

# Strategic planning and performance of SMEs in Ghana

## The moderating effect of market dynamism

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### Abstract

**Purpose** – This paper aims to examine the interacting effect of market dynamism and strategic planning on the performance of small- and medium-scale enterprises (SMEs) in Ghana.

**Design/methodology/approach** – This study has used quantitative approach in dealing with the interacting effect of market dynamic on strategic planning and SMEs' performance in Ghana. Purposive sampling is used to select 200 small- and medium-sized manufacturing and service firms in Ghana. The hierarchical multiple regression analysis is performed to test the hypotheses.

**Findings** – This study finds that a consistent application of strategic planning methodologies contributes to the advancement of SME performance in Ghana. In addition, it was ascertained that market dynamism has a significant positive relationship with firm performance, although its effect is not significant. Finally, the study reveals that market dynamism only influences SME performance when there is strategic planning.

**Research limitations/implications** – The findings are limited to the SMEs in Ghana. The study of market dynamism, strategic planning and performance is a very complex activity; therefore, to gather rich data on such research work may be best accomplished if the researchers adopt mixed method data gathering techniques. This will enrich the understanding on market dynamism, strategic planning and SMEs' performance relationship.

**Practical implications** – The findings of this research work offer guidance to owners or managers considering how to develop market dynamics and strategic planning to enhance firm performance.

**Originality/value** – This study reports on an obvious gap in the prevailing literature that few empirical research works have explored on the possible impacts of market dynamism and strategic planning on performance of SMEs in a third world country.

**Keywords** Performance, SMEs, Strategic planning, Market dynamism

**Paper type** Research paper



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## Introduction

The dynamic nature and high competition that have characterised the current business environment have revealed the relevance of strategic planning to profit maximisation. Strategic planning is simply a tool that can be described as a guide to the attainment of the business vision (Bryson, 2011). It stipulates the procedural steps and programmes an organisation seeks to pursue to move the firm from its current state to an expected future outcome in the process of time. It focuses on the best and most effective means to reach organisational success.

A strategic planning procedure illustrates the mission and vision of the company. It encompasses both the internal and external business contexts upon which the operations of the company are defined (Hervani *et al.*, 2005). It is usually drafted and implemented by the managers of the business; and is consequently conveyed to all stakeholders, both primary and secondary. The need for strategic planning becomes greater as the business expands and the market becomes more competitive. Market leaders vigorously undertake strategic plans to prepare better for market changes and to meet the changing needs of different market segments across time (Porter, 2008).

A strategy integrates the goals of the organisation's policies and sequence of actions into a cohesive whole. It serves as the compass for running the organisation towards a desired future outcome. Not many organisations can survive without a well-crafted plan focused on the long term. Floyd and Lane (2000) recommended that organisations grow comparatively constant examples of strategic behaviour that is good with supposed environmental conditions.

Strategic planning can achieve three main goals (Koteen, 1997). First, what the organisation intends to achieve can be understood during the planning process. Second, strategic planning involves the formation of a comprehensive step-by-step guide for achieving outlined goals. Finally, strategic planning has a primary purpose to set priorities and provide direction for the organisation's future.

Small- and medium-scale enterprises (SMEs) form a significant form of business around the world (Beck and Demirguc-Kunt, 2006). They are the dominant feature of the business landscape, especially in developing countries, such as Ghana. Literature suggests that SMEs play a significant role in industrial change and innovation, value-added creation, wealth generation, poverty reduction, global economic output and job provision (Agyapong, 2010; Dauda and Akingbade, 2010; Mukhamad and Kiminami, 2011). The survival and success of SMEs are therefore considered essential in the power to realise socio-economic development and national competitiveness (Cook and Nixon, 2000).

Despite the critical role that SMEs play in national output and competitiveness in Ghana, research has shown that their performance is affected by a host of factors that threaten their survival. Research indicates that SMEs have used wrong human resource development and hired outmoded equipment as well as technologies (Yi, 2012). This has led to the inability of SMEs to obtain higher performance. Hecker and Ganter (2013) and Papulova and Papulova (2006) contended that firms would need to build managerial capabilities to aggressively and coherently devise a winning strategy that effectively contrives superior organisational performances. Unfortunately, Robson *et al.* (2009) suggested that due to constraints, the survival rate among SMEs in Africa is very low.

According to Appiah Fening *et al.* (2008), one of the major reasons of the failure of SMEs in Africa, including those in Ghana, is the inability to practise strategic management successfully in their businesses. Aragón-Correa *et al.* (2008) also revealed that managers of the SMEs might not have adequate knowledge about the benefits accruing to the business, if they practise strategic planning.

Other common reasons to the low participation of SMEs in strategic process are also that the majority of managers are not aware of strategic goal techniques and methodologies and they are also not able to implement such procedures in their business operations (Motwani *et al.*, 2002). SME managers have the preconception that strategic goal is only suitable to large companies and not beneficial to smaller companies. It is assumed here that small- and medium-scale organisations that participate in strategic management practices will oversee increment in firm performance, although they operate in harsh economic environments with little supportive mechanisms.

The current work, therefore, seeks to investigate the implications of strategic planning on the SMEs' performance in Ghana in the presence of market dynamism. Looking at the practice, it appears that while some SMEs are doing well, others are finding it hard to cope with the competitive external environment. There is presently an inflow of SMEs in most emerging economies, and Ghana is no exception.

The rate at which SMEs are increasing has given birth to an intense competition among these companies. However, academicians have contended that strategic planning is a major characteristic of superior firms in dynamic markets. There is the need for the researchers to investigate whether the source of the performance difference among SMEs in Ghana is due to the level of involvement in strategic planning. Due to the nature of competition in the Ghanaian domestic market, there is the need for SMEs to be more strategic in their planning to channel the business along a particular success path. Though a plethora of studies exist that focus on the SMEs' performance and strategic planning, none of these studies has explored how the dynamic market leverage the influence of strategic planning on SME performance in Ghana. This research work focuses on this research gap and examines the interactive effect of market dynamism and strategic planning on the SMEs' performance in Ghana.

## Literature review

### *Strategic planning*

The relevance of strategic planning has been widely acknowledged worldwide because of its apparent input to organisational adequacy and ability to fast track performance. Strategic planning is debatably a significant component in the conduct of strategic management (Julian, 2013). Arasa and K'Obonyo (2012) noticed that strategic planning has likely benefits and inherent principles that in the end convert into improved business performance. It is thusly a vehicle that inspires better business performance.

Bryson (2011) explained strategic planning as an administrative procedure that joins four essential features: a reasonable articulation of the business's main goal, the recognisable proof of the organisation's stakeholders or external constituencies, the description of the organisation's strategic objectives and the advancement of techniques to accomplish those. Freeman and Wilmes (2009) recognised a portion of the major activities that are regular to all strategic planning procedures as leading a strategic analysis, and setting the strategic path, action planning, that is, cautiously putting out how the strategic objectives will be completed, and so on. Arasa and K'Obonyo (2012) hypothesised strategic planning as the way towards looking for a superior match.

Bryson (2011) contended that strategic planning helps with giving guidance so that organisation members know where the business is heading to and where to spend their main efforts. It controls the definition of the organisation the business is in, the closures it looks for and the methods it will use to achieve those ends. The procedure of strategic planning forms an organisation's strategy choice through the use of systematic, rational and logical

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methods. It uncovers and clears up future threats and opportunities, and gives a structure for decision-making. Strategic planning looks forward to preferred objectives.

Strategic planning explains performance to be measured, whereas performance assessment gives response against the arranged target (Zomorrodian, 2011). Arasa and K'Obonyo (2012) likewise contended that strategic planning gives the system of control, and helps in coordination of a business doings and in decision-making concerning the organisation; it powers the setting of goals, which gives a premise for assessing performance.

Steiner (2010) described strategic planning as the efficient and formalised exertion used to set up fundamental organisation purposes, targets, strategies and policies. It includes the advancement of point-by-point intents to actualise strategies and policies to accomplish goals and essential organisation purposes.

Fry (2003) viewed planning as a conscious, systematic process that provides the roadmap for an organisation to pursue its organisational vision and goals. Accomplishing satisfactory budgetary outcomes is critical on the grounds that without financial strength, suitable profitability and a business's chase of strategic vision, long-term health and critical existence are endangered. Potential investors, shareholders and lenders will falter to advance more money.

### *Market dynamism*

According to researchers, a market is said to be dynamic if it is characterised by a high rate of entry and exit (Rumelt and Lamb, 1997). Others also look at the effect of changing pricing that affects demand and supply of a product that leads to a firm's profitability, hence survival. According to Wang and Ahmed (2007), the difference between static and dynamic markets, to a great extent, seeks to recognise changed predominant types of rivalry, specifically circumstances where price drives rivalry (static markets), from those where technological advancement and product assume more noticeable parts (dynamic markets). One of the fundamental reasons of rivalry policy is the deterrence of over-the-top market power and its manipulation (Motta, 2004). According to Motta (2004), the rationale behind competitive policy is the great market influence or great rate of focus. This is harmful to customers' well-being as well as to the performance of different opponents in the business.

Another tool for market rivalry is being creative, which is a counter-attack technique to tough competition. For a firm to survive and grow in a competitive market, it needs to come out with something unique that distinguishes its product or services from others. The attentiveness level of rivals in the market decides the need to assume innovations (Ireland and Webb, 2007). Tidd *et al.* (2005) indicated that the survival on a competitive market requires innovations to happen.

There are a few hypothetical cases which describe the conduciveness of rivalry to advancement: in view of Darwinian effect, strengthened product market rivalry is said to become a main force to influence managers to embrace new technologies; in neck-and-neck competition impact, competition between companies with "neck-and-neck" technologies is expressed to influence a company's motivating force to build its innovative lead over its competitors. Competitive forces completely affect a company's preference to carry out R&D (Dushnitsky and Lenox, 2005), which is the primary development action. Koouba *et al.* (2010), on account of Tunisian businesses, discovered that the expansion in concentration of the market suggests an expansion in probability of innovation in analysed organisations.

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*The relationship between strategic planning and small- and medium-scale enterprise performance*

Countless research works recommend that an effective and efficient strategic administration framework can expand profitability (Chen and Popovich, 2003; Gunasekaran *et al.*, 2001; Hill *et al.*, 2014). Recent empirical evidence demonstrates that by and large, organisations that plan, achieve greater performance than those that do not plan. In one such research work, company with strategic planning frameworks showed greater long-term performance, both with respect to their industry and in absolute terms.

In reality, all strategic systems have one common thing: these all go for boosting the performance of a business and enhancing its intensity in connection to its competitors in the same competitive environment (Porter and Kramer, 2002). Once there is a proper strategic planning, it reflects in the performance of the organisation in terms of cutting cost and meeting customer requirements and production process on time (Gunasekaran *et al.*, 2004). Small business organisations often occupy fragmented niche markets that are either uneconomical or characterised by unattractive risk and return for large corporations. Small businesses contribute positively to innovative capacity for economies, despite their disproportionately small investments in research development (Nichter and Goldmark, 2009).

Numerous studies have sought to investigate why some SMEs are more successful than others. Many scholars in organisation management have identified the presence or absence of strategic planning as a key determinant of business success. Available research evidence consistently shows that majority of SMEs fail to adequately incorporate strategic planning into organisational management. On the basis of the discussions above, the following hypothesis is made:

- H1. There is a positive relationship between strategic planning and small- and medium-scale enterprise performance in Ghana

*The effect of market dynamism on performance*

In the period of globalisation, competition has become fiercer than ever. Reduced trade barriers, technological advancement and lower communication and transportation costs have sharpened international competition (Grimm *et al.*, 2005). The sources of performance variations among firms have been embedded in terms of industry forces and organisational characteristics.

Weerawardena *et al.* (2006) argued that a firm's performance can be explained by the strengths and weaknesses of the industry forces it operates within. Firms that perceive their industry forces as dynamic may push themselves to be more proactive and innovative, thereby influencing performance. Oyewobi *et al.* (2013) concluded that the dynamic nature of the African business environment has driven most organisations to develop and adopt a proactive position in response to these changes. This has enabled these organisations to take advantage of existing opportunities in their operating environments.

As indicated by Pearce and Robinson (2011), competition means the conduct that business competitors display regarding winning the market by looking for, consistently, to pick up advantage over each other. This conduct is communicated to cover the number of organisations competing in the market, product separation, kind of innovation used, delivery of better administrations, focused costs and incentive for cash and competitive prices. A venture is probably not going to succeed when its administration neglects to create techniques expected to adequately counter its opposition (Svejnar and Commander, 2007).

The International Finance Corporation recognised the developing significance of SMEs on the global economies and pushed for the delivery of particular concentrated finance packages by organisations and governments to help their advancement. SMEs, if given the fundamental help, can possibly develop into large-scale firms. Unfortunately, they are bedevilled with a number of challenges which constrict growth; these include their failure to deliver in an effective way, high per unit costs because of restricted economies of scale in the utilisation of key assets and challenges in big capital cost absorption (Arthur, 2007; Beck *et al.*, 2005). As a result, SMEs are expected to be highly sensitive to market changes and competition. SMEs can draw on the flexible nature to redefine strategies and programmes to meet changes in customer demands and harsh conditions in the external environment.

The complexity of the market may result in the creation of an emergent strategy that does not necessarily pursue explicit objectives or formal approaches, but rather progresses through trial and error in a flexible and incremental manner that strives to keep up with market dynamism (Temtime and Pansiri, 2005). This is essential, especially for small organisations faced with unstable and, often, uncontrollable market conditions. Small enterprises are faced with uncertainties concerning organisational competencies that will remain relevant in the future, owing to changing technology, political and economic trends and shifting consumer preferences.

Acquaah *et al.* (2008) realised that market dynamism leads to high performance among businesses in Ghana. This view is further corroborated by Auh and Menguc (2005) and Dibrell *et al.* (2007), who argued that firms generally develop ways to succeed due to the threat of significant deterioration in profits as a result of operating passively in such a market. On the basis of the discussions above, the following hypothesis is made:

*H2.* There is a positive relationship between market dynamism and small- and medium-scale enterprise performance in Ghana

#### *The interaction effect of market dynamism and strategic planning on small- and medium-scale enterprise performance*

The external environment can either compound or moderate the effect of firm-specific factors. The literature suggests that the uncertainty associated with the business environment affects business decisions, as management are unable to predict the movement of external factors. The dynamic nature of the market forces, conveniently referred to as market dynamics, therefore has an effect on how well businesses can effectively take advantage of opportunities (Buhalis, 2000).

The researchers argue, therefore, that in highly dynamic markets, businesses are forced to improve their competitiveness by adopting more efficient and innovative business practices. Chan *et al.* (2012) also asserted that the impact of business practices on performance is contingent on the level of competitive intensity in the market. Thus, the dynamic nature of the market determines the strategic action to pursue.

The openness of the Ghanaian market to both domestic and foreign trade through the economic liberalisation programme has increasingly exposed consumers to a variety of products and businesses to hyper competition. Although consumers are loyal to most first movers, over time, the Ghanaian consumer has proven to be more sophisticated in tastes and preferences, with specialised needs and interests.

Moreover, the changing role of strategic planning provides greater flexibility for innovation in defining a positive direction for the organisation in dealing with market dynamism and competition. Strategy formulation facilitates the complex task of innovation for addressing uncertainty and dynamism in the operating environment (Wang *et al.*, 2007). The increasing

volatility of business, resulting from changing competition and uncertainty of the market environment, in turn complicates the process of systematic strategy formulation.

Small enterprises are faced with uncertainties concerning organisational competencies that will remain relevant in the future, owing to changing technology, political and economic trends and shifting consumer preferences (Wennekers and Thurik, 1999). A flexible strategy is more desirable for small enterprises for facilitating speedy responses to unstable operating environments, and adaptability to market complexity while integrating management action into an overall formalised business strategy. On the basis of the discussions above, the following hypothesis is made:

*H3.* Marketing dynamism moderates the relationship between strategic planning and small- and medium-scale enterprise performance in Ghana (Figure 1).

### Research methodology

Using a quantitative explanatory approach, the study examined the interacting effect of market dynamism on the association between strategic planning and SMEs' performance in Ghana. This study's population comprises owners and managers or chief executive officers of small businesses (SB) that hire employees between 2 and 30, with fixed assets of \$100,000 within Ghana. A purposive sampling technique was used to select 200 respondents as sample size.

To gather a clear view of the primary data gathered for analysis, it was necessary to extract the demographic information of the respondents for the study, which Table I details.

Looking at the industries that these respondents fell in, it turned out that 66 manufacturing firms and 130 firms in the service and other industries responded. This opines that majority of the respondents were from the service and other industries (66 per cent). Yet, the data captured a fair representation for the manufacturing firms as well (33 per cent). Amongst the firms, 26 per cent were micro businesses, whereas a greater percentage was small businesses (74 per cent). It was necessary to gather data from people who could contribute adequately to the matters of the study. Consequently, 54 owner-managers and 64 executives were reached. Managers formed the majority (78).

The oldest firm amongst the respondents of the study was 41 years old, whereas the youngest was just a year old (Table I). Moreover, most of the firms were within 10-11 years. With this detail, it is evident that there have been new and old small-scale enterprises

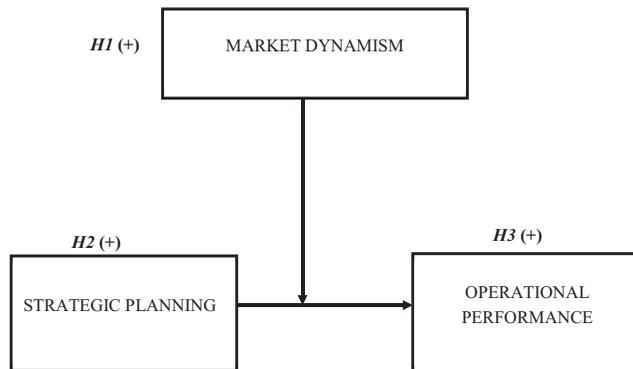


Figure 1.  
Conceptual model

Source: Authors' construct (2017)

	(n)	(%)
<i>Firm industry</i>		
Manufacturing	66	33.7
Service and others	130	66.3
<i>Firm size</i>		
Micro (1-5)	51	26.0
Small (6-29)	145	74.0
<i>Respondents' position</i>		
Owner-manager	54	27.6
Executive	64	32.7
Manager	78	39.8

	Minimum	Maximum	Mean	SD
Firm age (years)	1	41	10.66	7.727
Respondents' experience (years)	1	18	4.88	3.100

**Table I.**  
Firm and respondents' background information

Source: Field study (2017)

captured in this study for an adequate representation. Some respondents have been in the small-scale industries for 18 years, whereas others have been there for one year. It was also realised that most of the respondents gained four years of experience, which is to say that this study captures people with various experiences in the small-scale industry for varied views. The gaps between these ages are not too wide (SD = 3.100).

Following the suitable measures of marketing dynamism, strategic planning and performance, the reliability test was consequently run to find out if a suitable internal consistency has been achieved for each of the key variables. The widely used tool for checking the reliability of survey responses is the Cronbach's alpha, which reveals the level of normal correlation among the items of a given scale. The alpha coefficient ranges from 0 to 1 and has a generally acknowledged estimation of 0.6 or more (Pallant, 2010). Results show that Cronbach's alpha values for each of the variables ranged from 0.800 to 0.950 (Table II).

The second part of this work focuses on the regression analysis to arrive at the responses to the research questions posed in this work. Before such analysis is conducted, the first vital step is to perform a descriptive analysis of the key variables as well as to explore the correlation between the variables to know if any level of relationship exists. Consequently, this section is divided into three parts: descriptive analysis, correlation analysis and hypothesis testing.

Variable	Standardised item alpha	No. of items
Performance	0.950	10
Managerial capability	0.811	7
Strategic planning	0.925	11

**Table II.**  
Cronbach's reliability tests

Source: Authors (2017)

**Results**

*Descriptive analysis*

A descriptive analysis was performed on the key variables of the study to examine the level of strategic planning and business performance among the sampled firms. Table III shows that averagely the degree of strategic planning among the sampled companies is moderate. The mean value of 3.56 confirms that strategic planning exercises are not a prevalent characteristic among SMEs in Ghana. Meanwhile, the general perception among the key respondents of the study shows that there is a high degree of market dynamism in the industry (Mean = 4.06, SD = 0.825). The implication is that the SME sector is clouded with a challenging business environment, which requires the average firm to be aggressive to survive. The level of firm performance was also found to be averagely high (Mean = 4.08, SD = 1.525).

However, the standard deviation for firm performance shows that a significant variation exists among firms in terms of performance levels. It is based on this phenomenon that investigations of this form are vital to understand the factors that account for the high variation in performance among SMEs in the country, and to draw out meaningful conclusions that can have an impact on practice and academia in general.

*Correlation analysis*

The outcomes of the correlation analysis are also reported in Table III. A correlation analysis is performed to find out whether there is a relationship between the two variables. It is a useful step in any regression analysis attempting to find the influence of an independent variable on an outcome variable. It tries to find out whether there is a linear relationship between the variables to be investigated and the direction of such a relationship.

However, it is important that the correlation between the variables does not exceed 0.7; as such, an outcome would mean that one of the conditions for performing a regression analysis would have been violated. Table III shows that strategic planning has a strong positive connection with business performance. This is by the correlation coefficient of 0.695, with a significant level of 0.01. It is also revealed that a positive relationship exists between market dynamism and business performance (correlation coefficient = 0.412) with a significant level of 0.01. This result shows that a regression analysis that looks at the best-fit linear function that best predicts the relationship between the dependent variable, firm performance, and the independent variables, market dynamism and strategic planning, can be estimated.

Meanwhile, the correlation analysis also reveals that other firm-level characteristics such as the type of industry ( $R = -0.139, p < 0.05$ ), firm size ( $R = -0.019; p > 10$  per cent) and

Variables	Mean	SD	1	2	3	4	5	6
1. Firm industry <sup>a</sup>	0.34	0.474	1.00					
2. Firm size <sup>b</sup>	0.74	0.440	0.201**	1.00				
3. Firm age <sup>c</sup>	2.13	0.725	0.116*	0.356**	1.00			
4. Strategic planning (SP)	3.56	0.312	-0.221**	0.016	-0.107	1.00		
5. Market dynamism (MD)	4.06	0.825	-0.184**	-0.012	-0.050	0.551**	1.00	
6. Firm performance (FP)	4.08	1.514	-0.139*	-0.019	-0.179*	0.695**	0.412**	1.00

**Notes:** \*Significant at the 0.05 level (two-tailed); \*\*significant at the 0.01 level (two-tailed)

**Source:** Field study (2017)

**Table III.**  
Descriptive statistics  
and correlations  
matrix

firm age ( $R = -0.179, p < 0.05$ ) have a negative relationship with firm performance. However, the relationship between firm size and firm performance is not significant. It is also shown in Table III that the type of industry the firm operates in also has a negative correlation with both strategic planning ( $R = -0.221, p < 0.01$ ) and market dynamism ( $R = -0.189, p < 0.05$ ).

### Regression and model estimation results

As Table III establishes the relationship between the independent variables and firm performance, Table IV reveals the impact these independent variables have on firm performance. The hierarchical multiple regression (HMR) method was used to simultaneously explore the moderating effect of strategic planning on the relationship between market dynamism and firm performance. Four interrelated models were presented in this technique to follow the happenings on firm performance as far as these variables are concerned.

The first model showed the effects of the control variables on firm performance. The impact of strategic planning on firm performance with the involvement of the controls, such as firm industry, firm size and firm age, were elucidated in the second model. Market dynamism has a positive relationship with firm performance, yet Model 3 of the HRM technique used comes out with its predictions on firm performance. The final model reveals the effects of the addition of the interactive variable (strategic planning  $\times$  market dynamism) on firm performance. To check out the validity and firm predictions of the variables involved, the  $R^2$  and  $F$ -statistic tools were used in this technique.

Model 1 of the HRM standardised results, which explored the impact of the controls on firm performance, indicates that firm size has a positive effect ( $\beta = 0.126$ ) on firm performance but does not show any level of significance. It is also realised that firm industry and firm age do not have any significant impact on firm performance. In the Model 2, strategic planning ( $\beta = 0.476, p < 0.01$ ) is found to have a strong positive effect on firm performance. The change in  $R^2$  for the second model indicates that strategic planning contributes about 14.7 per cent to variations in firm performance. Model 3 expounds that market dynamism has a positive, but weak, effect on firm performance ( $\beta = 0.049, p > 10$

	Model 1	Model 2	Model 3	Model 4	VIFs
Controls					
Firm industry <sup>a</sup>	-0.105 (-0.411)	-0.128 (-0.398)	0.128 (0.540)	0.129 (0.287)	1.114
Firm size <sup>b</sup>	0.126 (0.637)	-0.118 (-0.104)	0.127 (0.220)	0.102 (0.128)	1.336
Firm age <sup>c</sup>	-0.077 (-1.82)	-0.102 (-1.655)	-0.067 (-1.26)	-0.062 (-1.14)	1.429
Strategic planning (SP)		0.476 (6.810)**	0.414 (6.138)**	0.420 (6.333)**	1.096
Market dynamism (MD)			0.047 (0.774)	0.049 (0.810)	1.124
Strategic planning $\times$ market dynamism				0.128 (2.771)**	1.022
$R^2$	0.178	0.325	0.348	0.499	
$\Delta R^2$	0.178	0.147	0.023	0.151	
$\Delta F$ -statistics (DF)	43.687 (191)***	40.117 (191)***	25.736 (189)***	7.679 (188)***	

**Notes:** *t*-values are in the parenthesis; <sup>a</sup>Dummy variable (industry): 1 = manufacturing; 0 = others; dummy variable (size): 1 = small; 0 = micro; \* $p < 0.05$  (two-tailed); \*\* $p < 0.01$  (two-tailed); \*\*\*model significant at 1%

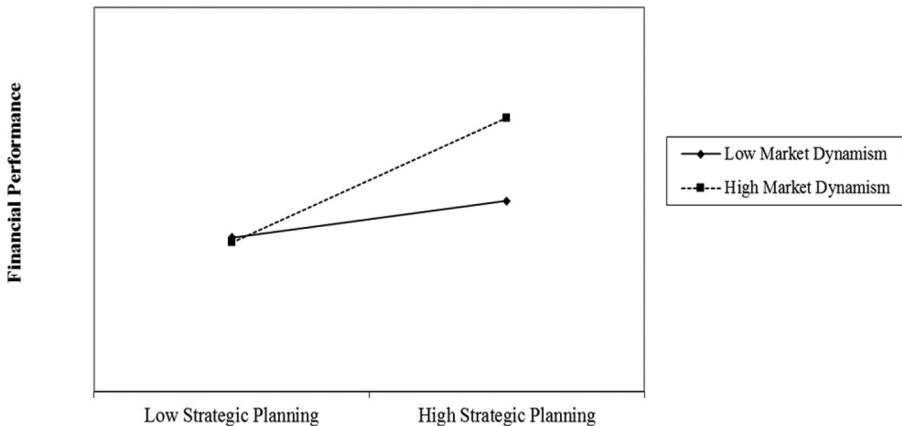
**Table IV.**  
Regression analysis results

per cent). The change in the  $R^2$  reveals that in the play of market dynamism, strategic planning is still able to contribute 2.3 per cent of the change in firm performance.

Finally, the interactive effect of strategic planning and market dynamism on performance was examined. It was realised that the interaction of strategic planning and market dynamism had a strong positive contribution to firm performance ( $\beta = 0.128, p < 0.01$ ). Moreover, the change in  $R^2$  reveals that 15.1 per cent of the variation of firm performance is accounted for by the addition of the interactive variable (strategic planning  $\times$  market dynamism).

From the above investigation, it was extracted from the correlation analysis that there is a significant positive relationship between strategic planning and firm performance. Even more, the regression analysis opined that there is a significant input strategic planning that adds to the variation of firm performance. This combination strongly supports *H1*, which says that there is a positive relationship between strategic planning and SME performance in Ghana.

Also, it was ascertained that market dynamism has a significant positive relationship with firm performance, although its effect is not significant. Thus, *H2*, which states that market dynamism has a positive impact on firm performance, is not fully supported by the study. *H3* mentions that market dynamism moderates the relationship between strategic planning and SME performance in Ghana. The findings of this work show that the interaction of strategic planning and market dynamism has a positive influence on firm performance. This conclusion is further confirmed by the moderation plot illustrated in [Figure 2](#). [Figure 2](#) reveals that the positive effect of strategic planning on firm performance is enhanced in the presence of high market dynamism and vice versa ([Table V](#)).



**Figure 2.**  
The moderating effect of marketing dynamism

Hypotheses	Statement	Conclusion
<i>H1</i>	There is a positive relationship between strategic planning and SME performance in Ghana	Supported
<i>H2</i>	There is a positive relationship between market dynamism and SME performance in Ghana	Not supported
<i>H3</i>	Marketing dynamism moderates the relationship between strategic planning and SME performance in Ghana	Supported

**Table V.**  
Hypotheses test results

Source: Field study (2017)

As shown in [Figure 2](#), market dynamism influences the relationship between strategic planning and firm performance. It is seen that in periods of low market dynamism, the positive influence of strategic planning on firm performance is lower, as compared to periods of high market dynamism.

### Discussion of results

Results revealed that the levels of strategic planning among the sampled SMEs in Ghana have been relatively low; this is interesting, given the fact that the study found that the level of market dynamism in the sector has been high. Meanwhile, the study found that there is a significant difference in the financial performance of the sampled SMEs. Probing further, it was observed that although strategic planning activities are not very prevalent among the SMEs, those who engaged in them attained superior performance than those who did not.

The findings of this work therefore corroborate the findings of [Arasa and K'Obonyo \(2012\)](#) and [Rummler and Brache \(2012\)](#) who contended that organisations' records enhanced performance once they incorporated strategic planning. [McCarthy \(1996\)](#) noticed that an organisation's strategy gives a focal reason and course to the activities of the firm and to the general population who work in it. The findings of this study have further emphasised the need for strategic planning in the face of intense competition and a dynamic business environment.

According to [Matsuno and Mentzer \(2000\)](#), the impact of business practices on performance is contingent on the level of competitive intensity in the market. It implies that the dynamic nature of the market should determine the strategic action the firm must pursue. [Wolff and Pett \(2006\)](#) also noted that complexities of the market environment serve as an impetus for aggressive response among firms, which drives firms' performance. Firms that perceive their industry forces as dynamic may push themselves to be more proactive and innovative, thereby influencing performance.

[Oyewobi et al. \(2013\)](#) concluded that the dynamic nature of the African business environment has driven most organisations to develop and adopt a proactive position in response to these changes. This has enabled these organisations to take advantage of existing opportunities in their operating environments. [Hill et al. \(2014\)](#) also argued that an organisation is uncertain of flourishing when its management fails to improve plans required to efficiently stand the challenges posed by the prevailing market conditions, including competition of rival firms.

The findings of this work therefore emphasise how vital it is for SMEs to develop strategies and programmes, especially given the harsh conditions in the external environment. This study also accentuates the policy relevance of such interventions by government, including the Rural Enterprise Programmes and Fund for Africa Private Sector Assistance, which are geared towards the upgrading of Ghanaian SMEs' skills, governance and operations. This is essential, especially for small organisations faced with unstable and, often, uncontrollable market conditions. Small enterprises are faced with uncertainties concerning organisational competencies that will remain relevant into the future, owing to changing technology, political and economic trends and shifting consumer preferences.

### Conclusion

This failure of SMEs across the globe and in developing countries has been a matter of concern for policymakers, given the importance of SMEs to national development and employment creation. Although many researchers have attempted to investigate this phenomenon, the relevance of the complementarity between market dynamism and strategic planning to the performance of SMEs has been unexplored.

This research therefore focused on this issue to contribute to the growing literature on SMEs by using a unique data set of SMEs in an African economic context – Ghana. Data were

gathered from SMEs in Ghana. The study demonstrates that though strategic planning implementation is not widely practised among SMEs in Ghana, its employability is very crucial to the sustenance of SMEs in Ghana, especially in the face of competition.

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