

# THE PLANNING BEHAVIOR OF SMALL AND MEDIUM ENTERPRISES IN A DEVELOPING ECONOMY: EVIDENCE FROM BOTSWANA

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**ABSTRACT:** Business planning determines where an organization is going over the next year or more, how it is going to get there and how it will know if it got there or not. Most studies in small business management focus on financing and organizational problems as the main causes of business failure. However, these problems are rather effects of lack of proper and adequate planning than causes. Although a plethora of research studies (Hopkins and Hopkins, 1994; Boyd and Reuning, 1998; Brews and Hunt, 1986; Fredric son; 1984) were conducted in the past 3 decades, only very few studies (Sawyer, 1993; Elenlov, 1997; Masurel and Smith, 2000) addressed the planning problems of small and medium enterprises (SMEs). Moreover, studies on the planning behavior of SME in developing countries, particularly in Africa, are almost non-existent.

The objective of this paper is to explore the planning behavior of SMEs in Botswana and to analyze their attitude towards and perception about business planning in general and strategic planning in particular by collecting data from a sample of 56 small and medium enterprises. Simple descriptive statistics such as statistical rankings, weighted mean and standard deviation are used to analyze the data. The findings suggest that only few SMEs in Botswana engaged in systematic business planning while the majority use intuitive, informal and unstructured business planning, with very little emphasis on strategy formation and formalization. The study also found that there is positive association between business planning and size. Possible ways of changing the attitude and perception of Botswana entrepreneurs toward business planning in general and formalized strategic business planning in particular are suggested.

**Key Words:** *Strategic Planning, Operational Planning, Developing Countries, Small and Medium Enterprises, Planning Behavior.*

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## BACKGROUND

Although the discovery of abundant mineral wealth has propelled Botswana into the middle-income category, the country still faces the problem of economic diversification, employment creation, income distribution and poverty alleviation. The country's economy is highly dependent on the mining and beef sector for its income and on foreign markets for the import of basic goods and services. Since Botswana cannot continue putting all its "eggs" in one basket, economic diversification should start with the promotion of the development of small and medium enterprises (hereafter, SMEs).

The major and immediate challenge for Botswana is providing employment for low-skill labor. The declining job opportunities in the South African mines for Botswana, the prevalence of

low-skill and unskilled labour force in the economy, and the tendency of the government to reduce its role as primary employer made the promotion of SMEs a primary source of employment creation. As SMEs use labor-intensive technologies, they have the potential to create more jobs than do larger firms.

The majority of Botswana are living in rural areas. The promotion of the development of SMEs continued to be a policy priority to narrow the gap between metropolitan and rural development and to monitor social inequities and rural migration. Enhancing the import substitution and poverty alleviation potential of SMEs through financial, regulatory and managerial assistances will eventually reduce dependency on foreign markets. This will not only save foreign exchange but also reduce the impact, which fluctuations of foreign exchange receipts will have domestically.

The experience of Botswana in promoting SMEs toward this end is as old as independent state itself. Since the creation of the Botswana Entrepreneurs Development Unit (BEDU) in 1974, the government has been putting much effort and resources to promote the development of SMEs. Moreover, the socio-economic importance of SMEs as industrial development strategy is explicitly stated and documented in the National Development Plan 8 (1998/2003) and in the long-term vision of the country -Towards Prosperity for All: Vision 2016 (Government White Paper No.1., 1999).

### THE RESEARCH PROBLEM

Currently the majority of companies in Botswana fall under the SME category. More than 70 percent of members of the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) also fall under this category. However, the pace of development of SMEs is very slow. Most of them are struggling to survive from year to year and the failure rate among start-ups is growing.

This could be attributed to several financial, managerial, organizational and entrepreneurial problems. But, the root cause of all these problems is lack of proper business planning. Financial, organizational and technical problems could be raised and addressed during the planning process. Although different authors describe business planning in different ways, it can generally be described as an active process of continuously determining what an organization is able or intends to carry out with respect to its future, and how it expects to do this.

Promoting a culture of business planning requires, to a large extent, changing the planning behavior and strategic orientations of SMEs from short-term and survival orientation to the exploration of long-term sustainable competitive advantages. Peter Drucker (in Hussey, 1991:6) summed up the need for business planning and the task that all firms face in the future as follow:

**But tomorrow always arrives. It is always different, and even the mightiest company is in trouble if it has not worked on the future. It will have lost distinction and leadership-all that will remain is big company overheads. It will neither control nor understand what is happening; not having dared to take the risk of making the new happen, it perforce took the much greater risk of being surprised by what did happen. And this is the risk that even the largest and richest company cannot afford and that even the smallest business need not run.**

It is now obvious that business planning will enable SMEs to avoid the fate that Drucker predicts for the unwary and unthinking. Business planning is a primary condition for the survival and growth of all firms regardless of their size. The objective of this study is, therefore, to analyze the current planning behavior of SMEs, and to investigate whether this European precondition also applies to a developing African country like Botswana.

### BUSINESS PLANNING AND FIRM PERFORMANCE

The literature on business planning is both descriptive (Matthews and Scott, 1995; Shrader Mulford and Blackburn, 1989; Pearce and Robinson, 1994; Mintzberg, 1994) and prescriptive (Brews and Hunt, 1999; Pearce, 1982; Pearce and David, 1987; Frese, Gelderen, and Ambach, 2000). Although, there is an overwhelming consensus in the literature (Mintzberg, 1994; Masurel and Smitt, 2000; Lyles, Orris and Kuratko, 1993; Brews and Hunt, 1999; Dean, Brown and Bamford, 1997; Hopkins and Hopkins, 1997) that business planning is a prerequisite for the survival and profitability of both small and large firms, the findings of most studies on the relationship between planning and firm performance are inconsistent, inconclusive, and controversial. The traditional, and may be the only way of measuring the importance of planning is by comparing the financial performance of planners and non-planners, and strategic planners and operational planners.

### **The Performance of Planners vs Non-Planners**

Although a plethora of studies (Mintzberg, 1994; Thompson, 1990; Kuklan, 1984; Pearce and Robinson, 1984; Dean, Brown, and Bamford, 1998; Brews and Hunt; 1999; Frese, Gelderen and ambach, 2000; Shrader, Mulford and Blackburn, 1989; Schwenk and Shrader, 1993) found that planning firms achieve better financial performance than non-planning firms, few studies (for instance, Boyd, 1991; Lyles, Orris, Baird and Kuratko, 1993) found that planning firms performed no better than non-planning firms. In one study, for example, it was found that Banks that engage in the planning process tend to have significantly low Return On Investment than banks that did not engage in the process (Gup and Whitehead, 1989). The comparative study of Robinson and Pearce (1983) concluded that no significant differences exist between the financial performance of planning and non-planning firms. In contrast, the study of Clausen (1990) attributed Bank America's return to profitability to the bank's commitment to strategic planning process.

### **The Performance of Strategic Planners vs Operational Planners**

Studies by Lyles, Orris and Kuratko, (1989), Bracker and Pearson (1986), Shrader, Mulford and Blackburn, (1989), Camillus (1975), Ramanujan, Venkatraman and Camillus (1986), Bracker, Keats and Pearson (1988), concluded that planning horizon and formality are positively related to firm performance. Robinson and Pearce (1983) studied 38 non-formal planners and 12 formal strategic planners and found that formal planners put more emphasis on setting goals and objectives than non-formal planners who find formal goals and objectives of secondary importance. Shrader, Mulford and Blackburn (1989) concluded that formal plans are superior to informal plans because the process of writing the plan forces ideas and objectives to be thought out. In deed, a study by Robinson and Pearce (1988) also suggests that the more sophisticated the planning process, the better the organizational

performance. While SMEs usually do little planning, studies (Frese, Gelderen and Ambach, 2000; Matthews and Scott, 1995) show that those with formal planning outperform their counterpart, because formalized planning provides a statement of purpose, which extends throughout the firm. Miller and Cardinal (1994) reviewed 26 studies and concluded that strategic planning positively influenced firm performance, while a similar analysis of 14 studies (Schwenk and Shrader, 1993) concluded that the relationship was significant and positive.

In contrast, Pearce, Freeman and Robinson (1987) reviewed 18 empirical studies and concluded that the link between formal strategic planning and firm performance was 'tenuous'. Boyd's (1991) analysis of 21 studies found that the formal strategic planning/performance link was weak. Robinson, Logan and Salem (1986) found that strategic planning was not related to improved financial performance of small firms, but that operational planning was positively related to performance. Najjar, (in Shrader *et al*, 1989) in a study of 118 small manufacturing companies, and Unni (1981), in a study of 120 manufacturers and retailers, found that top managers judgment was a more important determinant of performance than strategic planning; and that few small businesses have engaged in strategic planning. A growing body of literature has suggested that improving the effectiveness of operational planning may be critical for the success of SMEs. Robinson, Pearce, Vozikis and Mescon (1984) for example, found that SME managers considered operational planning more important than strategic planning.

### **Why Inconsistent and Mixed Results?**

These ambiguities and inconsistencies could be attributed to several factors. But, according to Mintzberg (1994) and Brews and Hunt (1998), the main methodological explanation for the mixed and inconsistent research results stems from poor conceptualization and measurement tools utilized to operationalize the planning construct. Boyd and Reuning-Elliott (1998) concluded that inattention to construct measurement is a major

impediment to the advancement of research in strategic management. Most studies compared firms on different dimensions. There is a general lack of uniformity in measuring the relationship between planning and firm performance. Methodological flaws and non-robust statistical methods have also contributed to the problem.

The causes of these 'inconclusive' and 'contradictory' research findings can be grouped into four. First, the reliability of the research reports. Most studies use mail questionnaires as the best data collection tool. But, its inherent problem of control over who fills it, coupled with the low response rate, self-selected respondents and many questions focusing on factual information than the examination of the planning process. Second, the problem of measuring planning. Many studies use arbitrarily chosen planning indicators, without providing adequate conceptual definition and description of the planning process. Third, the problem of inferring causes. Most studies focus on correlation, not causation. A positive correlation between planning and financial performance of firms allows no one to conclude that planning pays (Mintzberg, 1994).

Forth, the narrow definition of planning formality. Lyles, Orris, Baird, and Kuratko (1993) suggest that planning formality must be defined broadly to reflect the entrepreneurial thought processes and actions that permeate the SMEs. Pearce and Robinson (1983) do not agree with the direct application of planning formality and intensity measures developed in large firms to SMEs. They argue that planning formality should be conceptualized and measured in a manner relevant to SMEs.

As the objective of this paper is not to measure the planning-performance relation, no attempt has been made in this study to overcome these conceptual and measurement problems in strategic planning research. However, a point is in order at this juncture. Despite the "inconclusiveness" of the findings, all previous studies agree on one thing - business planning is a necessary condition, not a luxury, for the success of SMEs in today's turbulent business environment and 'dog-eat-dog' world of global

competition. Business planning is an activity common to all business organizations, regardless of size and industry. The main purpose of business planning (whether strategic or operational) is to develop an orientation to the unforeseen environment of the future and to develop new ideas and opportunities. The focus of business planning is on events external to the firm, undertaken through environmental scanning. Also, the focus is on assessing the impact of future environmental change and increasing the organization's ability to anticipate and adjust to changes. Business planning also deals with the determination of what businesses the firm shall compete in and how it shall compete with respect to market niche, product line, financial posture, production methods, etc. It also deals with the deployment of resources, which are necessary to implement the strategies identified (Camillus, 1975). Business planning is therefore a must if SMEs are to survive and grow in these turbulent and dynamic business environment.

#### **THE RESEARCH DESIGN AND METHODOLOGY**

The research method employed to produce this paper was a descriptive survey research. It is descriptive because data were collected from 74 SMEs in the manufacturing, merchandising and service sectors of the Botswana economy to study their attitudes and perceptions about business planning. Although taking mixed sectors has inherent limitation regarding generalizability of the findings, this mixed sample pool has several advantages. First, business planning was assumed to be crucial to all firms regardless of the industry in which they operate. Second, it was intended to compare the inclination of firms in different industry toward business planning. Third, no one sector (manufacturing, wholesaling, retailing, or service) seems to justify the cost of study, as they are relatively few in number.

Owners and/or managers of SMEs were identified using a list of all SMEs provided by the Botswana Confederation of Commerce, Industry and Manpower, (BOCCIM). Before the

distribution of the questionnaire, a letter describing the research and urging the owners and/or managers of the selected companies to personally participate in the study was sent. Moreover, the participants were promised a summary analysis of the planning behavior of firms in Botswana. Although 56 questionnaires (76 percent) were filled and returned, only 44 (79 percent) were found to be usable for this study.

The questionnaire was designed to incorporate three core sections. Part one dealt with the characteristics of SMEs and the profile of management. Part two covered 14 items designed to measure the planning orientation and practices of SMEs. The last section included question items to examine the perception of SMEs about business planning in general and strategic business planning in particular. Simple descriptive statistics such as statistical ranking, mean, standard deviations, and cross-tabulation were used to analyze the data.

## RESULTS AND DATA ANALYSIS

The major weakness of this study was the mixed nature of the sample firms. Out of the 44 SMEs included in the study 19 were manufacturing, 14 were service firms and the remaining 11 were merchandising (wholesale and retail business) firms. Only 9 (20 percent) of the CEOs were women. 26 (60 percent) were small companies with less than 26 employees while the remaining 18 (40 percent) were medium sized firms with number of employees ranging from 26 to 99. All the legal forms of business ownership-sole proprietorship, partnership, and corporations were found in the sample firms. Out of the 44 sample firms, 6 (14 percent) were sole proprietorships, 9 (20 percent) were partnership and joint venture firms, and the remaining 29 (66 percent) were corporations. The average managerial experience of the CEOs was 4.6 years, and the number of years the companies had been operating in Botswana was 5.3 years, on average.

**Table 1: Rankings and Mean Degree of Emphasis on 14 Selected Planning Indicators**

Planning indicators	Small		Medium		All Firms	
	Mean	S.D	Mean	S.D	Mean	S.D
Operational efficiency	23.5*	0.5	16.8*	0.3	20.8	0.5
Sales Forecasting	22.1	0.9	16.8	0.8	19.9	0.9
Functional budgets	21.3	0.5	16.5	0.9	19.3	0.6
Short - term goals	20.8*	0.4	17.2*	0.6	19.3	0.5
Annual action plans	19.5**	0.3	17.1**	1.2	18.5	0.8
Profit Forecasting	18.4	0.7	16.5	0.7	17.6	0.7
Environmental Scanning	11.5	1.9	12.8	1.9	12	1.9
Industry Analysis	10.9*	1.8	13.9*	2.1	12.1	1.9
Planning Manual usage	10.5	2.1	14.2	1.9	12	1.9
Build long term Potential	10.1**	0.9	15.2**	2.1	12.2	1.5
Long term goals	9.8**	1.7	13.9**	1.6	11.5	1.7
Technology Forecasting	9.5	0.5	13.5	2.2	11.1	1.4
Market Research Studies	9.1	1.1	11.1	1.1	9.9	1.1
Mission statement	8.4*	1.8	9.8*	1.5	9	1.6
Sample Size	N=26		N= 18		N=44	

\*, \*\* Indicates statistically significant difference at 1% and 5% level, respectively. "Mean = Weighted Average multiplied by 5 for discussion simplicity.

To confirm that business planning is a precondition for the survival and growth of firms, firms were asked whether they engage in business planning or not. Almost all the firms (95.5 percent) responded positively and confirmed that SMEs in Botswana engage in some form of business planning with the exception of two small firms who indicated that they never used business planning. Then, to evaluate whether their planning is systematic or unstructured, formal or informal, strategic or operational, the respondents were asked to indicate the degree of emphasis they place on each of the 14 selected planning indicators during their planning process using a 5-point Likert scale ranging from no emphasis (1) to very high emphasis (5).

As shown in Table 1, more emphasis is placed on operational planning related activities by both small and medium enterprises than strategic planning related issues. Small firms place the highest emphasis on operational efficiency (mean=23.5), followed by sales forecasting (mean=22.1), functional budgets (mean=21.3), short-term goals (mean=20.8), annual action plans (mean=19.5), profit forecasting (mean=18.4) and so on. They put only very little emphasis on strategic planning related activities. The lowest emphasis, for example, was placed on the development of mission statement (Mean=8.4), followed by market research studies (Mean=9.1), technology forecasting (mean=9.5), and establishment of long-term goals (mean=9.8).

Medium sized firms have also put greater emphasis on operational planning than strategic planning. The development of short-term goals has received the highest emphasis (mean= 17.2) from medium firms, followed by annual action plans (mean= 17.1), sales forecasting (mean=16.8), operational efficiency (mean=16.8), all of which are operational planning indicators.

The other important findings are marked by "asterisk" and "plus signs". For small firms, the difference between the mean points for long-term goals (9.8) and short-term goals (20.8) is statistically significant at 1% level. The difference between the mean points for "building long term potential" (10.1) and "operational efficiency" (23.5) is also statistically significant at 5% level. From

this, one can easily infer that small firms are excessively operational and short-term oriented. However, as shown by the "+" signs, for medium sized firms, the difference is not statistically significant. The mean point of "long-term goals" (13.9), for example, is close to the mean point of "short term goals" (17.2). This indicates that medium sized firms put more emphasis on strategic issues than do small firms. Hence, as firm size increases, firms tend to move from operational and short-term oriented planning toward strategic planning.

The above findings are also confirmed by the size of the standard deviations for each item in Table 1. The lower the standard deviation for a particular item the higher will be the common understanding of firms about that item. The standard deviation for operational efficiency (small=0.5; medium=0.3) for both small and medium sized firms is lower than the standard deviation for "mission statement" (small=1.8; medium=1.5) and "long term goals" (small=1.7; medium= 1.6). This reveals that most SMEs in the sample have clearer understanding of operational planning related activities than strategic issues. In other words, SMEs have perceptual and attitudinal problems with regard to strategic planning issues.

### **The Perception and Practice of SMEs**

The respondents were asked about the existence, purpose, and preparation of business plans. As shown in Table 2 below, almost all (39 out of 44) the sample firms have a written business plan. Private consultants prepared 68 percent of the business plans and the firms themselves prepared only 32 percent of the business plans. The majority of the firms (72 percent) were prepared for the main purpose of external validation by Banks, government and other creditors to obtain loan and grants. From this, one can infer that business plans were prepared just to meet the requirements of the government, banks and other creditors. Only few small firms (35 percent) review or revise their business plans periodically in order to make some adjustments. Out of the 26 small firms, only 5 communicated their business plans to important

staff in the firm. Moreover, most SMEs (61 percent) indicated that their business plans were prepared for less than one year.

There is statistically significant difference between the views of small and medium firms about the periodic review of plans. Only 9 small firms (35 percent) compared to 15 medium firms (83 percent) responded positively for the periodic review of plans. 73 percent of small firms compared to only 45 percent medium firms plan for less than one year. However, many medium enterprises (55 percent) compared with only 27 percent of small firms plan for a period greater than one year. From this one can safely infer that firm size and strategic orientation are positively related. As firms grow from small to medium and large, they tend to engage in formalized planning, revise their plan periodically, communicate their plan to important staff in the organization, involve private consultants in planning, and plan for more than one year.

The respondents were also asked to indicate the degree of their agreement or disagreement on

selected reasons for not engaging in formalized business planning using a 6-point Likert scale ranging from Very Strongly Agree (6) to Very Strongly disagree (1). Most Small and medium sized firms strongly agreed that formalized strategic planning is very expensive, time consuming, and requires experts. The most important finding was that most small firms do not know the difference between strategic and operational planning, for strategic plans are formulated by extrapolating operational plans.

The Business Planning Process and Its Content The respondents were asked to indicate the degree of their agreement or disagreement on selected activities involved in business planning using a 6-point Likert scale ranging from Very Strongly Agree (6) to very strongly disagree (1). As shown in Table 2, Small firms awarded the highest mean (mean=5.24) point to the derivation of long term goals from operational or short term goals. Small firms strongly agreed that they prepare long-term goals by extrapolating from operational goals. However, medium sized firms

**Table 2: Rankings and Weighted Mean on Business Planning Process and Contents**

In Your Company...	Small	Medium	All
1 Goals derived from Objectives	5.24*	3.62*	4.58
2 Managerial reward per annual profit	4.82*	3.81*	4.41
3 Functional budgets used as control tools	4.65	4.68	4.66
4 Plans used for external validation	4.12*	3.24 *	3.76
5 Plans communicated to staff	3.12*	4.21*	3.57
6 Plans are written	3.03	3.89	3.38
7 Plans reviewed regularly	2.98*	4.21*	3.48
8 Long-term potential/annual profits	2.86*	4.62*	3.58
9 Planning manual used	2.67*	4.13*	3.27
10 Control tools used to detect differences	2.42*	4.58*	3.30
11 Plans include proforma statements	2.36*	3.63*	2.88
12 Plans include quantitative tools	2.24*	3.42*	2.72
13 Strategies continually adjusted	2.19*	3.84 *	2.87
14 The planning process supported by CIS	2.16*	3.12*	2.55
Sample Size	26	18	44

\*Indicates statistically significant difference at 0.5 % level

moderately agreed (mean=3.62) with the idea. They were also asked whether their managerial reward system was based on annual profit or long term competitive potential. Small firms again more strongly agreed (mean=4.82) to this statement than medium sized firms (mean=3.81). This is in line with the findings of previous studies. A reward system based on annual performance and that does not consider efforts to build long term competitive potential discourages managers from focusing on strategic and long-term issues. Both small and medium enterprises use functional budgets as control tools. This may promote narrow departmental outlook at the expense of organizational direction.

It is not uncommon that most SMEs prepare business plans for the purpose of external validation by banks, government and other creditors. When companies were asked whether they had written business plans or not, they responded positively. However, further investigation indicated that business plans, the planning process and planning content are totally different things. Though plans contain major strategic issues and are products of the planning process, external consultants produced 37 percent of company plans. The companies know very little about the process. The most serious problem with small businesses is the tendency of managers/owners to keep their plans to themselves. Small firms seem to be uncomfortable communicating their plans to other organizational members. Detailed examination of the data revealed that 91 percent of sole proprietorship firms do not communicate their plans to others in the company. But, only 21 percent of partnership firms and 11 percent of corporations do not discuss their plans with others. This implies that ownership structure and communicating plans to others have positive relationship. As ownership structure grows from sole proprietorship to partnership and corporation, the tendency of managers/owners to communicate their plans to other organizational members also increases.

As can be seen from Table 2, strategic planning activities listed from 7 to 14 are not familiar to small firms. On average, small firms do not consider them as important aspects of

strategic planning, as indicated by the less than average (3.00) points awarded. They do not agree that plans are reviewed regularly; building long term competitive potential is rated high over annual profits; a manual is prepared and used to guide planning; different tools are implemented to see whether the plan has been achieved or not; proforma financial statements (balance sheet, profit and loss statements, capital statements, cash flow statements etc) and other quantitative tools (e.g., RaCE); the need to continuously adjust strategies rather than waiting for end of planning period; and the use of IT in business planning. As shown by the asterisks, there is a statistically significant difference ( $p > 0.005$ ) between the perceptions of small and medium enterprises about strategic planning activities. Medium firms for example, strongly agreed (4.62) that long-term competitive potential is more advantageous than annual profits while small firms strongly disagreed (2.88). Small firms use short-term oriented approaches to business planning. This is indicated by their positive response (4.82) to item 2 in Table 3. Managerial reward should be based on periodic profitability rather than long-term competitive potential of the company.

## DISCUSSION AND IMPLICATIONS FOR FUTURE RESEARCH

Though there is a great deal of literature on the subject of business planning, most of it does not pertain to the category of SMEs. Literature dealing specifically with strategic planning in SMEs is extremely scarce and very little has been written about business planning in SMEs in developing countries. The causes and cures of the failures of SMEs in developing countries are not well documented. It appears, moreover, that in most developed Western societies; the term SMEs applies to firms with 1000 employees, which would be considered large companies in developing countries like Botswana. Hence, the existing very limited literature on strategic planning in SMEs is of little use to SMEs in developing economies. The findings of this study are, therefore, tentative.

The results show that all the sample firms

agreed that business planning greatly increases the likelihood of success in business, but their response did not reflect the extent to which they actually make use of planning. Both small and medium sized firms are short-term in operational efficiency and survival-oriented. Their planning is predominantly informal and unstructured. SMEs assume that particularly formalized strategic planning is time-consuming, costly and requires highly qualified planning personnel.

Since management in SMEs are more involved with day-to-day operational problems about which there is some urgency, they do not give enough conscious time and effort to the endeavour of business planning. The nature of SMEs, is such that managers have to function in several different capacities on different levels of the organization which leaves them with no real time for proper planning. This indicates the lack of understanding and assessment of the difference between the real benefits of planning and the resources to be invested in it. Rightly conceived, planning is more problematic in large than in small firms because in large firms those who are interested in the benefits and results of planning are frequently not those who are responsible for the execution. As a result, for planning to be effective in large firms, a greater cohesion, coordination, and communication among the players is called for.

The findings also indicate that SMEs perceive strategic planning activities like the development of mission statement and operating philosophy, documentation of plans, market research, environmental scanning, etc as unaffordable. Given today's turbulent business environment, strategy formulation should not be restricted to large firms. With the exception of all but a few firms in the sample, there was little evidence that they had any sort of operating philosophy or explicitly stated mission. This reveals that they have unclear' definition of the business' and are thus unable to identify opportunities upon which they are particularly qualified to focus. The absence of explicitly stated and well-articulated mission, is often a lack of commitment and devotion to the achievement of organizational goals.

Planning should be used to shape the future business profile rather than to deal with day-to-day survival issues. The future is uncertain. SMEs appear to find the trade-off between uncertainty and immediacy a difficult choice. Nevertheless, if the future is to be shaped, then they must allocate a proportion of today's resources in order to pursue future gains. The resource which must first be allocated is time - time devoted to thinking and planning for the future. If money is to be invested, then attempts must be made to ensure the investment is effective so that the process of planning leads to some changes in firm-performance in the long run. If planning is to payoff, sufficient time and effort should be allocated. Yet very few SMEs (13 percent) appear to allocate sufficient amount of time to planning. In most SMEs surveyed, planning was not a living process but a veneer overlaid upon the day-to-day operations of running the business.

The other misperception about planning is the level of skills and expertise required for effective planning. Because SMEs do not have an abundance of managerial talent, as do large corporations, they consequently perceive planning as an esoteric activity, which can be successfully undertaken only by highly trained intellectual giants, available only in large corporations. However, the process of planning requires no more than applied common sense, which most small businessmen have. The major problem is, therefore, attitudinal and perceptual. Future research in business planning in SMEs in developing countries should focus on the identification of the basic planning steps and activities appropriate to the particular business, government, economic, technological, cultural and social environment rather than using Western planning procedures and activities as a basis. Moreover, management education and training programs should be geared toward providing basic and practical planning skills and knowledge that fit the environment of SMEs in developing countries.

Academics, researchers and consultants in developing countries should be encouraged and supported to develop case studies on successful SMEs and their planning behaviour.

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