century or so. Moreover, the definition recognizes that the SME group is not homogeneous since distinctions are made between micro, small and medium-sized enterprises (Storey, 1994). The EC definition is currently deemed to be more appropriate than the Bolton definition (see table 2.1).

Table 2.1: The definition of SMEs according to the European Commission recommendation 2003/361/EC

Enterprises	Employees	Annual Turnover	Annual Balance sheet	Autonomous
Micro enterprise	1 to 9	< 2 million Euro	< 2 million Euro	25 % or more of the capital or voting rights of another enterprise
Small enterprise	10 to 49	< 10 million Euro	< 10 million Euro	
Medium enterprise	50 to 249	< 50 million Euro	< 43 million Euro	
Large enterprise	More than 250	> 50 million Euro	> 43 million Euro	

Source: European Commission (2003).

Under the Venture Capital Trust Fund Act, 2004 (Act 680), a Small and Medium-Scale Enterprise (SME) is characterized as an industry, project undertaking or economic activity whose total asset base, excluding land and building does not exceed the cedi equivalent of US\$1 million in value.

The Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale Enterprises and their counterparts with more than 10 employees as Medium and Large-Sized Enterprises. Ironically, The GSS in its national accounts considered companies with up to 9 employees as Small and Medium Enterprises. An alternate criteria used in defining small and medium enterprises is the value of fixed assets in the organisation. However, the National Board of Small Scale Industries (NBSSI) in Ghana applies both the 'fixed asset and number of employees' criteria. It defines a Small Scale Enterprise as one with not more than 9 workers, has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Cedis (US\$ 9506, using 1994 exchange rate). The Ghana Enterprise Development Commission (GEDC) on the other hand uses a 10 million Cedis upper limit definition for plant and machinery. A point of

caution is that the process of valuing fixed assets in itself poses a problem. Secondly, the continuous depreciation in the exchange rate often makes such definitions outdated.

2.3 Significance of Small Enterprises to Ghanaian Economy

The official website of the eService Portal of the Government of Ghana (2014) reported that “Globally, the contribution of Small and Medium Enterprises (SMEs) to the growth of national economies is significant. In the developed economies such as Germany and the United Kingdom small businesses are recognized as the main engines for growth and development. Indeed, studies conducted in recent years in developed markets, including the Freedman studies done in the United Kingdom, confirm that small businesses account for the highest number of registered companies and make significant contributions to economic growth and prosperity.” Although precise, up-to-date data are difficult to obtain, estimates suggest that more than 95% of enterprises across the world are SMEs, accounting for approximately 60% of private sector employment (Ayyagari et al. 2011). Japan has the highest proportion of SMEs among the industrialised countries, accounting for more than 99% of total enterprises (EIU 2010). India, according to its Ministry of Micro, Small and Medium Enterprises, had 13 million SMEs in 2008, equivalent to 80% of all the country’s businesses (Ghatak, 2010).

It is said that the springing up of such entrepreneurial and innovative ventures help promote economic growth and help reduce the high poverty level in such developing economies (Beck & Demircuc-Kunt, 2004). The eService report continued that in looking at comparators in some emerging economies, studies indicate that SMEs in India, amounting to almost 30 million operators, have been the fountain head of several innovations in manufacturing and the service sectors, and serve as the major link in the supply chain to corporate entities and public sector units

or enterprises. In India, SMEs contribute about 20 per cent to GDP, 45 per cent of industrial output, 40 per cent of exports, employ 60 million people, create 1.3 million jobs every year and produce more than 8,000 quality products for the Indian and international markets. SMEs are important players for National Development SMEs are therefore important players to national development, whether one considers the situation of a developed economy or a developing economy. Aside being important sources of employment and income in many developing countries, SMEs with their flexible nature have a better adaptability to changing market conditions, making them better suited to withstand cyclical downturns. The dispersion of SMEs across the nation also promotes better distribution of income, and generates additional value in raw materials and products, even as they bring about efficiencies in domestic markets (Ghatak 2010).

The Venture Capital Trust Fund noted that the SME sector constitutes in excess of 90% of the economy of Ghana. The need to provide secured source of financing for this sector cannot be over emphasized. SMEs, if properly structured and capitalized have the potential to grow and spearhead accelerated growth of this economy into a middle income status.

The Minister of Finance in November 2013 explained in the 2014 Budget Statement that “In Ghana SMEs have been the bulwark of creating jobs and mobilizing the informal sector.” The Government’s eService Report continues to note that in Ghana, readily available data on SMEs is scarce but statistics from the Registrar General’s Department suggests that 92 per cent of companies registered are micro, small and medium enterprises. SMEs in Ghana have also been noted to provide about 85 per cent of manufacturing employment, contribute about 70 per cent to Ghana’s GDP, and therefore have catalytic impacts on economic growth, income and employment (Ministry of Finance and Economic Planning, 2014).

Studies done in the field of small-scale enterprise suggest that, notwithstanding the problems militating against the sector, it contributes greatly to the development of the economy. The contributions are in the form of creating employment, income, skills development, management training, capacity for self-sustaining growth and market development (Boachie-Mensah & Marfo-Yiadom, 2005). Studies in this area of business units dates back to the 70s (e.g. Steel, 1977). He concluded that, small-scale enterprise sector had the potential for promoting economic growth and absorbing surplus labour. Similarly in their study, Page and Steel (1984) noted that, small scale enterprises make significant contribution to income and employment and have the potential for self-sustaining growth. Thormi and Yankson (1985) concluded that small scale enterprises in the country do not offer much scope for substantial permanent wage employment; but they play a crucial role in training future entrepreneurs and in providing opportunities for employment, in almost all sectors of the Ghanaian economy.

2.4 Characteristics of SMEs

There is a general consensus that SMEs do not behave in the same way as large organisations (Culkin & Smith, 2000), particularly in relation to responding to the dynamic business environment (Hill, 2001a; O'Dwyer et al., 2009), experiencing resource constraints (Walsh & Lipinski, 2009) how the organisation is structured (Culkin & Smith, 2000) and management style adopted (Boohene et al., 2008). The fundamental difference however is that the presence of SME owners / managers are apparent in the business (Reijonen, 2008) as they are responsible for both the ownership and managerial functions (Dobbs & Hamilton, 2007; Omerzel & Antoncic, 2008).

Decision making is an SME owners / managers' responsibility (Culkin and Smith, 2000; Walsh and Lipinski, 2009) and the visions of SME owners / managers are often embedded into the

organisational characteristics and business operations (Becherer et al., 2001). Because the small firms setting is relative simple and less rigid (Hill, 2001a), the management culture of SMEs is more creative (Carson, 2003), innovative (Lin, 1998) and entrepreneurial (Day et al., 1998) than large organisations. The business environment of an SME is also more flexible (Deakins & Freel, 2009; Lin, 1998), adaptive and change oriented (Carson, 2003), focused on problem-solving (Lin, 1998) and action oriented (Thorpe et al., 2006) compared to large organisations. The characteristics of SMEs are driven by the owners/managers' management style (Carson, 2003; O'Dwyer et al., 2009); their personality and traits (Culkin & Smith, 2000; McCarthy, 2003; Stoke, 1995).

SME owners are risk takers (Deakins & Freel, 2009; Delmar, 2009; Hill, 2001b) whose characters include being opportunistic, visionary (Carson, 2003) and proactive (Day *et al.*, 1998).

Hence, it is common to find SME owners / managers using 'self-marketing' to promote their organisations. Self-marketing can be defined as '*varied activities undertaken by individuals to make themselves known in the marketplace*' (Shepherd, 2005, p.590) which is also closely linked to the concept of personal branding (Shepherd, 2005). The importance of branding is crucial to any businesses as Peters (2007) states '*we are CEOs of our own companies: Me Inc. To be in business today, our most important job is to be the head marketer for the brand called You*'. This further emphasises that SME owners/managers represent their organisations and their brands.

Furthermore, SME owners/managers focus upon the firms' wellbeing (Carson, 2003); they tend to be highly motivated in setting individual goals (Reijonen, 2008) and achieving business growth (Andersson & Tell, 2009). Delmar (2009) suggests that SME owners / managers like to have internal locus of control, which provides them with self-confidence and ensures that they have direct control of their own destiny (Stokes, 1995).

2.5 Planning and Strategy Making Activities among SMEs

Despite practitioners' increasing interest in strategic thinking, there is no consensus on a definition of strategy. The absence of definitional consistency is a source of both theoretical and practical pluralism. Chandler (1962) defined strategy as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of a course of action and the allocation of resources necessary to carry out these goals. Building on Chandler's definition is that of Andrews (1971) who saw strategy as the pattern of decisions in a company that determines and reveals its objectives, purpose or goals, produces the principal policies and plans for achieving these goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities. Farjoun (2002) on his part described strategy as planned or actual co-ordination of the firm's major goals and actions, in time and space that continuously co-align the firm with its environment. In looking at the normative definition of strategy, Pearce et al. (1987) described it as the process of determining the mission, major objectives, strategies and policies that govern the acquisition and collaboration of resources to achieve organizational aims.

An analysis of the above definitions presented suggests that a formal business plan should: a)

- consist of written plans;
- b) cover more than one year of activity;
- c) have awareness of alternative strategic options;
- d) encompass shorter plans for major functional areas;
- e) identify future resource requirements;

- f) encompass procedures for ongoing monitoring and modification; and
- g) include environmental scanning data.

2.6 Strategic Planning Formality

It can be argued that a formal strategic planning process is a deliberate means to include factors and techniques in a systematic way to achieve specified tasks. In essence, it involves the establishment of a clear goal and the necessary processes to achieve it. It follows that a formalized strategic planning process raises the awareness of strategic planning and promotes a systematic approach to its formulation and deployment. A written strategic plan is adopted as a surrogate measure of formality. This approach is appropriate for the consideration of strategic planning in smaller firms and is consistent with the work of Bracker et al. (1988).

Some scholars, such as Smith and Hansen (2002), see strategy as more about intent than a written long-term plan. They also see strategy as a wager as ‘the firm bets on how it can achieve and maintain a high rate of return’. However, it is our contention that ‘bets’ are rarely made in isolation and usually take cognizance of previous activities. For example, Ramanujam and Venkatraman (1987) suggest that high performing firms place a significant emphasis on their past performance levels and the reasons for their past failures. This means that the ‘annual rain dance’ has some benefits as it provides an opportunity to review and reflect on past actions. This also means that the ‘bet’ is based on the best prediction of the future environment using both qualitative and quantitative data. The danger for many firms arises from an over-reliance on huge quantities of analytical data that often obscure the main challenges.

An analysis of the literature does not provide clarity on the use of formalized strategic planning.

Four meta-analyses depict differing results. For example, Boyd (1991) looked at the analysis of 29 previous studies and found that formalized strategic planning is linked to a number of performance measures. This meta-analysis was updated by Capon and Farley (1994) with broadly similar results. Both Schwenk and Shrader (1993) and Miller and Cardinal (1994) found some relationships between formalized strategic planning and overall corporate performance.

Some studies also paint a mixed picture. Lyles et al. (1993), Brews and Hunt (1999) and Perry (2001) found that firms with formal strategic planning outperform firms with less formal approaches. On the other side of the coin, Walters (1993), McKiernan and Morris (1994) and Simpson (1998a, b) found no significant benefits from formalized planning.

2.7 Strategy Development by SMEs

2.7.1 Strategic Management and Planning

The strategy development process is closely related to management. From a corporate perspective, strategy can be defined as an approach to reach corporate goals to be successful on a long-term basis (e.g., Kreikebaum, 1993; Notzold, 1994). The discipline of strategic management was formed in the 1980s based on advancements in the field of strategic planning. In general, strategic management is regarded as long-term oriented (> three years), directed towards future growth potentials, substantial, holistic, and predominantly associated with the highest management level which determines the vision, mission, and culture of the enterprise (Haake, 1987; Voigt, 1992).

Strategic planning is the attempt to prepare for future contingencies and thus to account for environmental dynamics and complexity. This entails the need to build alternative future scenarios and configurations. Although the future cannot be predicted, it is possible to prepare for the future

and/or alternative ‘futures’ and align the enterprise accordingly. Unlike strategic management, planning is not concerned with the development of strategic goals and visions but rather deals with extrapolating present tendencies into the future. Hence, strategic planning provides guidelines and programs for the achievement of specific goals and visions. It specifies the basic conditions as well as the scope for future business activities and is thus a key instrument for the overall strategic management (Kropfberger, 1986). In line with Berry (1998), five types of planning of varying depth can be conceptualized: (1) simple financial plans, (2) planning based on forecasts, (3) externally oriented planning (the entrepreneur begins to think strategically), (4) pro-active planning of the corporate future (instead of reacting to market-based changes), and (5) strategic planning as a systematic instrument of strategic management. The investigation of young, small enterprises is of special interest since their strategies have to be developed in a highly emergent way (Mintzberg, 1994), reflecting their fast changing requirements.

2.7.2 Characteristics of Strategy Development by SMEs

Many decision-makers in SMEs are convinced that real entrepreneurs do not plan (Posner, 1985). Instead, it is assumed that they use their limited time resources more effectively for operational or sales activities. Additionally, formal planning is often regarded as limited to large enterprises and thus not transferable to the requirements of the fast-moving and flexibly structured SMEs. From an entrepreneur’s perspective, three major objections are expressed against the use of strategic processes in SMEs (Esser et al., 1985; Füglistaller, Frey & Halter, 2003):

- Strategic instruments limit the flexibility and the ability for improvisation;
- It is preferable to use the limited time resources for operational, sales or R&D activities rather than for strategy development processes;

- Strategic management is too bureaucratic.

At the same time, these authors acknowledge that especially in times of increasing environmental dynamics and uncertainty it is vital to keep informed about corporate goals and their attainment on a regular basis and therefore view strategy development as a future investment. In this respect, the main use of strategic planning lies in the predictability of possible future scenarios and variations. Although the majority of well-known strategy concepts have been developed for large companies that generally display a higher level of awareness for existing problems and hence allocate more resources to this topic, some of these concepts and instruments also seem to be suitable for implementation in SMEs. A specific strategy concept for SMEs, however, needs to account for their unique conditions and problems (Wirth, 1995).

SMEs' unique characteristics entail both problems and opportunities for strategy development in SMEs (Fuglistaller et al., 2003). For example, compared to large companies SMEs tend to offer a more limited range of products on a more limited number of markets and use market penetration and product development strategies instead of market development or diversification strategies. Moreover, since SMEs mainly operate in a single or a limited number of markets with a limited number of products or services - often even in a market niche - they usually cannot afford central service departments that are able to conduct complex market analyses and studies (Johnson & Scholes, 1997). In addition, they usually have a lower level of resources as well as lower access to human and financial capital. As a result, particularly up to a certain 'critical size', the application of formal planning mechanisms is often missing (Karagozoglu & Lindell, 1998). The most important success factor for a small business owner is time. Consequently, it has a strong influence on the result of any 'activity-optimizing' considerations of the entrepreneur (Delmar & Shane,

2003). Furthermore, the process of strategic decision-making in SMEs is often based on experience, intuition or simply on guessing (Welter, 2003).

Despite their relatively small market power, SMEs' small size and flexibility permits them to specialize in narrow niches that are generally uninteresting for large companies due to the relatively small sales volumes and their high fixed costs. In addition, SMEs' limited resources result in a concentration on a small product range where strong competitive advantages and specific problem-solving competencies can be built up, for instance, with regard to qualitative market leadership. Also, higher decision flexibility and direct customer contacts are particularly helpful for the conversion of R&D results into marketable innovations, although risks remain in terms of over-dependency on only a few products and the resulting lack of loss compensation (Kropfberger, 1986).

2.8 Empirical Review

From the previous discussion, it follows that planning in SMEs does not always take place in a highly sophisticated or formal way. It often occurs (at least sub- or unconsciously) as a sign of strategic thinking (Ohmae 1982). In this respect, Bracker and Pearson (1986) describe SMEs' planning activities as ranging from an unstructured and informal approach (unstructured planning, intuitive planning) to a more structured and formal approach (structured operational planning, structured strategic planning).

Therefore, it remains to be seen whether SMEs do not plan 'strategically' at all or whether they just do not plan 'in a formal way'. Along these lines, Welter (2003) states that it is the quality of planning rather than strategic planning per se that plays an important role. Indeed, planning in SMEs seems to be rather unstructured, sporadic, incremental and often not formalized. This

suggests a rather systemic type of thinking by the entrepreneur/entrepreneurial team which might be imprinted on the organization for years to come. The actual process of decision-making that can be observed in reality often deviates substantially from the ideal picture of rationality. To relate this to our initial definition of strategic management and planning, in this process entrepreneurs might engage too much in (informal) strategic management as vision development while neglecting 'bread and butter' planning (see the characterization of visionary entrepreneurs in Reschke, 2005).

In addition, it seems reasonable to assume that each form of planning, whether it is conscious or unconscious, formal or informal, positively affects entrepreneurial success. The implementation of strategic planning, therefore, seems to be favourable independent of company size, although a positive relationship between increasing company size and the implementation of (structured and formalized) instruments of strategic management appears to exist (Haake, 1987). This finding is likely to be correlated with - if not caused by - the increasing need to reduce uncertainty about an enterprise's role in its environment and the growing ability to cope with matters in a 'mechanistic' fashion.

Building on these arguments, it can be assumed that people in most SMEs think strategically. A conscious or formal strategic process, however, mostly takes place in the head of a very limited number of employees. Due to the well-accepted view that strategies limit an SME's scope of activity too much, thereby reducing its flexibility, many SMEs are still lacking written strategic plans (Pleitner, 1986). In addition, there are other reasons that may explain why SMEs refuse to engage in formal strategic planning, such as insufficient knowledge, distrust, rejection of external assistance, tradition-based thinking, fear of radical change, high costs and lack of time or

management overload (Scharpe, 1992; Robinson & Pearce, 1984). In this regard, Gibb and Scott (1985) are of the opinion that strategic awareness and the involvement of the entrepreneur offsets the lack of formal strategic planning as an output of strategic management. The degree of an entrepreneur's strategic orientation thus seems to be a key factor for the strategic focus of the enterprise (Mazzaro, 2003).

2.9 Organizational Growth and Performance

According to Lebas and Euske (2002: pp.68), performance is “doing today what will lead to measured value outcomes tomorrow”. A firm's performance is an important dependent variable in business research (Rauch et al., 2007). The performance of a firm can be viewed from several different perspectives, and various aspects can jointly be considered to define firm performance. Assessing a firm's performance and its measurement is difficult, because performance refers to several organisational outcomes, which include both subjective and objective elements. Rauf (2007) asserts that most managers are likely to act on their subjective opinions with regard to a competitor's performance. With regard to objective measures, Guest et al. (2003) believe that there are clear attractions in objective measures. Consequently, Rauf (2007) believes that it will be helpful to select a blend of some key organisational outcomes when measuring a firm's performance. Recent studies (Khan, 2010; Rauf, 2007; Sang, 2005) have used financial, nonfinancial and operational metrics to measure firm performance. The financial measures include profit, sales and market share. The non-financial measures comprise productivity, quality, efficiency, and attitudinal and behavioural measures such as commitment, intention to quit and satisfaction. The operational measures include production flexibility, product cost, product quality, number of customers and product delivery (Khan, 2010). Other studies have measured a firm's performance based on stakeholder theory (the Balanced Scorecard), which takes into consideration

employees and their representatives, customers, suppliers, governments, industry bodies and local communities (Hubbard, 2006).

Strategists and strategic management scholars generally agree that firms that align their competitive strategies with the requirements of their environment outperform firms that fail to achieve such alignment — Venkatraman and Prescott (1990). But what do we mean by performance? Laitinen (2002) suggests that performance ‘can be defined as the ability of an object to produce results in a dimension determined a priori, in relation to a target’. He also suggests that a well-organized system of performance measurement may be the single most powerful mechanism at management’s disposal to enhance the probability of successful strategy implementation. This suggests that financial results are not the only performance indicator and that other aspects of performance are relevant for the existence and success of an organization (Hillman & Keim, 2001). By implication, this means that nonfinancial measures are also important. Indeed, Laitinen (2002) states that ‘when financial and non-financial measures are incorporated in the same model, managers can survey performance in several areas simultaneously in order to enable efficient strategic decision-making. A balanced performance approach is necessary as reliable financial information on independent firms is very difficult to obtain (Wortman, 1994; Dess & Robinson, 1984). To overcome potential problems in this regard, we adopted the notion of measurement against purpose (Steiner, 1979), using perceptual measures of organizational performance. A similar approach to assessing the level of satisfaction arising from specific factors and actions was adopted by other researchers such as Luo and Park (2001). The literature suggests that responses on performance achievements using this approach are reliable (Nayyar, 1992; Tan & Litschert, 1994).

2.10 Business Planning's Impact on Growth and Performance of SMEs

Research has examined the influence of business planning, in general, (strategic planning, formal long-term planning, marketing planning, etc.) on firm performance within two related streams of management science literature (Gruber, 2007): strategic management and entrepreneurship. Strategic management studies have concentrated primarily on measuring the effects of strategic planning within large established companies, attempting to support or discredit practitioners' beliefs in the value of management planning activities and process (SWOT analysis). Strategic business planning research emerged, was avidly debated in top management journals from 1970 until 1990, then almost disappeared after that time (Powell, 1992), without providing a clear answer to the focal question. Since 1990 the debate has resurfaced, in a related literature stream – the comparatively nascent field of entrepreneurship studies. Entrepreneurship scholars are focused on examining the impacts of business planning on new venture creation and development (Gruber, 2007), also reporting contradictory empirical results and divergent conceptual reasoning (e.g., Honig & Samuelsson, 2012).

According to Young (2003: pp4), strategic planning is *“a formal yet flexible process to determine where an organisation is currently and where it should be in future”*. In the same vein, Branka and Boštjan (2004) established that the core of strategic planning practices is to have a clear vision and objectives. Strategic planning practices have been seen to have a positive impact on firm performance (Eriksen 2008; Hussam & Raef 2007). Wickham (1998) further states that strategic planning is very beneficial for SME performance as it forces the entrepreneur/manager to continuously think about open business questions and seek out solutions. It is presumed that these solutions will normally aim to achieve the SME's vision and objectives, which will therefore result in a higher performance of the SME. However, Robinson and Pearce (1984) argued that strategic

planning is not a popular practice among SMEs, because they do not have the time or staff to invest in strategic planning. They further argued that research on the impact of strategic planning for SMEs has been inconclusive because many SMEs do not plan. A study by Dincer et al., (2006) showed that Turkish SMEs were increasingly turning their attention towards strategic planning practices. This was probably because of the many benefits of strategic planning for SMEs. Furthermore, Wang et al., (2010) have established that strategic planning practices are more common in better-performing SMEs.

2.11 Theoretical Framework

In previous studies discussed above, it was realized that the development and effective usage of business plan, leads to SMEs growth. However, the decision to use a formal business plan or not, could be influenced by the gender and age of the entrepreneur, level of education and the age of business. These variables were therefore controlled for, to determine the extent of their influence.



Source: Wang et al. (2010)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a methodological framework for the study. This involves the research paradigm, purpose of the study, population, sample and sampling procedure, data collection methods, data analysis, quality of research and research ethics.

3.2 Research Design

According to Saunders et al. (2009), the design of a study has three common methods, the exploratory, descriptive and the explanatory. The research design adopted for this study was descriptive because, it looked at the study of business plan on SME growth and performance. The essence is to portray an accurate profile of respondents and issues relating to business planning among SMEs in Ghana.

3.3 Population and Sampling Procedures

3.3.1 Population

The population of this study comprised all SMEs in the Kumasi metropolis. Kumasi was chosen because it is the second largest city in Ghana, and the results are worthy of generalization to other SMEs in other cities in Ghana. According to Punch (2000), the population of any research is made up of the individual units or an aggregate, that is the unit or the individuals that form the population whereas a sample is a section of the population selected randomly or otherwise to represent the

population. It is estimated that Kumasi has more than 500 SMEs spread across different sectors of the economy.

3.3.2 Sample and Sampling technique

Out of the total SMEs in Kumasi, 100 were selected across all sectors. Sample is the portion of the population selected to generalise all the cases from which it was. The study adopted a convenience sampling technique in drawing the 100 SMEs, of which the owners and top management members were identified using purposive sampling. Purposive sampling involves selecting respondents who have knowledge in a chosen area and for which the researcher believes have the requisite expertise and knowledge to give accurate information in support of the study.

3.4 Data Collection Method

The study made use of primary data, which is defined as consisting of materials that the researcher gathered through systematic observation, information from archives, the results of questionnaires and interviews and case study (Jankuwics, 2002). Primary data was gathered with questionnaires as a research instrument. Questionnaires were appropriate for the study because data collected using questions can be stable, constant and has uniform measure without variation.

It also reduces bias caused by the researcher's presentation of issues.

3.5 Data Analysis

According to Bernard (1998), data analysis consists of systematically looking for patterns in recorded observations and formulating ideas that account for those patterns. The quantitative data was analysed with the Statistical Package for Social Science (SPSS) 17.0. Mean, standard error mean, standard deviation, percentages and regression were used to assign meaning to data.

3.6 Research Ethics

The following aspect of protection, participation and partnership demonstrate the ethical consideration. This study protects all the participants involved as it does not cause indirect or direct harm to the participants or researcher. The participation is voluntary and consent is required. All the information is anonymous, which protects the participant's confidentiality. Participants can come from a range of cultural backgrounds and have the right to decide their own actions.

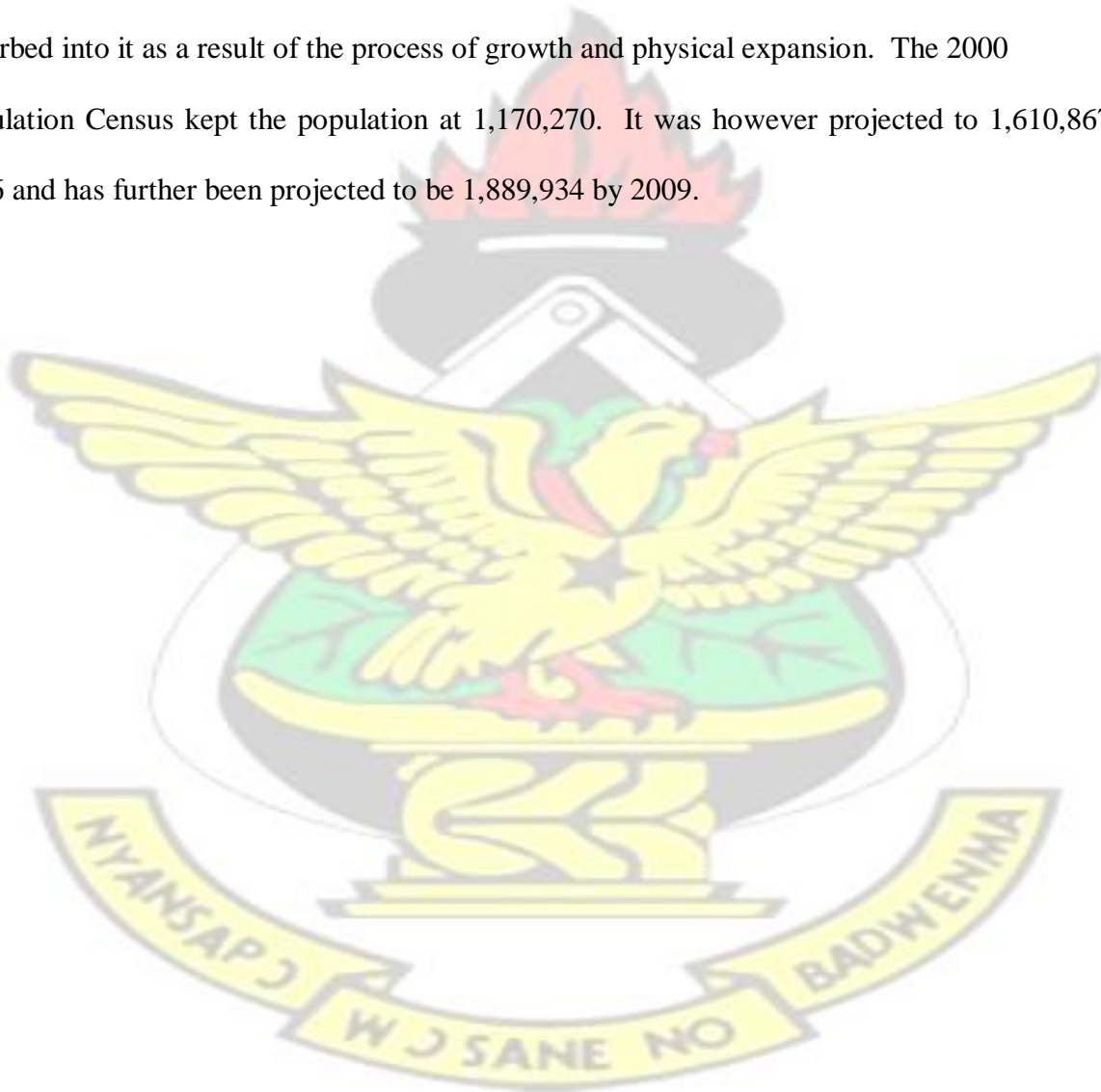
3.6 Profile of Kumasi Metropolitan Assembly

The city of Kumasi was founded in the 1680's by King Osei Tutu I to serve as the capital of the Asante State (Fynn, 1971). Given its strategic location and political dominance, Kumasi as a matter of course, developed into a major commercial centre with all major trade routes converging on it (Dickson, 1969). However, it came under the influence of the British rule in 1890 (Adu-Boahen, 1965). With time the city began to expand and grow thereby making it second only to Accra in terms of land area, population size, social life and economic activity. Its strategic location has also endowed it with the status of the principal transport terminal and has assured its pivotal role in the vast and profitable distribution of goods in the country and beyond.

Kumasi is located in the transitional forest zone and is about 270km north of the national capital, Accra. It is between latitude 6.35o – 6.40o and longitude 1.30o – 1.35o, an elevation which ranges between 250 – 300 metres above sea level with an area of about 254 square kilometres.

The unique centrality of the city as a traversing point from all parts of the country makes it a special place for many to migrate to. The metropolitan area shares boundaries with Kwabre East District to the north, Atwima District to the west, Ejisu-Juaben Municipal to the east and Bosomtwe to the south.

Its beautiful layout and greenery has accorded it the accolade of being the “Garden City of West Africa”. From the three communities of Adum, Krobo and Bompata, it has grown in a concentric form to cover an area of approximately ten (10) kilometers in radius. The direction of growth was originally along the arterial roads due to the accessibility they offered resulting in a radial pattern of development. The city is a rapidly growing one with an annual growth rate of 5.47 per cent (Regional Statistical Office, Kumasi). It encompasses about 90 suburbs, many of which were absorbed into it as a result of the process of growth and physical expansion. The 2000 Population Census kept the population at 1,170,270. It was however projected to 1,610,867 in 2006 and has further been projected to be 1,889,934 by 2009.



CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

The study sought to assess the impact of business plan on the growth and performance of SMEs in Ghana. Data was gathered from 100 SME owners in the Kumasi metropolis. Percentages, one sample t-test, mean, and binomial logistic regression were used in the analysis. This analysis was done with the aid of SPSS (v.17).

4.2 Demographics

Demographics are characteristics of a population. When designing a survey, the research needs to assess who to survey and how to breakdown overall survey response data into meaningful groups of respondents. Both assessments are based on demographic considerations. Demographic variables are independent variables by definition because they cannot be manipulated.

Table 4.1 Demographics

Demographics	Responses	Frequencies	Percentages (%)
Gender	Male	72	72.0
	Female	28	28.0
	Total	100	100%
Education	No formal education	1	1.0
	Basic	16	16.0
	SHS	46	46.0
	Tertiary	37	37.0
	Total	100	100%
Age of respondents	18-25yrs	6	6.0
	26-35yrs	50	50.0
	36-45yrs	31	31.0
	46-55yrs	13	13.0

	Total	100	100%
Age of business	1-5yrs	29	29.3
	6-10yrs	42	42.4
	11-15yrs	15	15.2
	16-20yrs	11	11.1
	21-25yrs	2	2.0
	Total	99	100%
Industry	Manufacturing	25	25.0
	Service	72	72.0
	Agricultural	3	3.0
	Total	100	100%
Staff strength	Less than 10	62	62.0
	10 – 20	21	21.0
	21 – 30	3	3.0
	31 – 40	4	4.0
	Above 40	10	10.0
	Total	100	100%
Annual Turnover	Less than GHC100,000	35	35.0
	GHC100,000 -200,000	37	37.0
	GH200,000 -300,000	12	12.0
	GH300,000 -400,000	5	5.0
	GHC 400,000 and above	11	11.0
	Total	100	100%

Source: Field work, 2015.

The gender of the SME owners sampled for the study showed that, 72% were males while 28% were female. The SMEs were selected randomly to reduce bias, and therefore it could be said the male entrepreneurs in the capital city of Ashanti were more than the female entrepreneurs.

Entrepreneurs with no formal education constituted only 1% of the entrepreneurs in Kumasi. 16% had basic education, 46% had secondary education, and 37% had tertiary education. The study indicated most of the entrepreneurs had at least a second cycle education. The percentage of tertiary education holders (37%), indicates that, most after completing tertiary preferred working for others

instead of being entrepreneurs. That is why most of the entrepreneurs had a lower educational qualification in Ghana.

The age of respondents' distribution indicated that, 6% of the SME owners sampled for the study were aged 18-25 years, 50% were aged 26-35 years, 31% were aged 36-45 years, 13% were aged 46-55 years. Surprisingly, there are lots of young folks in who are entrepreneurs, as 56% of the entrepreneurs were aged less than 35 years.

The number of years in business were also taken, out of which 29.3% of the SMSs were established 1-5 years ago, 42.4% were established 6-10 years ago, 15.2% had been in business for 11-15 years, 11.1% were in business for 16-20 years, and 2% had been in business for 21-25 years. It is realized that, most of the SMEs were less than 10 years old. Only 28.3% were established more than 10 years ago. This is very common with SMEs, as only few are able to survive and gain root for over 10 years, most of them fold up before the fifth year.

The industry distribution indicates that, 25% of the SMEs used for the study were into manufacturing of goods, 72% were into the provision of services, and 3% were into the provision of agriculture products. The data was gathered from the second largest city (Kumasi) in Ghana, which explains why agriculture was very small compared to the service. And because it easier and less capital intensive to start a service business as compared to manufacturing business, the majority of SMEs in the city are into the provision of service. And globally, the world has now moved to the service provision era, especially the advanced economies.

By the definition of Ghana Statistical Service (GSS), most of the SMEs in Kumasi are Small Scale Enterprises. This is because 62% of them had employees less than 10. The European

Commission (2003), also classified enterprises with employees less than 10 as Micro. 21% of the SMEs had 10-20 employees, 3% had 21-30 employees, 4% had 31-40 employees and 10% had more than 40 employees. By the definition of GSS, the remaining SMEs were Medium and Large scale business, because they had more than 10 employees.

By the European Commission classification in 2003, all the SMEs were Micro, because they had less than 2million Euros as annual turnover. As at the time of the study, the exchange of Ghana Cedi to Euro was 4.96:1. 35% of the SMEs had less than GHC100,000 as annual turnover, 37% had between GHC100,000 to GHC200,000, 12% had between GHC200,001 to GHC300,000, 5% were GHC300,001 to 400,000, and 11% had above GHC400,000.

4.3 SMEs Adherence to Formal Business Planning Practices

Table 4.2 SMEs adherence to formal business planning practices

Formal business practices	Responses	Frequencies	Percentages (%)
Mission	Yes	60	60.0
	No	40	40.0
	Total	100	100%
Vision	Yes	61.0	61.0
	No	39.0	39.0
	Total	100	100%
Objective	Yes	64.0	64.0
	No	36.0	36.0
	Total	100	100%
SWOT	Yes	55.0	55.0
	No	45.0	45.0
	Total	100	100%
Projection	Yes	61.0	61.0
	No	39.0	39.0
	Total	100	100%
Strategy	Yes	62.0	62.0
	No	38.0	38.0
	Total	100	100%

Specific short term action to achieve goals	Yes	63.0	63.0
	No	37.0	37.0
	Total	100	100%
Specific laid down monitoring and modification policy	Yes	58.0	58.0
	No	42.0	42.0
	Total	100	100%
Formally developed business plan	Yes	52.0	52.0
	No	48.0	48.0
	Total	100	100%
Intention to develop business plan	Yes	28.0	57.6
	No	20.0	42.4
	Total	48	100%
Level of adherence to the business plan	Strictly adhered to	8.0	15.0
	Often adhered to	33.0	64.0
	Fairly adhered to	11.0	21.0
	Total	52	100%
Satisfaction with business plan	Yes	51.0	98.0
	No	1.0	2.0
	Total	52	100%

Source: Field work, 2015.

As part of the objectives of the study, the researcher sought to find out the formal business practices of the SMEs in Ghana. From the table 4.2, it was realized that, the majority 60% had a mission statement. Mission statement explains the purpose of establishing the venture. 40% of the SMEs on the other hand didn't have a mission statement.

Vision statement explains the future goals and aspirations of an establishment. 61% of the SMEs sampled had a vision statement. This provided a focus and direction for the business. Vision defines what an organization is supposed to look like and the values that the company finds important. A vision gives a clear overview of the direction that the company is moving and how it will get there. It provides the overall reason for people to go to work and do what they do every day.

Objectives are sub goals with measurable outcomes that are expected to get you to your goals.

Objectives are specific, quantifiable, realistic targets that measure the accomplishment of a goal over a specified period of time, e.g. Increase revenues by 12% in 2015. The analysis showed that 64% of the SMEs had specific objectives.

SWOT analysis (strengths, weaknesses, opportunities, and threats analysis) is a framework for identifying and analyzing the internal and external factors that can have an impact on the viability of a project, product, place or person. SWOT analysis determines what may assist the firm in accomplishing its objectives, and what obstacles must be overcome or minimized to achieve desired results. 55% of the SMEs conducted SWOT analysis. With the critical nature of SWOT, the percentage of SME was small.

Strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations. From the analysis 62% of the SMEs had a specific laid down strategy.

In achieving the strategy of an organization, there must be a specific laid short term action to achieve goals. And 63% of the SMEs had this in place. 58% of the SMEs also had a specific laid down monitoring and modification policy.

From the analysis, only 52% of the SMEs had a formally developed business plan. And 57.6% of the SMEs without a formally developed business plan intends to develop one. The majority of the SMEs with business plan adhered to the provisions in it, and 98% were satisfied with the benefits derived from having a business plan.

4.4 Financial and Non-Financial Benefits of Business Plan

The one sample t-test was used to ascertain the relative significance of the variables measuring the financial benefits and non-financial benefits of having a business plan. For a single sample test, the hypothesis was set as: $H_0: U = \text{or} > U_0$ and $H_a: U < U_0$. With H_0 representing the null hypothesis, H_a representing the alternative hypothesis and U_0 representing the hypothesized mean. A statistical test of the mean was done to decide whether the population considered a particular variable to be important or not. The mean ranking of each items was compiled to in order to articulate the decisions that the respondents expressed.

For each variable, the null hypothesis was that this variable was not significant ($H_0: U = \text{or} > U_0$). The U_0 is the critical rating below which the variable is considered important. The Likert scale was, 1=Highly beneficial, 2=Beneficial, 3=Neutral, 4=Not beneficial, and 5=Not beneficial at all. Under this section, the lower ratings of 1 and 2 were chosen for the rating scale as *highly beneficial* and *beneficial* respectively while the U_0 was set at 2.5, with 95% as the significance level in accordance with the antecedent.

Three things must occur at the same time for an item to be accepted as measuring a particular dimension. 1) It must have a mean score of less than 2.5; 2) it must have a t-value of equal or greater ± 1.65 ; and 3) it must be statistically significant at 0.005 ($p\text{-value} = \text{or} < 0.05$). The absence of any would mean the rejection of that variable.

Table 4.3 Financial and Non-financial

Financial and Non-financial	Test Value = 2.5			
	Mean	T	Sig. (2-tailed)	Mean Difference
Financial Benefits				
Increase in profit levels	1.8300	-12.19	.000	-.67000
Increase market share	1.9700	-10.48	.000	-.53000
Increase in sales volume	2.0600	-8.810	.000	-.44000
Non-Financial Benefits				
Increase customer satisfaction	1.9000	-11.21	.000	-.60000
Increase in output	1.9400	-9.751	.000	-.56000
Increase efficiency of work	1.9700	-9.741	.000	-.53000
Increase the level of commitment to set target	1.9700	-9.741	.000	-.53000
Enhances product / service delivery	1.9700	-9.911	.000	-.53000
Increase in product or service quality	2.0400	-8.532	.000	-.46000

Source: Field work, 2015.

From the table 4.3, it is realized that business plan was beneficial to all the three financial benefits namely increase in profit levels, increase in market share, and in increase in sales volume. They were all statistically significant at 0.05, and had a t-value of more than 1.65.

The respondents also agreed business plan had an effect on the non-financial benefits. Because business plan provided a direction for the organization, it helped to increase customer satisfaction, increase output, increased efficiency of work, increase the level of commitment to set targets, enhanced product delivery, and increased product quality.

4.5 Growth and Performance dimensions

The study sought to identify the impact of business plan on the growth and performance of SMEs in Ghana. The four growth and performance dimensions were used in this study, namely, Sales, Clients base, Outlets and Staff strength.

Table 4.4 Growth and Performance dimensions

Growth	Responses	Frequencies	Percentages (%)
Sales	Yes	91	92.9
	No	7	7.1
	Total	98	100%
Client base	Yes	89	91.8
	No	8	8.2
	Total	97	100%
Staff	Yes	55	56.1
	No	43	43.9
	Total	98	100%
Outlets	Yes	28	28.6
	No	70	71.4
	Total	98	100%

Source: Field work, 2015.

From table 4.4, 92.9% of the SMEs had seen a rise in their sales over the last five years (2010-2014).

This indicates that, irrespective of the economic situations in Ghana, SMEs are still growing and performing, using sales as a measure.

The client base of 91.8% of the SMEs sampled had increased over the past five years. And this explains the reason most of the SMEs saw an appreciation in their sales volume over same period.

The staff strength however, didn't increase that much over the same five years period. Only 56.1% of them had had an increment in their staff population. That explains why unemployment is on the rise in Ghana. More graduates are produced, with less intake in business.

The number of new branches opened was the worst performer. Only 28.6% of the SMEs were able to open new branches over the five year period. This also explains why the business employed less over the period. Because new branches meant staff recruitment.

4.6 Binary Logistics Regression

The crucial limitation of linear regression (being run in Ordinary Least Square-OLS) is that it cannot deal with dependent variables that are dichotomous and categorical. A range of regression techniques have been developed for analysing data with categorical dependent variables, including logistic regression and discriminant analysis. However, Logistical regression was used in this analysis because there are only two categories of the dependent variable (Yes or No). The researcher used Business Plan (BP) as the independent variable and four dependent variables measuring Growth and Performance (Sales, Client base, Staff strength, and Outlets). The responses were coded 0=No and 1=Yes.

In order to get actual effect of the independent variable on the dependent variables, some demographic variables were controlled for. They were Gender of owner, Educational background of owner, Age of owner, and Age of business. Controlling for other variables in the model will likely change the bivariate relationship between an independent variables and the dependent variable - the relationship could be strengthened, weakened, change sign, or remain relatively unchanged in the multivariate model.

Because the coefficients (B) in Logistics regression output are in log-odds units, the researcher only used them to determine the direction (+, -), but did not assign meaning as coefficient would be explained in OLS regression. The effects was explained instead using the odds ratios, that is the $\text{Exp}(B)$.

Table 4.5 Impact Sales Performance

Independent Variables	Without Control Variables			With Control Variables		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Constant	2.152	.000	8.600	-4.437	.044	.012
BP	1.026	.092	2.791	3.377	.002	29.288
Gender	-	-	-	2.026	.008	7.583
Education	-	-	-	-.827	.099	.438
Age of owner	-	-	-	2.992	.001	19.929
Age of business	-	-	-	.501	.210	1.650

Source: Field work, 2015.

Note:

B - These are the values for the logistic regression equation for predicting the dependent variable from the independent variable (the slope values). They are in log-odds units.

Sig. represents the statistical significance level of the model (the acceptable level of significance for this research was 0.05).

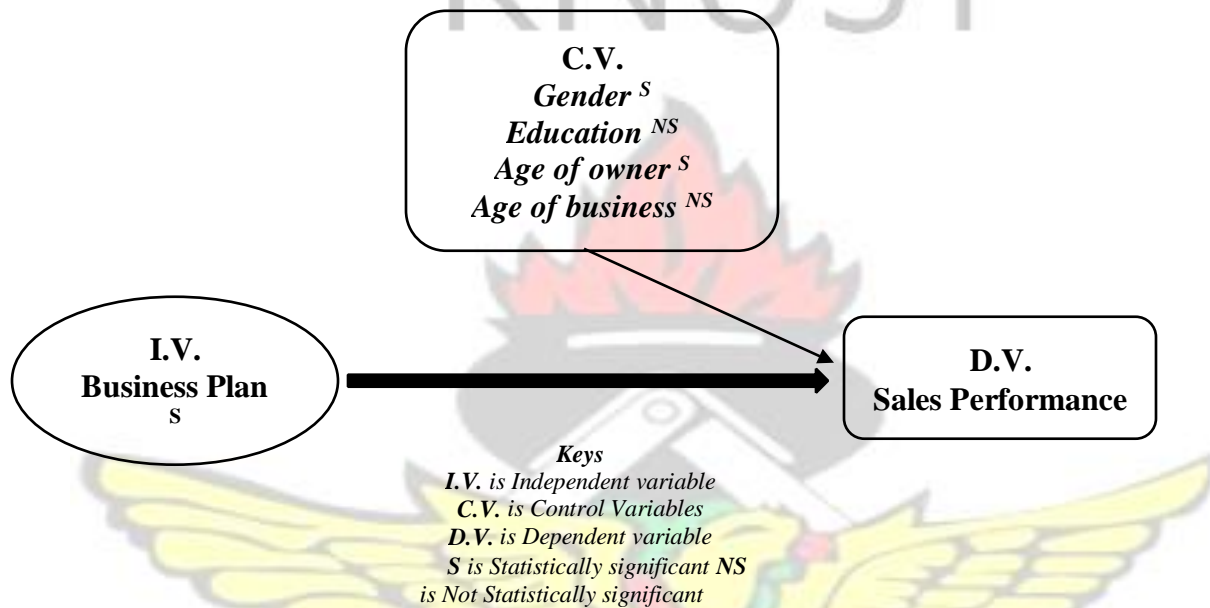
Exp(B) - These are the odds ratios for the predictors. They are the exponentiation of the coefficients.

From table 4.5, it is realized that, BP had a positive relationship with sales performance irrespective of whether some demographic variables were controlled for or not. B was +1.026 without control, and +3.377 when some demographic factors were controlled for. It means that, when an SME uses BP, sales performance would go up, and the vice versa. The regression equation when other variables are controlled would be;

$$\text{logit (Sales performance)} = -4.437 + 3.377(\text{BP}) + 2.026(\text{Gender}) - .827(\text{Education}) + 2.992(\text{Age of owner}) + .501(\text{Age of business}).$$

The Exp(B) of BP when there was no control was 2.791, but this was not statistically significant at 0.05. Therefore, the null hypothesis holds that, there is no significant difference in sales performance by reason of using a business plan.

The Exp(B) of BP when gender, education, age of owner, and age of business were controlled for was 29.288 (larger than when it was not controlled for). The p-value was $.002 < .05$. This indicates that, when an SME had a BP, the odds that the sales performance of the SMEs would increase was 29.288 times, when other variables are controlled. But for the control, we would



have believed BP had no significant effect on sales performance.

Figure 4.1 Effect of Business plan on Sales performance

Source: Field work, 2015.

Table 4.6 Impact Client Base

Independent Variables	Without Control Variables			With Control Variables		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Constant	1.768	.000	5.857	-4.563	.018	.010
BP	2.104	.006	8.195	3.559	.001	35.131

Gender	-	-	-	.810	.220	2.247
Education	-	-	-	.003	.994	1.003
Age of owner	-	-	-	2.394	.003	10.956
Age of business	-	-	-	.073	.832	1.076

Source: Field work, 2015.

Note:

B - These are the values for the logistic regression equation for predicting the dependent variable from the independent variable. They are in log-odds units.

Sig. represents the statistical significance level of the model (the acceptable level of significance for this research was 0.05).

Exp(B) - These are the odds ratios for the predictors. They are the exponentiation of the coefficients.

The analysis presented in table 4.6 indicates that, BP had a positive relationship with client base irrespective of whether some demographic variables were controlled for or not. B was +2.104 without control, and +3.559 when some demographic factors were controlled for. It means that, when an SME uses BP, client base would go up, and the vice versa. The regression equation when other variables are controlled would be;

$$\text{logit (Client base)} = -4.563 + 3.559(\text{BP}) + .810(\text{Gender}) + .003(\text{Education}) + 2.394(\text{Age of owner}) + .073(\text{Age of business}).$$

The Exp(B) of BP when there was no control was 8.195, but increased to 35.131 when gender, education, age of owner, and age of business were controlled for. They were all statistically significant with p-values less than 0.05, however, the magnitude of effect was greater when other independent variables were controlled for. This indicates that, when an SME had a BP, the odds that the client base would increase was 35.131 times, when other variables are controlled.

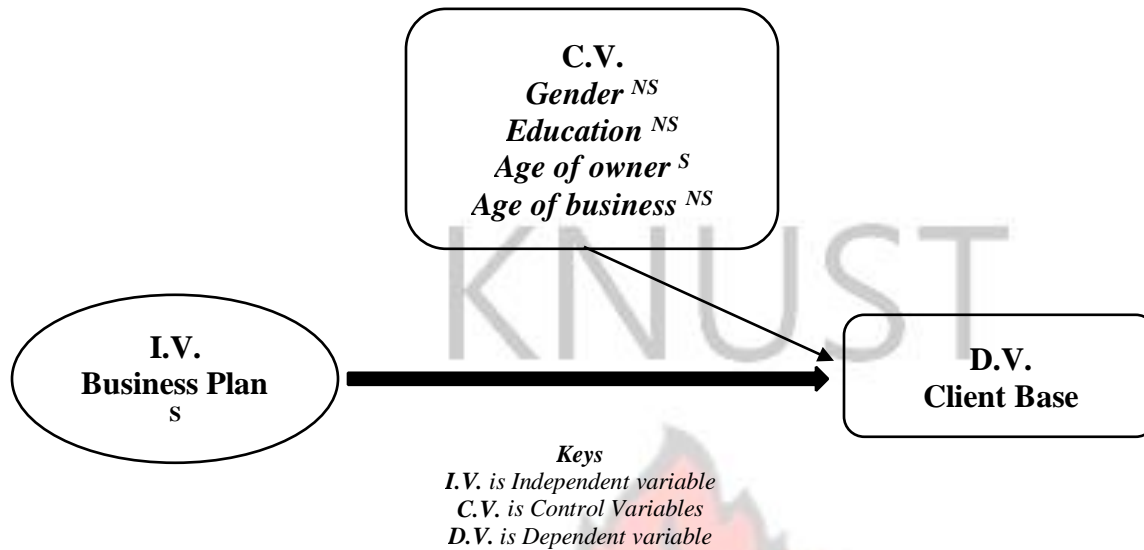


Figure 4.2 Effect of Business plan on Client base ^S is Statistically significant
^{NS} is Not Statistically significant

Table 4.7 Impact Staff Strength

Independent Variables	Without Control Variables			With Control Variables		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Constant	-.423	.043	.655	-4.036	.000	.018
BP	1.367	.000	3.925	1.709	.000	5.523
Gender	-	-	-	.556	.102	1.744
Education	-	-	-	.410	.100	1.506
Age of owner	-	-	-	.911	.000	2.488
Age of business	-	-	-	-.223	.185	.800

Source: Field work, 2015.

Note:

B - These are the values for the logistic regression equation for predicting the dependent variable from the independent variable. They are in log-odds units.

Sig. represents the statistical significance level of the model (the acceptable level of significance for this research was 0.05).

Exp(B) - These are the odds ratios for the predictors. They are the exponentiation of the coefficients.

From the output presented in table 4.7, it is realized that BP had a positive relationship with staff strength irrespective of whether some demographic variables were controlled for or not. B was

+1.367 without control, and +1.709 when some demographic factors were controlled for. It means that, when an SME uses BP, the staff strength is likely to go up over a period of years, and the vice versa. The regression equation when other variables are controlled would be;

$$\text{logit (Staff strength)} = -4.036 + 1.709(\text{BP}) + .556(\text{Gender}) + .410(\text{Education}) + .911(\text{Age of owner}) - .223(\text{Age of business}).$$

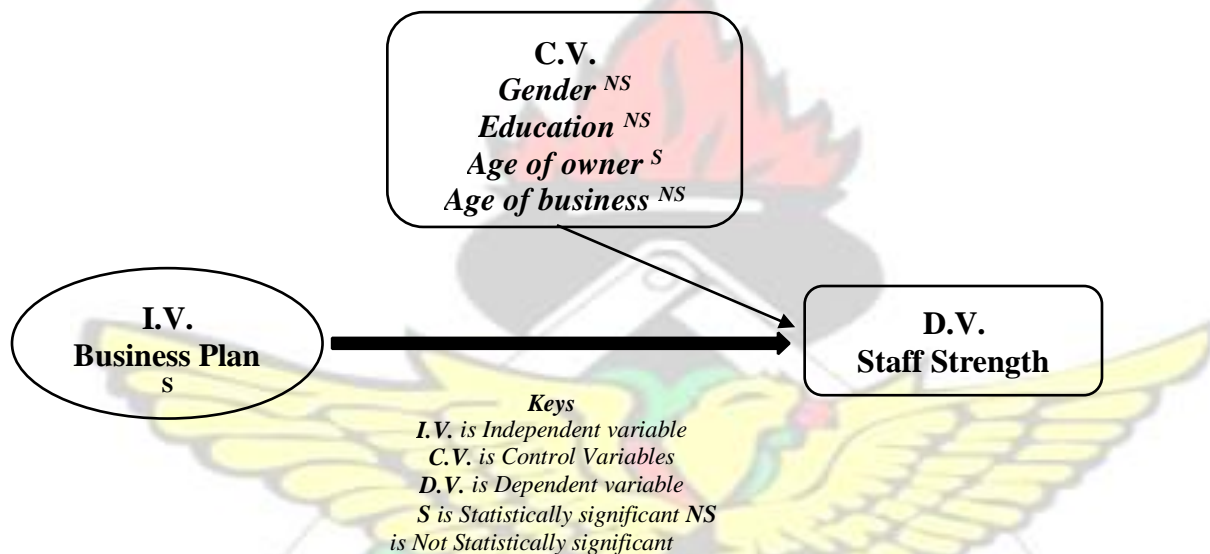


Figure 4.3 Effect of Business plan on Staff strength

The Exp(B) of BP when there was no control was 3.925, but increased to 5.523 when gender, education, age of owner, and age of business were controlled for. They were all statistically significant with p-values less than 0.05, however, the magnitude of effect was greater when other independent variables were controlled for. This indicates that, when an SME had a BP, the odds that the staff strength would increase was 5.523 times, when other variables are controlled.

Table 4.8 Impact New Outlets

Independent Variables	Without Control Variables			With Control Variables		
	B	Sig.	Exp(B)	B	Sig.	Exp(B)
Constant	-1.335	.000	.263	-3.579	.001	.028
BP	.760	.020	2.137	.592	.096	1.808
Gender	-	-	-	.359	.220	1.432
Education	-	-	-	.426	.105	1.531
Age of owner	-	-	-	.205	.335	1.228
Age of business	-	-	-	.048	.773	1.049

Source: Field work, 2015.

Note:

B - These are the values for the logistic regression equation for predicting the dependent variable from the independent variable. They are in log-odds units.

Sig. represents the statistical significance level of the model (the acceptable level of significance for this research was 0.05).

Exp(B) - These are the odds ratios for the predictors. They are the exponentiation of the coefficients.

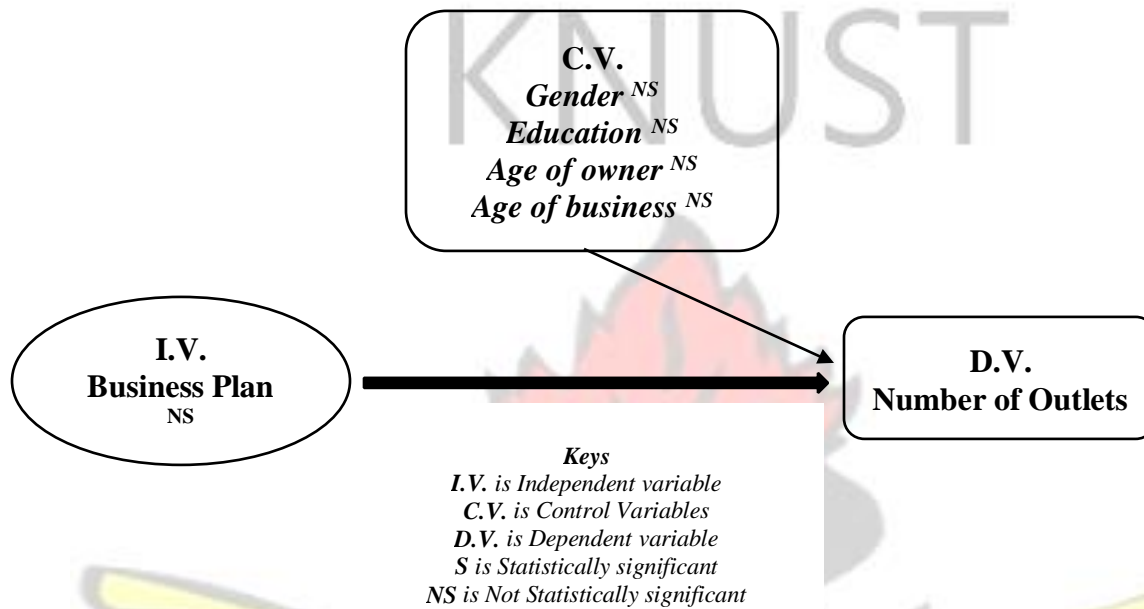
The output presented in table 4.8 showed that, BP had a positive relationship with number of outlets irrespective of whether some demographic variables were controlled for or not. B was +.760 without control, and +.592 when some demographic factors were controlled for. It means that, when an SME uses BP, the new outlets is likely to go up over a period of years, and the vice versa.

The regression equation when other variables are controlled would be;

$$\text{logit (Outlets)} = -3.579 + .592(\text{BP}) + .359(\text{Gender}) + .426(\text{Education}) + .205(\text{Age of owner}) + .048(\text{Age of business}).$$

The Exp(B) of BP when there was no control was 2.137, but decreased to 1.808 when gender, education, age of owner, and age of business were controlled for. Controlling some demographics

variables however, indicates that, BP had no significant effect on the number of branches opened (p-value was $.096 > .05$). But for the presence of the control variables, we



would have concluded BP had a significant effect on the ability of SMEs to open new branches.

Figure 4.4 Effect of Business plan on new Outlets

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings of the study and focus on the findings, conclusions drawn from the findings and recommendations.

5.2 Summary of Findings

5.2.1 SMEs Adherence to Formal Business Planning Practices

The study indicates that, a little over 50% of SMEs in the Kumasi metropolis engaged in formal business practices. Some SMEs had a clearly developed mission statement, vision statement, and specific objective. They conducted SWOT analysis, made projections, had strategy and tactics to achieve goals, laid down monitoring and modification policy, and had a formally developed business plan.

5.2.2 Non-Financial Benefits of Business Plan

The non-financial benefits the SMEs enjoyed by using a formally developed business plan was increase in customer satisfaction, increase in output, increase efficiency of work, increase the level of commitment to set target, enhances product or service delivery, and increase in product or service quality.

5.2.3 Growth and Performance dimensions

From 2010 to 2014, the study indicated over 90% of the SMEs saw an appreciation in their sales volume and client base. 56% of the SMEs employed new staff over the five year period, with only 29% opening new branches within the five years period.

5.2.4 Effects of Business plan on SME Growth and Performance

Four variables were used to measure the growth and performance of SMEs, namely, sales performance, clients' base, staff strength, and outlets. The study indicated a significant positive effect of business plan on sales performance, clients' base, and staff strength. There was however, no effect of business plan on whether or not an SME would open new branches.

5.3 Conclusions

The study sought to ascertain the effects of business plan on SME growth and performance (sales, clients, staff, and outlets). A thorough review of literature was conducted, to have a better appreciation of concepts understudy. After the study, it was concluded that, there was a significant positive effect of business plan on sales performance, clients' base, and staff strength. There was however, no effect of business plan on whether or not an SME would open new branches. Although the percentage was not that encouraging, some SMESs had a clearly developed mission statement, vision statement, and specific objective. They conducted SWOT analysis, made projections, had strategy and tactics to achieve goals, laid down monitoring and modification policy, and had a formally developed business plan. The non-financial benefits the

SMEs enjoyed by using a formally developed business plan was increase in customer satisfaction, increase in output, increase efficiency of work, increase the level of commitment to set target, enhances product or service delivery, and increase in product or service quality.

5.4 Recommendations

After undertaking the study, the following recommendations were made;

The study confirmed what other studies have published concerning the impact business plans have on business growth and performance. However, the study realized that, only about 50% of the SMEs in Kumasi had a well laid down business plan. The researcher recommends the use of business plan by SMEs organizations, as that is a panacea to their growth.

The study realized only 15% of the SMEs who had business plan adhered to it. It is just a waste of resource to develop a plan that wouldn't be adhered to. It is therefore recommended that, SMEs must not only spend resources in developing a business plan, but instead implement what is in the plan.

Considering the significance of the effect of business plan on SMEs growth and performance, the researcher recommends that institutions like the National Board for Small Scale Industries, must conscientiously influence SMEs on the use of business plans. They must also employ experts to develop business plan for SMEs at no cost or reduced charge. Developed economies were successful because of the influence of SMEs and contribution to GDP. Ghana's economy could also grow when the SMEs are supported to grow.

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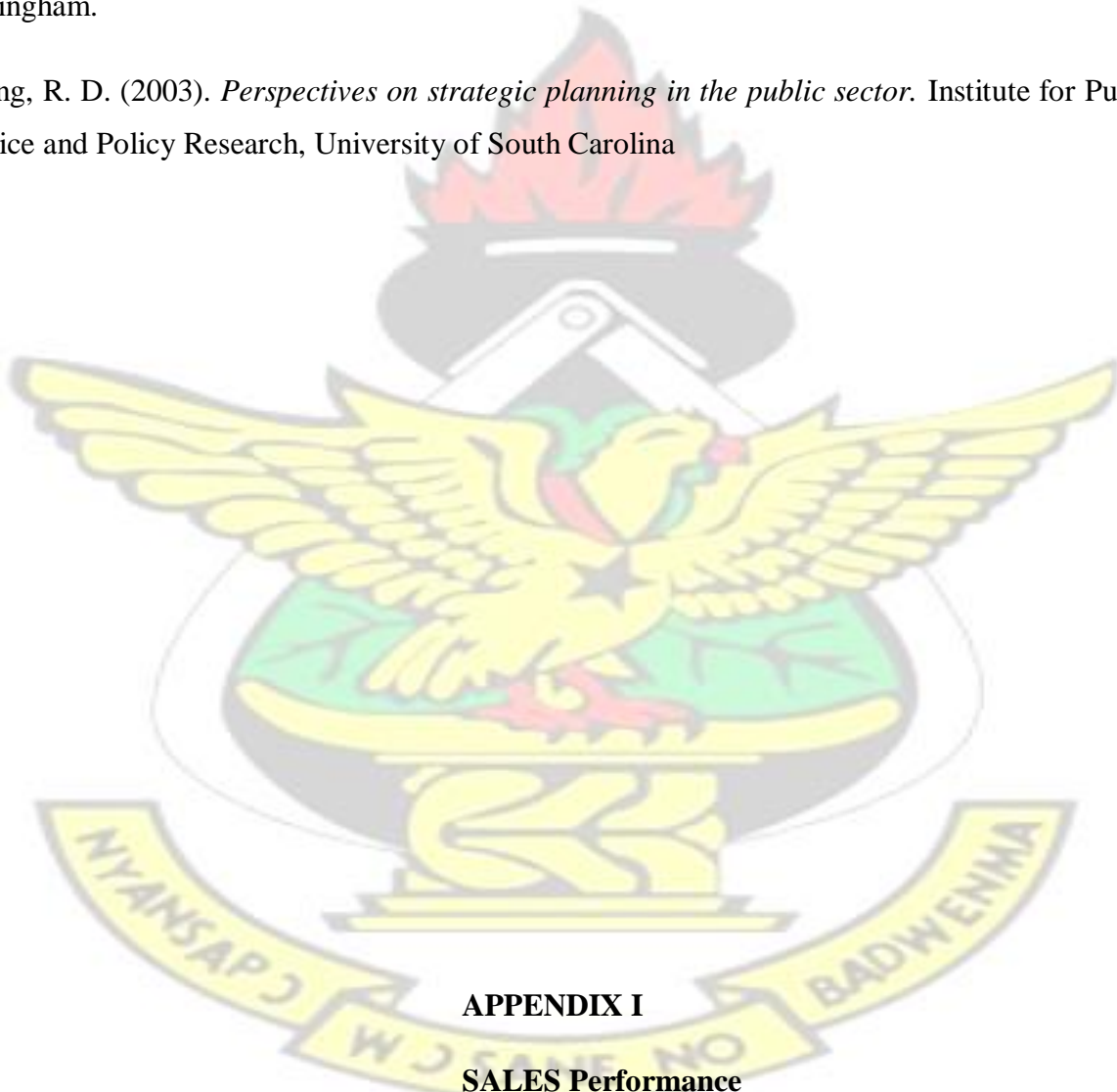
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APPENDIX I

SALES Performance (GHC)

SMEs	2014	2013	2012	2011	2010
Obaa Yaa cosmetics	250,000	180,000	150,000	100,000	100,000

Freddys Restaurant	84,000	73,000	61,000	60,000	57,000
Magrete Plastic Company	170,000	160,000	140,000	123,000	1,110,000
Tokiwa consult	180,000	143,000	141,000	136,000	120,000
Speedway groceries	94,000	87,000	81,000	73,000	61,000
Fanco Enterprise	383,000	362,000	320,000	290,000	250,000
Beerass Roofing	280,000	243,000	211,000	198,000	160,000
Siaw Motors	286,000	261,000	243,000	215,000	170,000
Printing Press	185,000	173,000	160,000	157,000	149,000
Sony Fashion	27,000	21,200	19,800	17,400	15,900
Jeff Photography	96,000	91,000	83,000	76,000	54,000
Akate Farms	30,000	28,000	27,300	26,900	25,400
Mighty Mineral Water	195,000	160,000	153,000	120,000	105,000
C Korsah Family Company	189,000	171,000	158,000	143,000	120,000
Daniels Mushroom Farms	30,000	23,000	15,000	12,000	11,000
Seth Transport	140,000	10,000	164,000	120,000	143,000
El Net Internet Cafe	40,000	37,000	40,000	45,000	20,000
Hock Electric Work and Trading	193,000	180,000	163,000	140,000	147,000
Aboude Fast food	298,000	211,000	160,000	-	-
Firm and Fair	187,000	110,000	163,000	11,200	152,000
ACE Consult	90,000	150,000	100,000	230,000	280,000
Focus line travel and tour	50,000	120,000	170,000	190,000	197,000
Mum and Dad enterprise	20,000	50,000	72,000	60,000	83,000
Nowa Pharmacy	194,000	190,000	180,000	160,000	100,000
Alhaji Mamud ventures	8,000	7,000	6,000	6,000	5,000
Joy Pasteries	60,000	45,000	30,000	30,000	20,000
God Is Great Stationary	300,000	120,000	80,000	50,000	40,000
Gifts Nash Ent	9,000	7,000	6,000	5,000	4,000
Seller	500,000	450,000	400,000	350,000	30,000
Emmanuel Washing Bay	20,000	8,000	6,000	4,000	3,000
Yenana Enterprise	300,000	120,000	80,000	80,000	50,000
Clear Buauty Care Ent	90,000	60,000	40,000	30,000	20,000
Nana and Sons Ventures	400,000	250,000	100,000	60,000	40,000

Noble house hold limited	275,000	263,000	1,210	113,000	1,000
Almighty has ent	280,000	273,000	260,000	243,000	215,000
Connect solutions	5,000	7,000	9,500	11,000	23,000
Eagle Solutions	10,000	9,000	12,000	11,000	16,000
Glory Beauty Saloon	180,000	140,000	136,000	124,000	110,000
Fruitful Ministry	6,900	6,200	5,600	5,200	5,000
Hachel Enterprise	90,000	80,000	40,000	70,000	50,000
Foot Prints	298,000	200,000	230,000	115,000	80,000
MJ Base Lmt	1,000	5,000	3,000	5,000	7,000
Great 3 company lmt	140,000	120,000	130,000	100,000	50,000
Open doors catering service	43,000	30,000	40,000	22,000	20,000
Masha Allah Auto Mechanics	186,000	120,000	160,000	90,000	115,000
K Menu Chemist	194,000	180,000	200,000	140,000	70,000
Edikey Pharmacy	98,000	73,000	90,000	80,000	60,000
Wood Classic	78,000	80,000	93,000	60,000	45,000
Philma Contruction Ltd	270,000	30,000	250,000	150,000	100,000
Lambark Gas	280,000	210,000	10,000	124,000	120,000
Investment Focus	800,000	650,000	600,000	520,000	510,000
Jubaili Agrotic Ltd	400,000	360,000	240,000	180,000	100,000
Ecocycle	96,000	82,000	71,000	63,000	31,000
Hairforce One	50,000	40,000	20,000	20,000	10,000
Ekomas Ent	50,000	40,000	300,000	300,000	200,000
Nyiraba Eletricals	30,000	40,000	40,000	60,000	700,000
Ogbolu Ent	30,000	40,000	40,000	60,000	700,000
Isaka Paints	200,000	100,000	90,000	80,000	70,000
Tripple Seven ent	80,000	80,000	60,000	50,000	30,000
Ghamot plastics	60,000	50,000	40,000	40,000	30,000
Stars Super Ventures	60,000	40,000	20,000	10,000	8,000
Sak factory	50,000	70,000	80,000	9,000	10,000
Fedil Ventures	100,000	80,000	70,000	40,000	40,000
Hayzs Place	97,000	83,000	76,000	61,000	34,000
Catena Ventinary	171,000	164,000	150,000	143,000	98,000
Jet Breez	136,000	12,400	116,000	93,000	81,000
Perfect Estates	650,000	620,000	580,000	520,000	450,000
Andy Grace Academy	780,000	766,000	723,000	400,000	378,000

Royal Cab	94,000	97,000	79,000	60,000	43,000
Kuma Farms	273,000	261,000	242,000	234,000	217,000
Pyramid Estate	900,000	848,000	720,000	470,000	200,000
Sport Shop	160,000	120,000	116,000	194,000	143,000
Sunsum Fm	198,000	192,000	186,000	161,000	143,000
Lions Bee Hotel	90,000	73,000	61,000	40,000	21,000
Tech Plus	56,000	47,000	43,000	41,000	32,000
Image Dot Link	93,000	84,000	81,000	73,000	61,000
Can West Ltd	200,000	186,000	171,000	156,000	132,000
Donyma steel	2,800,000	2,700,000	2,300,000	2,150,000	2,110,000
Meditaranian	3,000,000	2,890,000	2,730,000	2,400,000	1,700,000
Ernies Jewelry	170,000	162,000	151,000	142,000	120,000
FBS Ventures	76,000	64,000	51,000	40,000	39,500
Hem Florals	84,000	72,000	67,000	51,000	43,000
Fos Adu Ventures	48,000	40,000	60,000	80,000	90,000
Aproachers Ghana	300,000	210,000	200,000	80,000	50,000
Bebeto Ltd	800,000	600,000	350,000	-	-
Trucks Ghana Ltd	380,000	320,000	200,000	250,000	150,000
Unichem Ghana Ltd	250,000	200,000	150,000	200,000	105,000
Reigners Palace Chapel	25,000	20,000	21,000	20,000	150,000
Anima Ent	250,000	150,000	50,000	50,000	30,000
Beeross Roofing and construction	400,000	320,000	280,000	250,000	150,000
Big Adams Auto Supply	420,000	300,000	230,000	210,000	200,000
Spen And Ben Ltd	76,000	53,000	41,000	33,000	12,000

APPENDIX II

CLIENTELE BASE

Companies (SMEs)	2014	2013	2012	2011	2010
Obaa Yaa cosmetics	1,300	800	650	500	500
Freddys Restaurant	800	600	500	400	396
Magrete Plastic Company	63	40	30	21	11
Tokiwa consult	11	7	4	3	1
Speedway groceries	450	411	396	370	320
Fanco Enterprise	400	360	325	279	263
Beerass Roofing	420	360	315	263	221
Siaw Motors	37	34	31	24	22
Printing Press	215	211	196	184	160
Sony Fashion	360	335	311	296	141
Jeff Photography	490	411	376	349	336
Akate Farms	4,000	3,700	3,500	3,300	3,150
Mighty Mineral Water	150	120	111	96	60
C Korsah Family Company	26	21	19	15	9
Daniels Mushroom Farms	420	300	260	190	173
Seth Transport	6	10	12	5	9
El Net Internet Cafe	1,800	1,500	800	700	1,000
Hock Electric Work and Trading	500	400	370	350	310
Aboude Fast food	3,000	3,100	2,700		
Firm and Fair	2	1	1	2	1
ACE Consult	150	170	116	350	420
Focus line travel and tour	100	160	400	700	701
Mum and Dad enterprise	400	600	500	300	670
Nowa Pharmacy	2,800	2,450	2,300	2,000	1,100
Alhaji Mamud ventures	56	45	40	40	20
Joy Pasteries	66,000	50	50	40	20
God Is Great Stationary	40	32	32	20	10
Gifty Nash Ent	83	52	34	34	24
Seller					
Emmanuel Washing Bay	40	30	30	20	18
Yenana Enterprise	120	80	55	50	40
Clear Buauty Care Ent	55	40	30	30	20
Nana and Sons Ventures	50	20	20	18	8
Noble house hold limited	1,300	1,240	1,210	11,300	1,000
Almighty has ent	1,600	1,400	1,200	1,150	1,110
Connect solutions	2	4	7	12	16

Eagle Solutions	1	3	7	6	11
Glory Beauty Saloon	100	50	40	40	30
Fruitful Ministry					
Hachel Enterprise	100	300	400	250	200
Foot Prints	10	19	30	33	54
MJ Base Lmt	2	2	2	2	2

Great 3 company lmt	2	3	4	2	6
Open doors catering service	350	370	410	560	670
Masha Allah Auto Mechanics	77	110	150	163	180
K Menu Chemist	15	20	31	70	102
Edikey Pharmacy	400	1,000	700	900	1,500
Wood Classic	260	170	300	270	315
Philma Contruction Ltd	1	2	1	1	1
Lambark Gas	55	46	38	15	10
Investment Focus	1,200	980	900	880	690
Jubaili Agrotic Ltd	400	380	215	205	115
Ecocycle	5	3	1	1	1
Hairforce One	70	70	60	60	50
Ekomas Ent	40	30	21	15	10
Nyiraba Eletricals	17	10	5	3	3
Ogbolu Ent	17	10	5	3	3
Tripple Seven ent	50	40	30	30	20
Ghamot plastics	30	20	12	12	12
Stars Super Ventures	40	31	30	23	21
Sak factory	40	30	20	20	10
Fedil Ventures	70	60	30	20	20
Hayzs Place	512	410	360	314	211
Catena Ventinary	510	470	420	370	293
Jet Breez	163	138	123	113	93
Perfect Estates	105	98,000	83,000	80,000	65,000
Andy Grace Academy	1,126	1,126	1,120	910	400
Royal Cab	41	38	33	28	19
Kuma Farms	460	433	383	371	286
Pyramid Estate	5	10	8	3	1
Sport Shop	164	162	143	200	149
Sunsum Fm	210	180	143	128	93
Lions Bee Hotel	300	220	150	120	90
Tech Plus	11	11	11	11	11
Image Dot Link	60	43	41	30	23
Can West Ltd	67	49	32	28	22
Donyma steel	1,200	11,200	900	700	694
Meditaranian	6	6	4	3	2
Ernies Jewelry	400	361	330	315	271

FBS Ventures	173	162	152	146	138
Hem Florals	260	212	149	133	126
Fos Adu Ventures	150	200	400	480	500
Aproachers Ghana	200	128	74	63	35
Bebeto Ltd	100	80	40		
Trucks Ghana Ltd	460	420	310	260	120
Unichem Ghana Ltd	800	750	600	400	100
Reigners Palace Chapel	10	8	8	4	1
Anima Ent	45	30	28	25	15
Beeross Roofing and contruction	85	25	20	15	10
Big Adams Auto Supply	450	320	300	150	50
Spen And Ben Ltd	431	379	363	315	216

APPENDIX III

QUESTIONNAIRE-SMEs

I am an MBA student at the School of Business KNUST. I'm undertaking a study on the effect of business plans on SME growth and performance. The study is solely for academic purpose; I would be very grateful if you could spend few minutes of your time to respond to the following questions.

Name of Business..... Position
of respondent.....

Contact number

SECTION A: DEMOGRAPHICS

Q1. Nature of Business

Q2. Industry: Manufacturing [] Service [] Agricultural []

Others

Q3. Gender: Male [] Female []

Q4. Level of education: No formal education [] Basic [] SHS []

Tertiary []

Q5. Age of respondent: 18-25yrs [] 26-35yrs [] 36-45yrs [] 46-55yrs []

Above 55yrs []

12. If *Yes*, what is your level of adherence to the business plan?

Strictly adhered to [] Often adhered to [] Fairly adhered to [] Not adhered to []

13. If *Yes*, are you satisfied with the benefits gained from business plan? Yes [] No []

KNUST

14. If you answered *Yes to Q9 above*, kindly indicate by ticking (√), the extent to which the use of a formal business planning processes has helped in improving the following *financial* and *non-financial* performance of the business. Use the key 1=Highly beneficial, 2=Beneficial, 3=Neutral, 4=Not beneficial, and 5=Not beneficial at all.

Performance	1	2	3	4	5
Financial					
Increase in profit levels					
Increase in sales volume					
Increase market share					
Non-Financial					
Increase in output					
Increase in product or service quality					
Increase efficiency of work					
Increase the level of commitment to set target					
Increase customer satisfaction					
Enhances product / service delivery					

15 If *Yes*, what are some of the challenges of implementation?

.....

SECTION C: GROWTH AND PERFORMANCE OF SMES

15. Has there been an increase in sales volume over the past 5years?

Yes [] No []

17. Has there been an increase in Client base over the past 5years?

Yes [] No []

18. Have you opened new branches / added a new business line over the past 5years?

Yes [] No []

19. If yes, please specify?

20. Has there been an increase in staff strength over the past 5 years?

Yes [] No []

21. If yes, please specify.....

22. Kindly complete the table below, by indicating the level of performance over the past 5 years.

Dimensions	2014	2013	2012	2011	2010
Sales (GHC)					
Clients					
Branches					
Employees					