

**STRATEGIC PLANNING AND BUSINESS PERFORMANCE: AN  
EMPIRICAL STUDY OF MANUFACTURING SMEs IN WESTERN  
PROVINCE**

By

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## Declaration of the candidate

The work described in this research was carried out by me under the supervision of Dr. (Mrs.) M.D. Pushpakumari and a report on this has not been submitted in whole or in part to any university or any other institution for another Degree/ Diploma.

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## TABLE OF CONTENTS

	Page no
Table of Contents	v
List of Tables	ix
List of Figures	xii
List of Abbreviations	xiii
Acknowledgements	xv
Abstract	xvi
Chapter 01: Introduction	1
1.1 Background of the Study	1
1.2 Problem Statement	4
1.3 Research Objectives	6
1.4 Research Methodology	7
1.5 Significance of the Study	8
1.6 Limitations of the Study	9
1.7 Organization of Chapters	10
Chapter 02: Literature Review	11
2.1 Introduction	11
2.2 The Need/Importance of Planning	11
2.3 Definitions and Content of Strategic Planning	13
2.4 Strategic Planning Practices of SMEs	20
2.5 Reasons for Less Practices of Strategic Planning in SMEs	22
2.6 Factors Affecting the Strategic Planning	23
2.7 Owner/Manager Characteristics and Firm Characteristics for the Involvement to the Process of Strategic Planning in SMEs	25
2.8 Entrepreneurial Orientation (EO)	28
2.9 Entrepreneurial Orientation and Planning	31
2.10 Business Performance	32
2.11 Strategic Planning and Performance	36
2.12 Entrepreneurial Orientation (EO) and Performance	44

2.13	Research Gap	46
2.14	Summary	47
Chapter 03: Small and Medium sized Enterprises (SMEs)		48
3.1	Introduction	48
3.2	The Evolution and Importance of SMEs	48
3.3	Definitions of SMEs	53
3.4	The Importance of Developing SMEs in Sri Lanka	57
3.5	Profile Characteristics and Position of SME Sector in Sri Lanka	60
3.6	The Policy and Institutional Environment of SMEs in Sri Lanka	60
3.7	The Tribulations Encountered by SMEs	68
3.8	Summary	69
Chapter 04: Research Design and Methodology		70
4.1	Introduction	70
4.2	Research Design	70
4.3	Conceptual Framework	71
4.4	Research Hypotheses	73
4.5	Identification and Measurement of Variables	74
4.5.1	Owner/Manager Characteristics and their Indicators	74
4.5.2	Firm Characteristics and their Indicators	75
4.5.3.	Entrepreneurial Orientation	76
4.5.4	Strategic Planning Process	77
4.5.5	Business Performance	80
4.6	Population, Sample and Sampling Method	80
4.7	Data Collection Method	84
4.8	Design and Administration of Questionnaire	85
4.9	Validity and Reliability Evidences	85
4.10	Data Analysis Method	88
4.11	Summary	91

Chapter 05: Data Analysis	92
5.1 Introduction	92
5.2 Exploratory Data Analysis (EDA)	92
5.2.1 Testing for Normality	92
5.2.2. Testing for Linearity	93
5.2.3. Testing for Multicollinearity	94
5.2.4 Testing for Homoscedasticity	94
5.3 Descriptive Analysis of the Sample Characteristics	95
5.3.1 The Profile Characteristics of SME Owner/Managers	95
5.3.2. The Profile Characteristics of SMEs	97
5.4 Strategic Planning Practices in SMEs in Sri Lanka	100
5.5 The Relationship Between the Strategic Planning Process (SPP) and the Business Performance (BP)	102
5.6 Barriers Encountered by SMEs in Engaging in Strategic Planning Process	109
5.7 The Relationship between Owner/Manager and Firm Characteristics of SMEs and the Level of Involvement in the Strategic Planning Process	110
5.7.1 The Relationship between Owner/Manager Characteristics of SMEs and the Level of Involvement in the Strategic Planning Process	111
5.7.2 The Relationship between Firm Characteristics of SMEs and the Level of Involvement in the Strategic Planning Process	117
5.8 The level of Entrepreneurial Orientation (EO) of Owner/Managers of SMEs and its Impact on Strategic Planning Process and Business Performance	121
5.8.1 The level of Entrepreneurial Orientation (EO)	122
5.8.2 The Entrepreneurial Orientation (EO) of Owner/Managers of SMEs and Strategic Planning Process	123
5.8.3 The Entrepreneurial Orientation (EO) of Owner/Manager of SMEs and its Impact on Business Performance	124
5.9 Other Findings of the Study	129
5.10 Summary	131

Chapter 06: Discussion of the Results	132
6.1 Introduction	132
6.2 Discussion of the Results Related to the Major Findings	132
6.2.1 Strategic Planning Practices in SMEs	132
6.2.2 The Relationship between Strategic Planning Process and Business Performance of SMEs	134
6.2.3 Barriers Faced by SMEs in Engaged in Strategic Planning Process	136
6.2.4 Relationship between owner/manager and firm characteristics of SMEs and the level of involvement in the strategic planning process	137
6.2.5 The Relationship between the level of Entrepreneurial Orientation (EO) of Owner/managers of SMEs and Involvement to the Process of Strategic Planning	140
6.2.6 The Relationship between the Entrepreneurial Orientation (EO) of Owner/managers of SMEs and Business Performance	141
6.3 Summary	142
 Chapter 07: Summary and Conclusions	 143
7.1 Introduction	143
7.2 Summary	143
7.3 Conclusions Drawn From the Study	144
7.4 Implications, Suggestions and Recommendations of the Research	147
7.5 Limitations and Recommendations for Further Research	149

## References

## Appendices

### Appendix A: Survey Questionnaire

## List of Tables

	Page No.
Table 2.1: Classification of Strategic Planning	14
Table 2.2: Categorization of Strategic Plans	16
Table 2.3: Strategic Planning Categories	17
Table 2.4: Components of Strategic Planning Process	19
Table 2.5: Indicators of Strategic Posture	29
Table 2.6: Indicators of Entrepreneurial Orientation (EO)	30
Table 2.7: Dimensions of Entrepreneurial Orientation	31
Table 2.8: Measures of Financial Performance	33
Table 2.9: Indicators of Performance	34
Table 2.10: Empirical Studies of the Relationship between Strategic Planning and Performance	43
Table 3.1: Contribution of SME Sector for the Gross Domestic Product (GDP) in Selected Asian Countries in 2006	50
Table 3.2: Definitions of SMEs in Selected Asian Developing Countries	54
Table 3.3: Definitions of SMEs in Sri Lanka	56
Table 3.4: Principal Indicators of Industrial Activity Classified by Major Industry Division & Persons Engaged size Class – 2009 (Establishments with 5 or more Persons Engaged)	57
Table 3.5: Principal Indicators of Industrial Activity Classified by District – 2009 (Establishments with 5-100 Persons Engaged) (Manufacturing Sector)	59
Table 3.6: Sector wise Loan Disbursement – 2011	67
Table 4.1: Owner/Manager Characteristics and their Indicators	75
Table 4.2: Firm Characteristics and their Indicators	76
Table 4.3: Indicators of Entrepreneurial Orientation	77
Table 4.4: Indicators of Strategic Planning Process	78
Table 4.5: District wise Manufacturing SMEs in Sri Lanka	82
Table 4.6: Distribution of the Sample	83
Table 4.7: Distribution of Manufacturing SMEs in each district under each industry division in Western Province	83
Table 4.8: Industry wise Selection of SMEs in Western Province	84



Table 4.9: KMO and Bartlett's Test: Pilot Study	86
Table 4.10: Cronbach's Alpha Statistics of Scales: Pilot Study and Main Study	87
Table 4.11: Summary of the Statistical Methods and Tools of the Study	90
Table 5.1: Multicollinearity Test of Independent Variables of Conceptua Framework	94
Table 5.2: The Personal Profile of the Owner/Managers	96
Table 5.3: General Profile of SMEs	99
Table 5.4: Reason to Start Current Business	100
Table 5.5: Strategic Planning Practices of Manufacturing SMEs in Western province	101
Table 5.6: Relationship between Strategic Planning Process and Business Performance	103
Table 5.7: Relationship between Each Step of the Strategic Planning Process and Business Performance	104
Table 5.8: Relationship between Overall Strategic Planning Process and the Each Indicator of Business Performance	105
Table 5.9: Relationships between Steps of Strategic Planning Process and the Variables of Business Performance	106
Table 5.10: SMEs by Level of Involvement in the Strategic Planning Process	108
Table 5.11: Most Important Barrier in Strategic Planning	110
Table 5.12: Level of Involvement in the Strategic Planning process by the Age of the Owner/Manager	112
Table 5.13: Level of Involvement in the Strategic Planning process by the Gender of the owner/manager	113
Table 5.14: Level of Involvement in the Strategic Planning Process by the Highest Education Level of the Owner/Manager	114
Table 5.15: Level of Involvement in the Strategic Planning Process by the Previous Training of the Owner/Manager	115
Table 5.16: Level of Involvement in the Strategic Planning Process by the Previous Business Experience of the Owner/Manager	117
Table 5.17: Level of Involvement in Strategic Planning Process by the Firm Size	118
Table 5.18: Level of Involvement in the Strategic Planning Process by the Age	119

of the Firm	
Table 5.19: Level of Involvement in Strategic Planning Process by the Legal Form of the Firm	121
Table 5.20: SMEs by Level of Entrepreneurial Orientation	122
Table 5.21: Relationship between Entrepreneurial Orientation and Strategic Planning Process	123
Table 5.22: Relationship between the EO and Business Performance	124
Table 5.23: Relationship between Dimensions of EO and Business Performance	125
Table 5.24: Relationship between Overall EO and each Measure of Business Performance	125
Table 5.25: Relationship between EO Dimensions and Business Performance Indicators	124
Table 5.26: Multiple Regression Analysis – Dimensions of EO and Business Performance	126
Table 27: ANOVA – EO and Business Performance	128

## List of Figures

	Page no.
Figure 3.1: Output Growth Rates of Small Enterprises (SEs), Medium Enterprises (MEs) and Large Enterprises (LEs) (%) (2001–2006) in Asian Developing Countries	51
Figure 3.2: GDP Growth Contribution by Size of Enterprise (%) in Asian Developing Countries (2003 – 2006)	52
Figure 3.3: SME Sector Contribution to Total Employment and GDP in Asian Countries (2000-2004)	52
Figure 3.4: District wise Loan Disbursement - 2011 (Rs. Millions)	67
Figure 4.1: Factors affecting the Strategic Planning and its Impact on Business Performance	72
Figure 5.1: Major Areas of Manufacturing	97
Figure 5.2: Most Important Competitive Factor of the Business	129
Figure 5.3: Most Important Barrier of the Business	130
Figure 5.4: The Next Step of the Business	131

## List of Abbreviations

ADB	Asian Development Bank
ANOVA	Analysis of Variance
CISIR	Ceylon Institute of Scientific and Industrial Research
CSSI	Cottage and Small Scale Industry
DCS	Department of Census and Statistics
EDA	Exploratory Data Analysis
EDB	Export Development Board
EDPs	Entrepreneurship Development Programmes
EO	Entrepreneurial Orientation
FTE	Full Time Employee
GDP	Gross Domestic Product
IDB	Industrial Development Board
IFC	International Finance Corporation
LEs	large enterprises
MEs	Micro Enterprises
MFP	Ministry of Finance and Planning
MSSA	Micro and Small Scale Activities
NCC	National Craft Council
NDB	National Development Bank
NDC	National Designed Centre
NIBM	Institute of Business Management
NYSCO	National Youth Co-operatives
REs	Rural Enterprises
RRDB	Regional Rural Development Bank
SEDD	Small Business Development Division
SEs	Small Enterprises
SLBDC	Sri Lanka Business Development Center
SLHB	Sri Lanka Handicraft Board
SMAAs	Small and Medium Scale Activities
SMED	Small and Medium Enterprise Developers

<b>SMEDeF</b>	<b>Small and Medium Enterprise Development Facility Project</b>
<b>SMERDP</b>	<b>Small and Medium Enterprise Regional Development Project</b>
<b>SMEs</b>	<b>Small and Medium sized Enterprises</b>
<b>SMIDEC</b>	<b>Small and Medium Industries Development Corporation</b>
<b>SIMs</b>	<b>Medium Scale Industries</b>
<b>SPP</b>	<b>Strategic Planning Process</b>
<b>TF</b>	<b>Task Force</b>
<b>VIF</b>	<b>Variance Inflation Factor</b>

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**Strategic Planning and Business Performance: An Empirical Study of  
Manufacturing SMEs in Western Province**

W.A.D.S. Wijetunge

**ABSTRACT**

The economic growth of developing countries can be sustained by the expansion of private sector, as they are the engine of growth. As a consequence, it is important to accelerate the growth of SMEs in order to gain sustainable development in this era. Many scholars have argued that the strategic planning is one of the salient factors which contribute to the performance of SMEs. However the recent literature provides contradictory findings about the relationship between strategic planning and performance. Based on these evidences, the main objective of the study was to examine the relationship between strategic planning and performance of SMEs. More importantly the study focused on strategic planning process where, there is a dearth of studies which have concentrated on strategic planning process. Specific objectives include to identify the strategic planning practices in SMEs, to examine the difficulties faced by SMEs in engaged in strategic planning process, to identify the relationship between owner/manager and firm characteristics of SMEs and the level of involvement in the strategic planning process, to investigate the level of Entrepreneurial Orientation (EO) of owner/managers of SMEs and its impact on strategic planning process and business performance. Data were collected through personally attended structured questionnaire distributed among 275 owner/managers of SMEs in Western province. Both descriptive and inferential statistics techniques were used to analyze the collected data.

The findings revealed that the SMEs are highly engaged in strategic planning process and there is a positive relationship between strategic planning and business performance. When SMEs are involved more in strategic planning process leads to high business performance. Further, owner/manager characteristics such as age, gender, educational qualifications, prior training and previous business experience are positively related to involvement in the strategic planning process. Further, the Entrepreneurial Orientation (EO) among owner/managers of manufacturing SMEs in Western province is observed high level. Among the dimensions of EO, innovativeness shows high influence on business performance. Overall, the findings of the study could provide useful insights for owner/managers of SMEs.