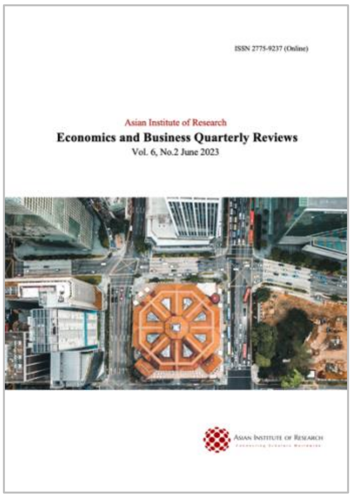

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Investigating the Effect of Strategic Planning on the Financial Performance of SMEs in Namibia

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Abstract
Small and Medium Enterprises (SMEs) are hypothesised to play a critical part and serve as a crucial source of income and employment creation in many economies. SMEs contribute about 12% of the Namibian Gross Domestic Product (GDP) and provide employment or income to about 160 000 Namibian citizens. Namibia has witnessed remarkable growth in the number of SMEs in recent decades, with over 28 000 formally registered SMEs. However, most SMEs in Namibia experience difficulties, some of which may threaten their existence. Numerous external and internal factors impact business performance: failure to develop strategic plans, lack of finance, poor financial management, and lack of suitable management skills. The literature argues that financial performance challenges faced by SMEs can be mitigated with a clear and well-articulated strategic plan. This study set out to investigate the effect of strategic planning on the financial performance of SMEs. The results confirm that strategic planning has a positive effect on the financial performance of SMEs. However, many SMEs indicated that they had never done strategic planning. The study also found that Issue-based strategic planning is a commonly used strategic planning model. Policy implications indicate that although strategic planning is found to enhance SMEs' financial performance, the majority of them lack an optimal mix of strategic planning elements. The study recommends using strategic planning to set clear financial performance targets and for relevant stakeholders to introduce policies that help equip SME owners/managers with the optimal mix of business management skills.

Keywords: Strategic Planning, Small and Medium Enterprises, Financial Performance, Windhoek, Namibia

1. Introduction and Background

The SMEs are hypothesised to play an imperative role in many countries, particularly those of developing economies, by providing jobs, contributing to a country's Gross Domestic Product (GDP), and developing entrepreneurial skills and Namibia is no exception. Namibia has witnessed remarkable growth in the establishment of SMEs in recent decades. Recent statistics show that there are about 18 000 formally registered SMEs in Namibia. In Namibia SMEs contribute a great deal to the national economy by creating employment, assisting with the realisation of national agendas (e.g., NDP5) as well as adding value to the country's GDP (Nghishekwa, 2019). Similarly, according to the "National Policy on Micro, Small and Medium Enterprises (MSMEs)" in Namibia (2016), besides contributing to the economy, SMEs also assist in the realisation of Namibia`s vision of becoming industrialised by 2030. Even though SMEs are essential to the Namibian economy, studies have shown that most SMEs in Namibia face difficulties during the first twenty-four months of their inception, and in many instances, before full establishment (Kambwale, Chisoro & Karodia, 2015). Similarly, in South Africa, five out of seven (71%) new SMEs fail within the first year of their operation (Cant, Erdis & Sephapo, 2014).

SMEs in Namibia operate in challenging economic environments (e.g., insufficient resources and intense competition) and are, therefore, defined by extreme volatility (Otieno, Namusonge & Mugambi, 2017). Many external and internal factors such as failure to develop strategic plans, poor business plans, absence of supporting institutions, lack of finance, inventory control, poor financial management, lack of experience, and poor planning impact business performance (David, 2007). It is, therefore, vital for SMEs to develop and implement strategic planning as this determines the future of businesses by assisting with the adaptation of companies to changing environments (Pushpakurami & Watanabe, 2009). Grant (2016) describes strategic planning as a process that involves the alignment of opportunities and demands of the external environment with the capabilities and internal design to achieve a competitive advantage.

Research from countries where SMEs are successful (mainly developed countries) shows that, like large enterprises, SMEs practice strategic planning and are, therefore, more successful than those in developing countries (Otieno, 2019). For example, in a study done in Germany, it was found that more than 70% of SMEs identified strategic planning in a business as vital in enhancing business performance. Mamula and Popovic-Pantic (2015) further support this, by suggesting that about 80% of managers who claim to have strategic planning are running successful businesses. Measuring the performance of a business is influenced by two basic requirements of how a business should be run namely financial performance and strategic objectives (Dobrovic, Lambovska, Gallo & Timkova, 2018). Financial performance deals with the traditional economic measures that can contribute to the sustainability of a business if they are appropriately managed. Whereas strategic objectives deal with the internal and external factors that companies need to balance to become sustainable, including the business' operational goals.

Strategic planning is a process whereby organisations develop a plan for achieving long-term organisational goals and, in essence, the organisation's game plan (David, 2007). Existing literature validates that SMEs' financial performance challenges can be mitigated with a clear and well-articulated strategic plan (Gomera, Chinyamurindi & Mishi, 2018). Hough, Thompson, Strickland III, and Gamble (2011), aver that the best quantitative evidence of its working strategy comes from its financial results. Financial performance is measured by looking at how well or poorly the business is performing financially and involves evaluating the overall financial position and condition of the company (Anthony, Hawkins & Merchant, 2011). The most important measures of financial performance are profit margins, return on investment (ROI), operating cash flow, and liquidity. There is no reliable information on the exact number of SMEs that ceased to operate in Namibia at any given point, however, from 2015 to 2016, a total number of 1 719 SMEs ceased to operate or remained dormant (Sheehama & Shihomeka, 2017). This is about 11% of the roughly 15 000 SMEs that were formally registered in 2016. However, as McIntyre (2020) reports, statistics from the U.S Bureau of Labour Statistics reveal that about 20% of SMEs fail in their first year, 30% within two years, and about 50% fail within five years globally. The information also shows that 85% of SMEs failed in Africa due to various constraints during their development phase.

Several studies on the impact of strategic planning on the performance of SMEs have been carried out mainly in developed countries. For example, Salman and Normalini (2020), Ibegbulem and Okorie (2018), Campbell, (2010), Sandada, Pooe and Dhurup (2014), Jayawarna and Dissanayake (2019) suggest that SMEs often fail due to the lack of long-term planning and strategic thinking. In addition, research shows that managers and small business owners often tend to view strategic planning as a practice mostly suitable for big businesses. However, strategic planning is as essential for small businesses as it is for big ones because it allows companies to be proactive and sets up a sense of direction, which is a crucial element for the sustainable financial performance of a business irrespective of its size.

This paper addresses the fundamental problem where most SMEs in Namibia experience financial performance challenges during the first twenty-four months of their inception, which leads to 75% of failed SMEs before their full establishment (Kambwale *et al*., 2015). Notwithstanding this reality, there are currently few studies that examine the relationship between strategic planning and the financial performance of SMEs in Namibia. Most studies focus more on the external factors that impact SMEs' performance than internal factors like strategic planning. The study addresses the current literature gap by concentrating on Namibia as a developing country. Therefore, it aims to empirically ascertain whether SMEs in Windhoek practice strategic planning and whether embracing strategic planning practices impacts their financial performance.

The rest of the paper is structured as follows. Section 2 presents the literature review, while the methodological approach is presented in section 3. Results and discussions are presented the section 4. Conclusions and policy implications are presented in the last section.

2. Literature Review

2.1. Theoretical Literature

There are several theories linking the notion of strategic planning to performance. Although many of these theories have been developed from the large businesses' perspective, it is possible to apply them to small businesses and assess how useful they would be to these business owners and/or managers. This section discusses some significant theories that comprehensively explain the relationship between strategic planning and an organisation's performance.

2.1.1. Resource-Based Theory

The Resources-Based view emerged in 1980 as a way of achieving competitive advantage. This theory was supported by Edith Penrose's work in the late 1950s. From the 1990s, the focus of strategy moved from the sources of profit in the external environment to the origins of profit within the business. This focus led to the internal resources and capabilities of the company being regarded as the main source of competitive advantage and the primary basis of formulating strategy (Grant, 2010). The Resource-Based view theory perceives that the organisation's resources are fundamental to its superior performance. This theory focuses on the notion that organisations should look internally for resources that will enhance their competitive advantage instead of searching for sources of competitive advantage in the external environment. Abosede *et al*. (2016), state that the Resource-Based Theory stems from the principle that the strength of the company's competitive advantage lies in its internal resources and not in its positioning in the external environment.

2.1.2 Survival-Based Theory

The concept of the Survival-Based Theory developed by Herbert Spencer emphasises that only the best and fittest competitors will succeed (Abdullah, 2010). The Survival-Based Theory focuses on the businesses need to always adapt to their competitive environment to survive (Omalaja & Eruola, 2011). These scholars clarify that this theory differs from the human Resource-Based Theory, which emphasises the importance of the human element in strategy development. Abdullah (2010) explains that the Survival-Based Theory view of strategic management assumes that for businesses to endure, they have to gather strategies that should be focused on running efficient operations and responding rapidly to the fluctuating competitive environments. Simply put, the Survival-Based Theory is the strategy that an organisation uses to avoid being eliminated by its competitors (Abosede *et al*., 2016).

2.1.3 The Core competence Theory

The Core Competence Theory is a strategy theory that stipulates actions that organisations can take to achieve a competitive advantage. In their article titled "The Core Competence of the Corporation," Prahalad and Hamel (1990) introduced the concept. They argued that it is essential to pursue a competitive advantage from the capability to stay competitive. Abesiga (2015), states that the Core Competency Theory enhances the Resource-Based view theory by connecting the business' competitive advantage and its resources and capabilities. It is based on the assumption that the tangible foundation of advantage is found in the ability of management to combine available technologies and skills into capabilities that empower businesses to acclimate to rapidly changing opportunities (Prahalad & Hamel, 1990).

2.1.4 The Dynamic Capabilities Theory

Teece et al introduced the phrase dynamic capabilities to refer to the "company's ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environments" (Teece, Pisano & Shuen, 1997, p. 515). Furthermore, they define dynamic as the capacity to renew competencies to achieve equivalence with the changing business environment. Grant (2010) suggests that dynamic capabilities could be disaggregated into three dimensions namely: to sense and shape opportunities and threats, seize opportunities, and maintain competitiveness through enhancing, combining, and protecting the business' intangible and tangible assets. Teece *et al*. (1997) recognise three factors that will support to determine a business' distinctive competence and dynamic capabilities: processes, positions, and paths. They argue that a business's competitive advantage lies in its managerial and organisational procedures shaped by its asset position and paths. Abesiga (2015) states that there is increasing evidence that an organisation's dynamic capabilities can significantly affect its performance. Therefore, businesses should develop and redefine their resource base to create new areas of competitive advantage.

In this paper theoretical framework is based on the Survival-Based Theory and the Resource-Based Theory. As noted by Majama and Magang (2017), the resource-based theory suggests that the resources and capabilities of an organisation are its basis of direction and the starting point of strategy formulation. This theory is based on the notion that businesses that use their resources to create inimitable strategies have a competitive advantage. Similarly, the survival-based view explains that businesses need to develop strategies to respond to dynamic environments to survive. These theories are relevant to this study as they deal with strategic planning in determining organisational performance, and they also apply to small businesses and large corporations.

2.2. Empirical Literature

A substantial number of studies have been done to assess the impact of strategic planning on the performance of small businesses. Robinson and Pearce (1984) did one of the pioneers and widely cited publications on this topic titled: "Research Thrust in Small Firm Strategic Planning". Their research addressed strategic planning in small businesses, and their report was divided into four different thrusts. These thrusts include "to confirm the presence or absence of strategic planning practices empirically", "provide empirical evidence of the value of strategic planning", "examine the appropriateness of specific features of the planning process", and "examine the content of strategy in small firms".

Robinson and Pearce (1984) observe that literature was given limited attention during the 1950s and 1960s to the value of planning in small firms, becoming more prescriptive and empirical during the 1970s and 1980s. However, they cite different papers published between the 1950s and 1980s, providing evidence that strategic planning is of value to small firms. From the four thrusts on which Robinson and Pearce (1984) based their study, they reached the following conclusions: On the first thrust, the decision is that small businesses do not plan, and they recommended future research to answer these three broad questions: How is planning operationalised in studies of small firm planning? Is the application of planning the main ingredient that separates the growing business from the small, static business, and what are the key factors that discourage or prevent planning?

On the second thrust, they noted that several studies had supported a favourable perceived or objectively measurable impact of strategic planning on small firms' performance. On the third thrust, they concluded that the planning process in small businesses deserves considerable attention and suggested the following additional issues that need attention: what does" informal" mean? How should "Outsiders "be utilized in the planning process? And what specific activities should comprise the planning process? And finally, on the last thrust, they concluded that the content of strategy in small firms merits specific attention to the following issues: What viable strategy options exist for small businesses? What essential capabilities must a firm possess to pursue different strategies, and how do and will factors like franchising and technology influence the strategies and tactics for smaller firms? They concluded that “the success of small businesses will depend on the quality of strategic decisions made by principals in such businesses. Research that helps improve the quality of strategic decisions in small firms could make major practical and theoretical contributions.”

In the study “The role of strategic planning in SMEs: literature review and implications”, Kraus, Reiche, and Reschke (2005), examine how and to what extent small and medium-sized enterprises apply strategic planning within their business activities. The paper specially addresses why SMEs seem to plan less than big companies and explores how and to what extent SMEs use strategic planning within the scope of their business activities. They conclude that there is a relationship between strategic planning and success in SMEs. They add that scientific literature proves that strategic planning methods and tools rely on increasing company size. Thus, SMEs seem to plan less than established larger enterprises. In “The Strategic Management of Small firms: Does the theory fit the practice, "Mazzarol (2003) examined the strategic management literature by considering its applications in the context of small businesses.

The paper examines which theories are relevant and not relevant to small businesses using a case study approach. Four cases were selected for the study, of which are manufacturers. He notes that “no consistent pattern was found among the four case study firms possessing formal vision or mission statements. However, each of the owner-managers was found to have struggled with the strategic intent of their firms”. The study provides some insight into the suitability of strategic management theories for small businesses. It concludes that even though some strategic management theories were primarily developed for bigger companies, strategic management theory appears to apply to small businesses experiencing growth and change.

In a report titled “Strategic Planning and Its Relationship with Business Performance Among Small and Medium Enterprises in South Africa”, Sandada, Pooe, and Dhurup (2014) found an association between strategic planning practices and business performance amongst SMEs in the Gauteng province of South Africa. Data was collected through structured questionnaires, and factor analysis, correlations, and regression techniques were used to extract the extent of strategic planning and its relationships with business performance. They noted that based on their research results, there was an inference that increased strategic planning practices led to high levels of business performance.

The positive association between strategic planning and SME performance should encourage SMEs to embrace the approach of strategic planning. Another study by Lobontiu (2002), which sought to evaluate the relevance of strategic management for small businesses, affirms that the SME context has and will continue to produce interesting theories, perceptions, and provocations, which will continue to refine and reform the notions of what is strategic and strategy process. The study observes that recently, small business owner-managers are becoming increasingly aware of the importance of strategic management. They are more interested in applying strategic management in the running of their businesses.

As highlighted above, there is quite a significant number of empirical research concerning the relationship between strategic planning and the performance of small and medium enterprises. However, there is little research done from a Namibian perspective as most studies done on Namibian SMEs focus on the external factors hindering the growth of SMEs. Amwele (2013) investigated the factors affecting the performance of SMEs in the retail sector in Windhoek, Namibia, and found that resources and finance, external environment, competition and corruption are the most aspects that unfavourably affect the performance of SMEs in the Namibian retail sector. The study considered external factors such as the environment. Still, it did not address the internal strategic planning elements against the financial performance of studied SMEs in this study. The sample for this study was 40 SMEs. Similarly, Kambwale *et al*. (2015) analysed the factors that contribute to the failure of Small and Medium Enterprises (SMEs) in Windhoek.

The objectives of their study were to determine the causes of SME failures and examine ways to overcome SME failures. They concluded that a lack of management skills, financial support, and a lack of business training was the major cause of failure among SMEs in Windhoek. Their sample size was 100 SMEs. In his thesis titled “Critical factors that influence the success and failure of SMEs in Namibia in the Khomas Region, April (2005) analysed the critical factors that influence the success and failure of Small Medium Enterprises (SMEs) in Namibia in the Khomas Region. He pointed out that the owners of successful and unsuccessful businesses believe that poor financial control and credit problems are the most prominent reasons businesses fail. He collected data from a sample of 40 respondents.

As indicated above, none of these studies explicitly aimed at understanding the link between strategic planning and financial performance in SMEs. Therefore this study attempts to fill some of that gap in the literature. One of the significant differences between this study and the ones mentioned above is the sample size. The sample sizes from the studies above range from 40 to 100 SMEs, while this study collected data from 237 SMEs operating in Windhoek, which provided some meaningful representation of the population.

3. Research Methodology

3.1 Research Design

The paper adopted a mixed-method research approach using a cross-sectional research design. This method was ideal because it provides comprehensive insights into the relationship between strategic planning and the financial performance of SMEs within an appropriate and acceptable time frame. Qualitative and quantitative data were collected and combined to address the research question and hypotheses.

The data was collected from registered SMEs operating in Windhoek, Namibia. Windhoek was selected because it has the highest number of SMEs concentration in Namibia. Of the 28 296 formally registered SMEs in Namibia as of 23 February 2022 as provided by officials from the Business and Intellectual Property Authority (BIPA), a total of 13 501 are operating in Windhoek. This number represents 48% of SMEs in the country. There is currently no clear distinction made in the database between micro and SMEs, but it was estimated that 60% of the total number would be SMEs, and the remaining 40% would be Micro enterprises. Therefore, the population for this study was 8 100 SMEs. The research population was restricted to all Windhoek registered SMEs as defined by the National Policy on Micro, Small, and Medium Enterprises in Namibia (2016).

This paper employed a mixed-method sampling technique using random and non-random sampling. A systematic random sampling method and a convenience sampling method were used. The choice of using convenience sampling combined with systematic probability sampling is supported by Daniel (2012). He specifies that the accessibility of a population should be considered when making sampling choices because it will impact the ability of the researcher to implement a sample design successfully. This study adopted a list sampling technique by selecting every second shop/stall in a business complex. In addition, the Krejcie and Morgan (1970) table for sample size determination was used, wherein a total sample of 367 SMEs was chosen.

3.2 Data analysis

The cross-tabulation approach is used to address the qualitative aspect of the paper whereas the Ordinary Least Squares (OLS) estimation technique was used to address the quantitative objective. This is the most suitable technique because it captures the magnitude and significance of the underlying relationship. Based on Makinde, Babatunde and Ajike (2015), the estimated model is expressed as:

$$Financial\ performance = \beta_0 + \beta_1 X_1 + \beta_2 D_1 + \varepsilon \quad (1)$$

Where $\beta_0 - \beta_2$ are parameters to be estimated, D_1 is a dummy variable equal to one if a firm engages in strategic planning (i.e., vision and mission formulation, environmental analysis, setting objectives, monitoring, and evaluation respectively) and zero otherwise as adapted from Aboramadan and Borgonovi (2016) and Ouakouak (2017). While X_1 is a control variable denoting the number of years a business has been in operation. Financial performance is measured by the performance of Sales, Profit Margin, and ROI. This yields three equations that are estimated using the same independent variables as in equation 1 above to capture all three financial performance indicators. Strategic planning is deemed to enhance financial performance if at least one of the parameters β_2 is positive and statistically significant.

4. Results and discussions

4.1. Response rate & demographic information

A total of 397 SMEs were approached and requested to complete the online or paper-based questionnaires. Of the 367 SMEs, 242 completed and returned the questionnaires but only 237 were correctly completed and deemed usable. Therefore, the study achieved a response rate of 65%. The results align with Fincham (2008); Nulty (2008), who cites Ricardson (2005) by stating that a response rate of 60% and above is desirable. The results revealed that the majority (14.3%) of SMEs operating in Windhoek were in the retail sector, followed by ICT at 12.2%, trading at 10.1%, and 8% in the hospitality sector. The ownership structure indicates that most SMEs were Close Corporations, representing 46.8%, 35.9% were family-owned or sole Owners, and 12.7% were in partnership. Moreover, the majority (13.9%) of the SMEs had been in operation for three years.

4.2 The Effect of Strategic Planning on the Financial Performance of SMEs

The study's first objective sought to determine the effect of strategic planning on the financial performance of SMEs in Windhoek, Namibia. Results of the three models as per equation 1 are presented next.

The effect of Strategic Planning on Sales Performance for SMEs in Windhoek

Table 1 shows the magnitude and significance of the coefficients. The variables show standardised Coefficients (beta column) of 0.146 and - 0.217 respectively. This means that holding all other variables constant, SMEs that practice strategic planning are associated with high sales performance by 0.53 units when compared to those that do not. Conversely, a unit increase in the number of years that the business has been in operation exhibits an inverse relationship. Therefore, it can be concluded that strategic planning has a positive effect on sales performance as a financial performance indicator.

Table 1: Coefficients: Sales performance

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	**(Constant)**	**2.635**	**0.403**		**6.535**	**0.000**
	Is Strategic Planning a significant part of your business	0.528	0.231	0.146	2.288	0.023
	Years of Operation	-0.077	0.022	-0.217	-3.412	0.001
a. Dependent Variable: Sales Performance over the last 3 years						

Effects of Strategic Planning on Profit Margin Performance

The profit margin performance estimates are consistent with the sales performance results. Table 2 indicates the coefficients (beta column) of 0.454, and - 0.033 respectively. SMEs that practice strategic planning are associated with more profit margins by 0.45 units when compared to the benchmark category (those that do not practice strategic planning

Table 2: Coefficients: Profit Margin Performance

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	**(Constant)**	**1.637**	**0.195**		**8.402**	**0.000**
	Is Strategic Planning a significant part of your business	0.454	0.112	0.255	4.068	0.000
	Years of Operation	-0.033	0.011	-0.193	-3.086	0.002
a. Dependent Variable: Profit Margin Performance over the last 3 years						

Effect of Strategic Planning on Return on Investment (ROI) Performance

The hypothesis that strategic planning plays a significant role in enhancing the financial performance of SMEs is robust even when ROI (third financial performance indicator) is employed. Table 3 illustrates the supporting evidence of the strategic planning-led financial performance hypothesis for Namibia SMEs.

Table 3: Coefficients ROI Performance

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	**(Constant)**	**1.766**	**0.185**		**9.542**	**0.000**
	Is Strategic Planning a significant part of your business	0.365	0.106	0.218	3.444	0.001
	Years of Operation	-0.027	0.010	-0.167	-2.629	0.009
a. Dependent Variable: ROI Performance over the last 3 years						

The findings are consistent with Tarifi (2021) who concurs that strategic planning is fundamental in ensuring the growth of an organisation. Similarly Babafemi (2015), van Scheers and Makhitha (2016) are of view that planning leads to improved financial performance and that the effectiveness of the planning process can be measured according to the level of financial performance. Furthermore, Taiwo and Idunnu (2007) found that businesses that exercise strategic planning perform better than those that do not. This was documented by Schoneburg-Schultz and Schultz (2006) who argues that the performance and progress of Namibian SMEs are influenced by many different factors, with the key ones being; management abilities, entrepreneurial skills, and financial situation.

4.3 The extent of Strategic Planning Practices by SMEs

The second objective sought to determine to what extent SMEs in Windhoek engage in strategic planning practices. To address this objective, the respondents were asked about the significance of strategic planning in their businesses. They were also asked how long they had been performing strategic planning and if they had written long-term goals, the main objective for engaging in strategic planning, planning for business interruptions, and making provision for succession plans.

According to the results, 59% indicated that strategic planning was essential in their entities, while 41% stated that it is not a crucial element in their businesses. Twenty-four percent of the respondents indicated that they were not engaging in strategic planning, and 23% had been performing strategic planning for 1 to 2 years. Twenty-one percent of the respondents had been performing strategic planning for 3 to 5 years, 17% were doing it for more than five years, and 15% for less than a year.

According to Reboud and Mazzarol (2008), strategic planning should respond to customer needs and must be done to ensure the future growth of the business. The study found that many SMEs (53%) did not have written long-term and short-term goals, which is one of the fundamental elements of strategic planning. On the question of trying to understand the main objective for strategic planning, the study revealed that SMEs were doing it to grow and increase customers or keep growing until their business became a big company. Both of these reasons got 34% of the responses, respectively. Similarly, 24% indicated that their main reason for doing strategic planning was to make a profit and keep doing business, with 8% saying that their primary reason was to make enough profit to care for their families and personal expenses. Succession planning is one of the critical elements of business continuity and a vital part of strategic planning. As asserted by Simidele (2015), the effectiveness of strategic planning is associated with achieving formulated objectives, creating better outcomes, and improving organisational performance due to the use of the strategic planning process in the business. The study results show that 57% of SMEs do not have succession planning. The responses are consistent with the answers of 54% of respondents who indicated that they would experience an interruption in business if anyone left.

4.4 Types of strategic planning models used by SMEs who engage in strategic planning

The third objective of this study sought to determine the type of strategic planning models used by SMEs in Windhoek. According to Figure 1 most (38%) SMEs used the Issue-Based Strategic Planning model, while 27% did not use any strategic planning models. A total of 23% used SWOT analysis, and 6% used the Balanced Scorecard model with 4% using PEST analysis and 2% using Porter's Five Forces. According to these findings, it is concluded that SMEs in Windhoek mainly use the Issue-Based Strategic Planning Model.

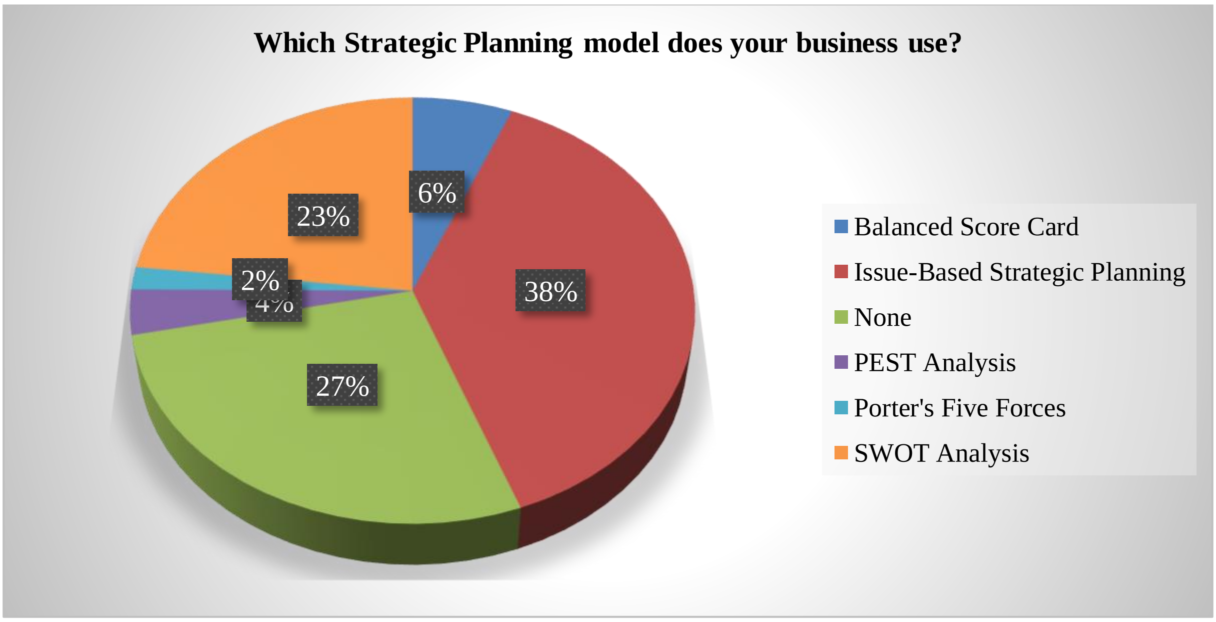

Figure 1: Strategic Planning Models used by SMEs

The Issue-Based Strategic Planning Model is based on the premise that planning is done on a need basis. According to the literature, this is suitable for small businesses because it works best for organisations with limited resources. This view is in line with the results from this study where the majority of the SMEs that participated in the survey mentioned issue-based strategic planning as the preferred choice of strategic planning. Issue-Based Strategic Planning typically starts by evaluating issues facing the organisation and then developing strategies and action plans to address those issues (Saxena, 2009). Suklev and Debarliev (2012) state that the effectiveness of strategic planning is associated with achieving formulated objectives, and there are no one-size-fits-all strategies for businesses. But organisations should choose a suitable system that aligns with their mission and vision.

5. Conclusions and Policy Implications

The paper aimed to contribute to the existing literature by investigating whether strategic planning impacts the financial performance of SMEs in Windhoek, Namibia. Three specific objectives were formulated to support the aim namely: to ascertain whether strategic planning affected the financial performance of SMEs, to determine SMEs' level of involvement in the strategic planning process and to identify the type of strategic planning that SMEs commonly used. The findings support the hypothesis that strategic planning has a positive effect on the financial performance of SMEs. The results are in line with the reviewed literature that confirms that implementing strategic planning impacts the financial performance of SMEs. According to Lo and Sugiarto (2021), strategies and strategic planning both aimed to improve corporate performance by putting an organisations on the right track and guiding its managers' decisions and actions.

The second objective sought to determine SMEs' involvement in the strategic planning process. Although strategic planning was a significant part of most SMEs' businesses in Windhoek, the gap between those that viewed strategic planning as a substantial part of their business and those that didn't was narrow. Fifty-nine percent indicated that strategic planning was significant to them compared to 41% who stated that it was not. The SMEs that engaged in strategic planning indicated that their main objective for doing strategic planning was to grow their business, increase customers, and keep growing their business until it became big companies. Most SMEs indicated that there would be severe interruption if one person left and did not have succession plans in place. Therefore, the study inferred a limited level of strategic planning in Windhoek SMEs with some strategic planning elements in place and others are missing. The notable element missing that can be concluded from the findings of the study was that SMEs did not have written long and short-term goals.

Thirdly the paper sought to identify the type of strategic planning model commonly used by SMEs in Windhoek. The SMEs in Windhoek predominantly used the Issue-based Strategic Planning Model for strategic planning purposes. According to the literature, this is most suitable for small businesses because it worked best for organisations with limited resources.

In both established and developing economies, small and medium-sized firms (SMEs) represent a crucial source of employment, poverty alleviation, income creation, innovation, and technical development Salman and Normalini (2020). The establishment and sustainability of new SMEs are critical to a country's broad-based development. This paper's findings imply that a fit between an organisation and its environment can be established through strategic planning. Generally, the paper has vital implications for SMEs, funding institutions, the Namibian Government, and policymakers. Even though previous studies have highlighted the benefit of strategic planning in enhancing the financial performance of SMEs, the study showed that there were some elements of strategic planning that the SMEs in Windhoek were not utilising. These missing elements could be helpful to them in improving their strategic planning processes and ultimately financial performance. An element like succession planning is not complicated; however, most SMEs in Windhoek indicated that they did not have succession plans. A dynamic business environment demands businesses have the relevant management skills to have a better understanding of the business environment to develop suitable strategies. The study recommends that managers and owners of small businesses should equip themselves with the necessary management skills that will enable them to run their businesses profitably. One of the interesting issues observed during the research process was that most SMEs did not have up-to-date accounting records that gave a complete view of their financial position. The study recommends that SMEs use professional bookkeepers to assist them in having proper financial records. This will enable them to make informed decisions about their business operations.

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