

**STRATEGIC PLANNING AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN RUBAGA SOUTH CONSTITUENCY, KAMPALA CAPITAL
CITY AUTHORITY**

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19/U/GMBA/18886/PD

**A DISSERTATION SUBMITTED TO DIRECTORATE OF RESEARCH AND
GRADUATE TRAINING IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF
MASTER OF BUSINESS ADMINISTRATION
OF KYAMBOGO UNIVERSITY**

OCTOBER, 2023

DECLARATION

I **Ssewanyana Frank Wasswa**, declare that this dissertation is my original work, excluding the duly acknowledged works of the cited authors in the reference section, therefore this work has not been submitted anywhere else for any academic award.

Signature.....Date.....

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APPROVAL

This is to confirm that this dissertation has been done under our supervision and guidance and has therefore met the proposal requirements of Kyambogo University and is now ready for submission.

Signature.....Date.....

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Signature..... Date.....

Dr. Regis Zombeire

DEDICATION

I would like to dedicate the works in this dissertation to my dear parents, Ms. Edith Nabukeera, Mr Richard Ssepuyya, my dear guardian Major Denis Musiitwa and her wife Mrs. Irene Musiitwa, my dear fiancé Nanyunja Moreen and everyone for having given me the courage to move on in this journey.

ACKNOWLEDGEMENT

I would like to acknowledge the selfless support given to me during the process of coming up with this work. Much appreciation goes to the Lord Almighty for having given us the life and ability to come this far since the commencement of this journey.

Appreciation further goes to my supervisors who have not tried to guide me whenever I reached out to them, thank you very much Dr. Rehema Namono, Dr. Regis Zombeire, Assoc. Prof. Jacob L Oyugi, Dr. Hannah Mzee, and Dr. Samuel Ssekajja Mayanja, Dr. Madina Nabukeera, Dr. Samuel Eyamu, I am greatly indebted to you.

Last but not least, special thanks go to my colleagues with whom we started this journey, thanks very much Moses Eriau, Mutyaba Daniel, Ssebowa Faridah, James Muliisa, Nkuutu Muzafalu, Fredrick Ssekanjako, Pamela Nagawa, Oboire Emmanuel and the entire class, you have been such a constructive group of people to associate with.

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LIST OF ABBREVIATIONS

KCCA	: Kampala Capital City Authority
KCIC	: Kenya Climate Innovation Centre
FSMEU	: Federation of Small and Medium Enterprises
MoFPED	: Ministry of Finance, Planning, and Economic Development
UNPF	: United Nations Population Fund
UIA	: Uganda Investment Authority
PSFU	: Public Sector Foundation Uganda
KACIITA	: Kampala Capital City Authority City Traders Association
GDP	: Gross Domestic Product
UBOS	: Uganda Bureau of Statistics
UDB	: Uganda Development Bank

ABSTRACT

The study aimed at establishing the relationship between strategic planning and performance of SMEs in Rubaga South Constituency. Particularly, the study addressed the following objectives; (i) To examine the relationship between formalization of vision and mission and performance of SMEs in Rubaga South Constituency, (ii) To establish the relationship between nature of firm objectives and performance of SMEs in Rubaga South Constituency and also (iii) To investigate the relationship between adoption of firm strategy and performance of SMEs in Rubaga South Constituency. The study was based on the goal setting theory which was advanced by Locke & Latham. A cross-sectional design and stratified sampling technique were utilized to select a sample size of 160 respondents from a population of 280 respondents. Out of 160 questionnaires that were given out, 111 were valid bringing the response rate to 69%. The study was purely quantitative and therefore used only questionnaires to collect data from SMEs in Rubaga South Constituency. SPSS was used in the data analysis. Validity and reliability were ensured by computing the content validity index and the Cronbach's alpha coefficient and variables with a coefficient of above 0.7 were selected respectively. The Univariate analysis was carried out including descriptive statistics to analyse sample characteristics. Bivariate analysis in form of, Pearson correlation to establish the nature of relationships. The findings revealed that strategic planning is significantly related to SME performance. Relatedly, formalization of vision and mission, nature of firm objectives and adoption of firm strategy were revealed to be statistically significant. The study concluded that SMEs proprietors should come up with an overall vision and mission for their SMEs, set specific and general objectives as well as adopt a given firm strategy in order to enhance their performance. The study further recommended that practicing and non-practicing managers establish a strategic intent for their organisation to determine where the organisation wants to be and the purpose of its existence and communicating the organisations strategic intent to the middle and lower-level managers in addition to setting challenging goals and individual objectives for employees.

Key words: Strategic planning, Small and Medium Enterprises, Performance

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Small and medium-sized enterprises (SMEs) are essential for promoting economic growth and innovation in today's competitive and dynamic business environment. However, the road to success for SMEs is paved with obstacles, and the capacity to overcome these obstacles frequently depends on good strategic planning. The compass that directs SMEs towards their targeted destinations by coordinating their resources, goals, and actions is strategic planning, which is more than just a trendy buzzword (Mary, Regis, & Mary, 2020).

Examining the connection between strategic planning and the performance of SMEs in this situation is not just pertinent but also essential. This investigation digs into the complex relationship between strategic planning and SME performance, illuminating how a carefully constructed strategic plan may act as a catalyst for sales growth, market growth, and innovativeness in the SME sector (PSFU Annual Report, 2019). By conducting a thorough investigation, there is hope to identify the essential elements, advantages, and difficulties of strategic planning in SMEs, finally offering insightful information about how it may alter these companies in a constantly changing global market (Afunadula, 2018).

The current research aimed at evaluating the strategic planning on the performance of SMEs in Uganda particularly those in Rubaga South Constituency, Kampala Capital City Authority. In this chapter, the following are presented; the background to the study, the purpose of the study, the statement of the problem, the scope of the study, the significance of the study, the conceptual framework, and the limitations of the study as well as an explanation of the key terms.

1.1 Background to the study

This background is divided into the historical background, the theoretical background, the contextual background, and the contextual background as illustrated herein.

1.1.2 Historical Background

The idea of performance is not new. However, during the past 100 years, there has been a significant shift in how businesses assess performance. WD Scott developed performance metrics even before World War I. By the middle of the 1950s, formal performance reviews were much more well-known, and businesses were utilising personality-based systems to gauge employee success (Barton, 2009).

However, as the 1950s ended, performance measurement started putting more of an emphasis on goals and objectives and doing a better job of really analysing performance. The focus on employee engagement and motivation by businesses increased during the following 20 years, which resulted in a more comprehensive approach to performance management and evaluations (Arcoff, 2018). Firms started including entirely new criteria in their evaluation process, including self-awareness, communication, teamwork, conflict resolution, and emotional intelligence. Performance management has advanced even more in recent years, with many businesses abandoning the conventional hierarchy in favour of more egalitarian work conditions.

It is anticipated that the definition of good performance will continue to change as a result of the more versatility offered by mobile devices and the growing recognition of the value of a strong company culture by businesses. Additionally, it is anticipated that the people who lead an organisation will continue to have an even bigger influence on how their peers are evaluated.

Globally, the post-industrial revolution period saw the emergence of economic activities that led to the increase of prospects for investors, employees with buyers which accelerated the

starting of business establishments that engaged in a multiplicity of businesses (Rue & Ibrahim, 1998). This gave room for the business environment to shift from a single-firm enterprise to firms that later emerged as multinational companies (Bracker, 1980). Since these firms could not effectively serve the ever-growing population on a global scale, it accelerated the emergence of more small and medium enterprises and this was a result of the planning activities of the large firms that thought it necessary to extend their services in different locations as an alternative strategy of operations (Blackerby, 1994). In as much as these small and medium enterprises were established, their performance has always been hinged on planning strategically and effectively for future unforeseen contingencies.

In the African context, SMEs in several countries have been reported to perform below the expected standards, especially regarding their contribution to the country's GDP (Donkor et al., 2018). In that regard therefore, several countries have established specific measures to support their small and medium-sector growth and improve their performance. This has been done especially through the provision of necessary skills to the owners, managers, and employees to foster sound decision-making during the planning process of their enterprises (Mahmood & Mohammad, 2018). For instance, in Kenya, the government does business with some selected and viable small and medium enterprises, training, and creating linkages between the SMEs and the academic institutions for support in business development among others to ensure SME performance improves and sustaining their survival have also been undertaken (KCIC, 2020).

Considering the Ugandan context, the advent of small and medium enterprises dates way back to 1903 when Allidina Visram who was an Indian settler, merchant, philanthropist, and agent of British colonial rule opened the first shop in Uganda on Kampala Road and this became the centre of trade and development of Kampala (Robert, 1971). This attracted more business-

minded Indians like him to open up small shops and businesses in Uganda until they were expelled from Uganda by President Id Amin Dada (Turyahikayo, 2015). Since then, many other Ugandans have established small and medium enterprises to date, but many have still struggled to perform and survive beyond their first year of establishment (FSMEU, 2020). Therefore, the current study intends to evaluate the influence of strategic planning on the performance of SMEs in Uganda.

1.1.3 Theoretical Background

This study was guided by the Goal setting theory which was developed by Hollenbeck and Klein (1987) and further modified by Locke & Lotham (1990). This theory draws attention to the effect of setting goals on the performance of a given establishment like a firm. According to the Goal setting theory, setting goals has a direct connection with the performance of an entity (Locke & Latham, 1990). The ability of a firm to set challenging goals motivates employees to increase in-house engagement on how they can achieve the firm's set goals (Barungi, 2018). Furthermore, the establishment or set of challenging and specific goals (objectives) in addition to appropriate feedback contributes to better accomplishment of the tasks at hand and fosters the performance of a firm (Mary et al., 2020). Locke and Edwin revealed that firms that set challenging yet specific goals outperform those firms that set ambiguous general and informal goals (Locke & Latham, 1990). Goals, objectives, mission, and vision set in a firm, therefore, guide the owners, managers, employees and other stakeholders during the execution of their duties and this still enables them to understand the level of input and selflessness required to achieve the set goals (Yearta et. al,2019). The Goal setting theory properly fits the current study because the moment managers, owners, employees, and other stakeholders in firms embrace goal setting in their subsequent planning stages, there are higher chances that the performance of such firms will be high in terms of sales growth, market growth and innovation (Mary et.al, 2020).

1.14 Conceptual Background

The guiding concept in this study was strategic planning as the independent variable and the performance of SMEs as the dependent variable. These concepts were studied by different scholars in several studies. Akinyele & Fasogbon (2010) defined strategic planning as a process of following orderly standards and hard examination to frame and put into action such plans with a clear follow-up. According to Akinyele & Fasogbon (2010), there is a stronger benefit enjoyed by firms that plan strategically as compared to non-strategic planners. (Lusch and Laczniak, 1989, and English & Hoffmann, 2018) defined performance as both intrinsic and extrinsic gains, values, and outcomes obtained by the firm from its engagements or activities.

In a study conducted by Eniola & Entabang (2014), they revealed that the performance of any firm is most affected by how they plan, document their plans, and follow them through to the implementation stages. Therefore, firms must invest more resources, especially in ensuring that their plans are formally written down if they are to attain a competitive edge over other firms. Therefore, the current study was guided by a definition obtained from a study carried out by Akinyele & Fasogbon (2010) who posited that strategic planning is a process of following systematic criteria and rigorous investigation to formulate, implement and control strategy and formally document organizational plans for a clear follow-up, implementation, and evaluation to investigate the effect of strategic planning on the performance of SMEs in Uganda.

1.15 Contextual Background

Currently, small and medium enterprises in Uganda work in a thought-provoking environment that emanates from emerging technological advancements and an increase in globalization that ends up undermining their performance (Hitt & Haynes, 2017). This study is in the context of SMEs in Uganda which make up to 90 per cent of the private sector in Uganda (FSMEU, 2020).

This composition accounts for 33% of the service sector, 10% of manufacturing, 49% of trade and commerce, and 8% belonging to other sectors (PSFU, 2018). However, these face several challenges that undermine their performance which leads to their premature closure irrespective of the support provided to them by the government and its development partners (PSFU Annual Report, 2019).

Strategic planning is therefore one important aspect that is deemed necessary for SMEs in Rubaga South Constituency to embrace, yet many small firms seem not to be bothered by it because of the limited information about its benefits. Therefore, this current study focused on SMEs in the Rubaga South Constituency which constitutes 45% of the entire SME population in Rubaga, yet are stunted and collapsing before their second birthday (FSMEU, 2020).

1.2 Statement of the Problem

SMEs are notably the engines that drive the economies of both developed and developing countries. In Africa, SMEs contribute to more than 50% of the respective economies and in Uganda they contribute 80% of the GDP and 90% of the private sector (Mairuru,2020; UBOS,2021). Much as their contribution cannot be underestimated, their performance continues to be a challenge to their growth to full capacity. For instance, findings indicate that 30% of SMEs started in Uganda live to celebrate their third birthday.

The case in point is in Rubaga South Constituency, where the majority of SMEs were reported to deal with the same line of products and services for more than five years in a row without coming up with any new products/services indicating their inability to innovate and in the long run leading to low sales and eventual market growth stagnation (FSMEU,2022). In addition, during the FY 2020/2021, the total estimated tax revenue from SMEs in the Rubaga South division fell short by 2.9% thereby undermining their contribution to the development of the economy (URA Report,2021; KCCA Report,2021).

In as much as SMEs in Rubaga South Constituency in Kampala Capital City Authority are part of the many that directly benefited from the Shs.103bn capitalization fund that was put in Uganda Development Bank (UDB) in the financial year 2020/21 to guarantee long-term financing to the developing sector, their performance is still lower than the expected standard hence undermining their survival though the cause for this remains unknown (MoFPED, 2020)

Much as there are empirical studies that have suggested that Strategic planning could strengthen the performance of SMEs French et al. (2018)., there is limited empirical evidence in Uganda that has sought to establish the relationship between strategic planning and the performance of SMEs hence this study sought to investigate this relationship.

1.3 Purpose of the study

The study aimed to investigate the relationship between strategic planning and the performance of Small and Medium-sized Enterprises (SMEs) within Rubaga South Constituency, located within Kampala Capital City Authority, Uganda.

1.4 Specific objectives of the study

- I. To examine the relationship between the formalization of vision and mission and performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority.
- II. To evaluate the relationship between the nature of firm objectives and the performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority.
- III. To establish the relationship between the adoption of firm strategy and SMEs in Rubaga South Constituency, Kampala Capital City Authority.

1.4 Research hypotheses

H₁: Formalization of vision and mission has no significant relationship with the performance of Small and Medium Enterprises in the Rubaga South Constituency Kampala Capital City Authority.

H₂: The nature of firm objectives has no significant relationship with the performance of small and medium enterprises in the Rubaga South Constituency Kampala Capital City Authority.

H₃: Adoption of firm strategy has no significant relationship with the performance of Small and Medium Enterprises in the Rubaga South Constituency Kampala Capital City Authority.

1.5 Scope of the study

1.5.1 Concept scope

The study aimed to establish the relationship between strategic planning and the performance of SMEs in Uganda. This study measured strategic planning based on three dimensions of formalization of vision and mission, nature of firm objectives and adoption of firm strategy, and their relationship with the performance of SMEs in terms of, sales growth, market growth, and innovation.

1.5.2 Subject scope

The study investigated the relationship between strategic planning and the performance of small and medium in the Rubaga South Constituency. The study particularly examined the formalization of vision, mission, and their relationship with the performance of SMEs in Rubaga South Constituency assessed the relationship between the nature of firm objectives and the performance of SMEs in Rubaga South Constituency and analyzed the relationship between the adoption of firm strategy and the performance of SMEs in Rubaga South Constituency.

1.5.3 Geographical scope

The study was carried out in Rubaga South Constituency one of the five divisions that make up Kampala Capital City Authority in the central region of Uganda Rubaga South Constituency is bordered by the central division in the east, Makindye Division in the South East, Kawempe

division in the North. The study area was chosen because it harbours a large number of SMEs that operate in different sectors as guided by the SME register of Rubaga Division (2022).

1.5.4 Time scope

The study was done for a period between 2017 to 2022 (5) five years with a focus on SMEs that had been in operation for five (5) years Rubaga Division Report (2022). The year 2020 was considered a benchmark year since it is the period in which many Small and Medium Enterprises collapsed and closed up business (FSMEU,2020).

1.6 Significance of the study

The study findings may be utilized by developing economies like Uganda to identify the underlying purposes of documenting plans in SMEs where the majority of small and medium enterprises seem not to have fully embraced the formalized way of planning in their operations.

The study findings may be further significant to proprietors(owners/managers) of small and medium enterprises because they would get to know how Strategic Planning contributes to the performance of SMEs so that they fully embrace it and prolong the life span of their businesses.

By highlighting the benefits that proprietors of SMEs in Rubaga South Constituency enjoy as well as the limitations that prevent them from embracing strategic planning and leading to their collapse, the study would seek to provide recommendations to governing bodies like Kampala Capital City Authority (KCCA) and other SME governing bodies like Federation of Small and Medium Enterprises (FSME), Kampala Capital City Traders' Association (KACITA) among others enable them to guide the individual proprietors of SMEs about Strategic Planning to improve their performance.

The study findings could assist in providing a better option for fostering the survival of Small and medium Enterprises, and also provide them with prospects for competitive business advantage, both domestically and internationally.

1.7 Conceptual framework

Strategic Planning constituted; the formalization of vision and mission, nature of firm objectives, and adoption of firm strategy. For the dependent variable, the performance of SMEs was considered based on sales growth, market growth, and innovation. The business environment is the extraneous variable joined to the two variables using a dotted arrow that was controlled and omitted from the study. This can affect the dependent variable (performance of SMEs) negatively or positively. Much as strategic planning has a pivotal part in influencing the performance of small and medium enterprises, it cannot be successfully carried out in isolation from the business environment in which they operate.

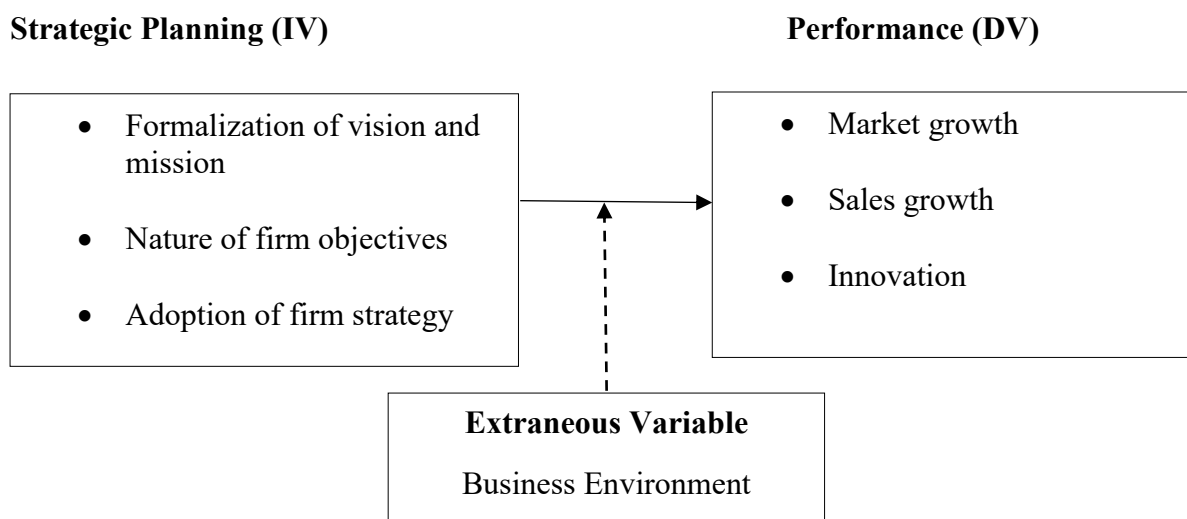


Figure 1. 1: A conceptual Framework for Strategic Planning and performance of Small and Medium Enterprises

Source: Based on earlier works of Robert Arasa, Peter K'Obonyo, and Jude, 2012

1.8 Definition of Key Terms

Performance: Performance is the ability of an entity to efficiently utilize the resources available to achieve the desired set goals and targets (Wang & Walker, 2017).

Small and Medium Enterprises: In the meantime, there hasn't been a generally accepted explanation of Small and Medium Enterprises, though different countries have tried to define them based on different parameters like the number of people they employ. For instance, in Uganda, an enterprise is categorised as small when it employs 5 to 9 people and generates revenue between 10 million and 100 million, then a medium employs 30 to 100 employees and revenue exceeding one hundred million and not more than three hundred and sixty (360) million according to (UIA, 2018).

Enterprise: Enterprise denotes the actions of an individual that identifies a new opportunity and takes a risk of establishing a business venture. This person "makes things happen ". They are always quick at making calculated moves that result in a successful establishment(Auka, 2016).

Planning: In strategic management, planning involves forecasting the likely scenarios and how they will affect the operations of the business, and also preparing for how such scenarios will be effectively addressed to empower the firm to meet its intended targets (Majama et al., 2017).

Strategic Planning; refers to a task aimed at preparing for future contingencies or occurrences as well as determining and writing down the goals and objectives to be achieved for the long term and ensuring a clear course of action is adopted to allocate all the required resources to achieve a firm's success (Chandler, 1962).

SME performance: This is the ability and capability of the SME to utilize and exploit the available resources to achieve and accomplish the set objectives, goals, and targets (Yucesoy & Barabási, 2016)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Small and Medium-sized Enterprises (SMEs) are vital contributors to economic growth and development in numerous countries around the world. In the quest for sustained success and competitiveness, SMEs have turned to strategic planning as a fundamental tool to navigate the complex business environment. This literature review aims to explore and synthesize existing research on the relationship between strategic planning and the performance of SMEs. By examining studies from various contexts and perspectives, this section seeks to gain a comprehensive understanding of how strategic planning influences SME performance and the mechanisms underlying this relationship

.2.2 Theoretical Review

This chapter explains the different theoretical perspectives that reinforce the connection between Strategic Planning and the performance of Small and Medium Enterprises.

2.2.1 Goal Setting Theory

This theory focuses on the influence of goal setting on the performance of a specific establishment, such as a firm. Setting goals, according to the Goal setting theory, has a direct relationship with an entity's performance (Locke & Latham, 1990). It also indicates that the establishment or set of challenging and specific goals (objectives) in conjunction with appropriate feedback contributes to better completion of the tasks at hand and fosters firm performance (Anyango & Kamaduuka, 2020).

According to Locke and Edwin, firms that set challenging yet specific goals outperform firms that set ambiguous general and informal goals. Goals, objectives, mission, and vision set in a

firm thus guide managers, employees, and other stakeholders during the execution of their duties, and this still enables these individuals to perform their duties.

Locke (1990) contends that for the performance of a firm to be effective at all levels, certain principles ought to be applied and these include setting clarified goals that can be quantifiable, have a time frame in which they are to be achieved, challenging goals also have to be in place because they inspire the employees to brainstorm and find all possible means and devise strategies of achieving the set goals (Locke & Latham, 1990).

Besides commitment to the goal by the employees provides a sense of being accountable to the authorities should one fail to meet their pre-set goals (objectives) at the end of the specified time. Feedback is also very paramount as emphasized by the goal-setting theory. There ought to be measures laid down to receive feedback about the advancement in the direction of the set targets from the respective employees at all levels and this will allow firms to evaluate the performance of the firm at large Regis *et. al* (2020).

The literature in existence about the goal-setting theory drew more attention to setting goals at the employee level, but this study focused on goal setting at the firm or organizational level (Forest, 2020).

Organisations can develop a more focused, motivated, and aligned workforce that is better suited to achieving the organization's long-term goals by incorporating Goal Setting Theory into strategic planning. This strategy may result in better performance, greater employee happiness, and more success in putting strategic ideas into action.

2.3 Strategic planning

Strategic planning for Small and Medium-sized Enterprises (SMEs) in Uganda involves the development and execution of a structured and forward-looking approach to achieve long-term

business goals and objectives. Given the unique challenges and opportunities in the business environment (Campbell & Yeung, 2019). SMEs therefore should conduct a thorough assessment of their internal strengths and weaknesses. This includes evaluating their financial health, human resources, operational capabilities, and existing business processes. SMEs should further define a clear and inspiring vision statement that outlines their long-term aspirations (Bart, 2019). This vision should align with the broader goals and the mission statement should explain the SME's purpose, target market, and unique value proposition, understanding the external environment is crucial. Factors such as market trends, competition, regulatory changes, and economic conditions in Uganda should be assessed (Amy & Sukartini, 2017).

2.4 Formalization of vision and mission and performance of Small and Medium Enterprises

The planning activity of any given firm cannot be carried out successfully unless the people in charge of planning identify the firm's broad direction by stating its vision, mission, and objectives alongside the goals (Bagire & Namanda, 2013). Any firm without a vision or mission is similar to taking a journey that does not have a final destination (Arcoff, 2018).

Forbes & Seena (2016) conducted a study on the influence of vision and mission on the performance of small firms in Nigeria's banking industry and revealed that vision and mission were significantly related to the performance of a firm. These are key instruments in enhancing the performance of SMEs by aiding decision-making, besides motivating and inspiring employees while they execute their duties.

Further to note is that a firm which does not clearly state its vision and mission is unable to figure out its growth, evaluate its performance and identify its presence in the industry as

compared to its rivals. It further creates a favourable ground for resource allocation and interpretation of the firm goal and objective (Bart, 2019).

Vision and mission statements may generate ethics, opinions, and procedures to govern a firm and to associate with the respective stakeholders. vision and mission offer a soul and sense to the tasks, motivate, inspire, and grow cohesion to foster the performance of favourable activities that drive the firm to its goals and guide decision-making (Amy & Sukartini, 2017). In their study on strategic planning and firm performance among SMEs in South Africa, Wadhwa & Society (2017), and Forest (2020) concluded that involvement of employees in vision and mission through communication fosters easier resolution of differences and effective implementation of the firm plans and further building a collective consciousness of what to expect, boosting employees' determination and improving decision making. Communicate the strategic goals clearly throughout the organization. Employees need to understand the importance of these goals and how their work contributes to achieving them.

Formalized vision and mission also communicate a firm's direction, and goals, motivate employees and owners and further ensure a firm stays on course as far as its operations are concerned (Jude, 2012). Some theorists have tagged a vision and mission as "culture glue" arguing that it empowers firms to work as a single unit and therefore directs behaviour and enables the togetherness of workers towards achieving the firm's goals (Campbell & Yeung, 2019).

A vision is a statement that guides a company in the direction it wants to go, as well as a focus and broad alignment Afunadula (2018). In other words, a vision describes what the company aspires to be in the future. It expresses clearly what a company wishes to become (Edwards, 2014). In the same way, a mission statement explains why a company exists (Simerson,2015). Furthermore, Camillus (2018) stated that through strategic planning, new strategies can be

developed to improve the performance of small and medium-sized businesses, allowing them to achieve their objectives.

2.5 Nature of firm objectives and performance of SMEs

The concept of objectives in organizational management is critical and necessary for the organization's survival (Yan, 2010). According to Locke et.al (1990), firms that set challenging yet specific objectives outperform firms that set ambiguous general and informal goals. Goals, objectives, mission, and vision set in a firm thus guide managers, employees, and other stakeholders during the execution of their duties, and this still enables these individuals to perform their duties. Establishing SMART (specific, measurable, achievable, relevant, and time-bound) goals for the strategic planning process. Goal Setting Theory's guiding concepts are supported by this. The Merriam-Webster dictionary defines an objective as "something you want to do or achieve." An objective also refers to a specific outcome that an individual or a company wishes to achieve within a specific time frame and given the resources available (OECD & Outlook, 2019). The managerial role is thus to devote and set aside required resources to enable the firm to achieve its goals, which is possible with clearly stated objectives by the managers (CMI, 2014). Managers and leaders should clearly understand the concept of the set objectives, aligning them with the vision and mission of the firm and also get in touch with employees to discuss specific measures to put in place to realise their goals and objectives. Similarly, Afandi et al. (2018), posited that firm objectives are the result of planned activity and they enhance the efficiency and effectiveness of a firm.

They, therefore, have to be aligned with the overall strategy of the firm to enhance performance. Li et.al (2017) established that objective setting is a crucial exercise that firms should treat with utmost care and attention right from the initial stages of planning by ensuring that specific and time-bound objectives are put in place. These have to be either daily, weekly or monthly to

give room for addressing diversions from the intended target and immediately crafting a suitable way forward.

The primary role of objectives in a firm is to guide stakeholders on the right path to achieve the firm's goals; thus, if they are clearly stated, they boost performance. They are not ordering; they are promises Yearta (2019). They do not determine the future; rather, they are a means of mobilizing the business's resources and energies for the creation of the future." In other words, a firm without specific objectives cannot achieve its overall goal. Firm objectives ought to be clear, easy to understand, brief and made in terms of results (Robinson, Pearce, & Logan, 2015).

However, there are circumstances where employees in the firms have not bothered to set their personal (individual objectives and this has greatly impacted the overall implementation of the vision and mission of the firm as Greenbank (2018), and March (2019) revealed.

2.6 Adoption of firm strategy and the performance of Small and Medium Enterprises

Even though several scholars have proposed different definitions, there isn't a globally acknowledged explanation of strategy. Strategy is defined as "an extensive plan that a firm can adopt to help it progress from its current position to the desired future position" (Rao, Rao, & Sivaramakrishna, 2018). The strategy also refers to the methods that businesses use to achieve their desired goals and improve their current approaches (Barungi, 2018).

Much as there is a widespread belief that firm strategy and performance are inextricably linked, and to explain the phenomenon, numerous models have been devised., Porter's model, in which he presented cost leadership, differentiation focus, leadership focus, and cost focus, is one of the most widely used (Kosmas, 2020). There have been few studies on strategy as an important variable in SMEs.

To date, research has inspired a more in-depth examination of the composition of strategies used by small businesses in planning, their products, and market growth as Robinson (2015), and Naoyuki & Farhad (2016) posited.

In a study by Adhiambo (2018), firm strategy was found to be a very important aspect that small firms ought to adopt because it boosts performance by differentiating a firm from its competitors based on the nature of the strategy they adopt.

Firms that adopt a given strategy, be it price leadership, market strategy, cost leadership, differentiation and others attain a competitive edge by offering unique products and services to the market which helps them set themselves far apart from their competitors and therefore perform better. Similarly, those who adopt a focus strategy dedicate their efforts to serving a particular section of the general market and therefore perfect their products and services to the desires of the market (Reuben et al. (2021).

Relatedly firms that adopt a marketing strategy embrace offering guidance to customers about the use of their products and services, and provide after-sales services and all these contribute towards increased revenue, profits and development of new products (Oli et al, 2015). Firms that adopt a differentiation strategy normally come up with innovative unique products that attract and retain the loyalty of customers to the firm and it was found to significantly influence firm performance as Hana & Eungdo (2018) posited.

These include entering new markets, developing new products, and externalizing because they focus their attention on outperforming their competitors, forming alliances with domestic and foreign firms, and so on (Desia, 2015). Strategy refers to how companies interact with their work environment and how they can improve their performance (French, Kelly, & Harrison, 2018).

SMEs do not follow a specific strategy for running their businesses, but as environmental dynamism takes shape, they continue modifying the current strategies to fit the current trends (Majama et al., 2015). However, there are even small firms that do not consider the adoption of strategy as a very important endeavour and therefore operate according to the instincts of the owners owing to limited information about it (Snuif & Zwart, 2018).

2.7 Summary of Literature review and gap analysis

In as many as several studies on small and medium enterprises have been carried out, a few of them specifically addressed Strategic Planning and performance of SMEs and these were carried out in the western part of the world like the United States, South Asia Europe, and others, but a few have been done in Africa and particularly in Uganda.

For instance, a study about Strategic Planning and increasing strategic choices by Pearce and Robinson (2015), focused on studying large firms, and small firms were not studied, besides the constructs of vision, mission, firm objectives, and firm strategy in small firms and their performance was much recommended for further researchers. In a study by Shingirai et al., (2019) in South Africa, the population from which data was collected constituted owners/managers of the studied SMEs leaving out other members of the enterprises like assistant managers, this could bring about a bias and unreliability in the responses. Besides, the above studies utilized the resource-based view theory but none has yet addressed the goal-setting theory regarding SMEs. Therefore, this study seeks to close the identified gaps in the literature.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter shows the method that was utilized in the study. This section particularly presents the research design, the study population, sample size, sample selection, sampling techniques, and the procedure, data collection tools and procedures, reliability and validity of the tools, methods of data analysis to be used, and data presentation.

3.2 Research design

The study used a cross-section survey and data was collected at a point in time. This research design has been widely used and accepted by several scholars (Sugioko, 2014). It was also used because of its effectiveness in the collection of data across several different enterprises at a time.

Quantitative research design

The study's decision to use a strictly quantitative study design—which involved testing hypotheses, collecting numerical data, examining the relationships between variables, and satisfying the need for objectivity, generalizability, and statistical analysis—was justified. It is an effective method for examining a variety of events, and it works especially well for testing hypotheses and making judgements based on the available data (Jude, 2012).

Study population

This study focused on SMEs in Rubaga South Constituency. The study mainly concentrated on Small and Medium Enterprises in the service sector including hotels and restaurants, SACCOs, salons, pharmacies, gyms, supermarkets, manufacturers including bakeries, trade and commerce, hardware shops, furniture shops, particularly those that have operated at least

five years. The population of SMEs in these sectors in the setting of the study is about 210 SMEs (Rubaga SME register, 2019, UBOS, 2019).

3.3 Sample size

A sample size of 160 Small and Medium Enterprises was chosen from a target population of 280 in line with the guidelines of Krejcie and Morgan (1970) as broken down in the statistical table 3.1 below.

Table 3.1: Sample Size

SME nature	Population	Sample
Trade and commerce	45	30
Retail	70	40
services	60	70
Wholesale	35	20
Total	280	160

Source: Rubaga SME register 2021

3.4 Sampling technique

A stratified sampling method to find and extract a stratum based on their characteristics and the business sector where they operate. For businesses in trade and commerce, the manufacturing and service sectors were also grouped into one stratum. The technique is preferred because it gave all enterprises in the different sectors an equivalent opportunity to partake in the study and a representative group of respondent firms was probabilistically chosen from each stratum to take part in the study.

3.5 Data sources and collection methods

The study used sources to collect data which was preferred for this study and therefore suitable collection instruments were used to collect immediate information. Questionnaires were used. Besides, the secondary data was reviewed beginning with government reports, business reports,

and recent publications about the Small and Medium Enterprises in Uganda, especially in Rubaga South Constituency.

3.5.1 Data collection

3.5.2 Unit of analysis

The unit of analysis was small and medium enterprises. This comprised sectors like service, trade and commerce, production and manufacturing, and real estate dealers among others.

3.5.3 Unit of Inquiry

The unit of inquiry were owners, managers, and assistant managers and the study considered one respondent per SME depending on the designation of the officer in the respective SMEs. This is because, these respondents directly get involved in the planning exercise as well as influencing the final decisions which run those firms (Majama et al., 2017).

3.6 Measurement of study variables

The study variables were measured based on constructs obtained from the already existing studies. Therefore, this section presents how the study variables were measured and the source.

3.7.1 Dependent variable

The performance was measured based on constructs like market growth, sales growth, and innovation. These measures were based on a study carried out (French *et. al*, 2018).

3.7.2 Independent variable

Strategic planning was measured based on vision and mission, firm objectives and firm strategy. These constructs were based on a study conducted by (Robinson, Pearce, and Logan, 2015).

3.8 Questionnaire Method

Quantitative data were collected with the utilization of detailed self-administered questionnaires made of majorly closed-ended questions with a few open-ended questions to enable the respondent to fill in short answers as well as simplify the analysis of those short questions and respond in a short time frame. This tool covered questions about all aspects of the study variables. The approach was preferred because it fostered getting quick and straightforward responses that were required. This method was effective for data collection because it ensured a great deal of confidentiality and anonymity of the respondents, was easy to administer and was cost-effective.

3.9 Validity and reliability of the instruments

3.9.1 Reliability of instruments

This is the degree to which data tools provide consistent results (Saunders & Lewis,2010). Therefore, a tool is said to be reliable if it yields consistent results under similar conditions. The reliability of the instruments was ensured by pre-testing the questionnaire with some firms before concrete data collection, hence identifying any anomalies. A Cronbach's alpha coefficient was run and as the thumb rule posits, an alpha coefficient of 0.7 and above is recommended and was considered a reliable tool for data collection (Tabachnich & Fidel,2009).

Table 3.2:Summary of Reliability tests

Variable	Reliability Statistics	
	Cronbach's Alpha	No. of Items
Vision and Mission	.872	5
Firm Objectives	.756	6
Firm Strategy	.856	6
Firm Performance	.744	8

Source: Primary data 2022

Results from table 3.2 above indicate the Cronbach's alpha coefficients of items that were selected for further analysis and those that did not meet the thumb rule requirement of 0.7 and above were left out. The coefficients included 0.872 for vision and mission, 0.756 for firm objectives, 0.856 for firm strategy and 0.744 for firm performance. This is therefore an indicator that the scales of measurement utilized in the study were reliable and effectively measured the study variables

3.9.2 Validity of instrument

To obtain the validity of the instrument, the researcher utilized the content validity index (CVI). In this case, the valid instruments were divided by the sum of all variables and those variables whose score is 0.70 were considered acceptable. Pre-testing of the questionnaire with some selected enterprises to establish if there were any biases in the items to adjust. Validity tests were carried out to establish if the tools represented and captured the relationship between the study variables. The researcher ensured construct validity by checking with the supervisors to ensure that a proper construct was captured.

3.10 Procedures of data collection

The researcher sought the endorsement of the Graduate school to enforce ethical guidelines and foster the confidence of the respondents during the process of data collection. Every questionnaire shall include a cover letter which introduced the researcher to the respondent to secure cooperation during the exercise of data collection. The researcher also considered seeking advice from experts to scrutinize the validity and comprehensibility of the questions. The questionnaires were thereafter sent to the respondents to record their responses.

3.11 Data analysis

The data that was collected was checked and edited. Statistical Package for Social Sciences (SPSS) software was utilized to carry out a series of tests. Furthermore, descriptive statistics

were used to describe the different sample characteristics of the enterprises by computing mean, standard deviation, and frequencies. Correlations were also utilized to establish the connection each variable has with another. Pearson's correlation coefficient was also run; linear and multiple regressions were computed to determine how different variables affect the dependent variable which is performed in this case.

3.12 Ethical considerations

The researcher sought approval from the Directorate of Research and Graduate Training in need of permission to go ahead with data collection. All the necessary prerequisites and suggestions were included in the process of data collection to protect the identity of respondents who partook in the study exercise. The researcher further sought consent from every respondent who participated in the study to ensure the respondents participated voluntarily in the study(Anyango & Kamaduuka, 2020).

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter gives the presentation, analysis and interpretation of the study findings. The chapter starts with response rate followed by, descriptive statistics, the relationship between the formalization of vision and mission, nature of firm objectives, adoption of firm strategy and SME performance. In the last section, regression results are presented.

4.1 Response rate

Out of the 160 questionnaires distributed, 111 valid questionnaires were filled, bringing the response rate to 69%. This response rate is appropriate and adequate according to Lindner & Wingenbach (2002) who stated that a response rate above 50% is sufficient for survey research and can be considered reasonable to give confidence in the study findings.

4.2 Characteristics of Respondents

The study sought to solicit the required information from several firms and specific respondents. The firms focused on were SMEs from different sectors. The respondents from SMEs considered in the study were those who were owners and managers of the entities. In the table below, a detailed description of the respondent and sample characteristics are given.

Table 4.1: Characteristics of the study respondents

Gender	Category	Frequency	Percentage
	Male	50	45
	Female	61	55
	subtotal	111	100
Age category			
	Below 25years	44	39.6
	25-35years	64	57.7
	36-45years	1	0.9
	56years and above	2	1.8
	subtotal	111	100
Level of education			
	Primary	9	8.1
	Secondary	7	6.3
	Tertiary	88	79.3
	University	7	6.3
	subtotal	111	100
Position held in the firm			
	Owner	33	28.7
	Manager	36	31.3
	Assistant Manager	42	36.6
	subtotal	111	100

The respondents in the sample were females constituting 61 (55%) and males constituting 50(45%). In terms of age, the majority of the respondents 64(57.7%) were between 25-35 years, and this was closely followed by those below 20 years 44(39.6%). On the side of education, the majority of respondents had studied up to tertiary level, constituting 88(79.3%) of the sample, only 9(8.1%) of the respondents had attained primary level and those who had attended school till secondary and university level each constituted 7(6.3%) of the entire sample.

In the study, it is evident that the majority of the respondents 42(36.6%) were assistant managers, managers were 36(31.3%) and owners were 33 (28.7%). This distribution implies that information was obtained from key personnel of the SMEs who were considered to be knowledgeable about the strategic planning in their firms.

4.2.2 Characteristics of firms included in the study

The characteristics of the firm included size captured by the number of employees, the period in operation and the sector in which the firm operates as indicated below.

Table 4.2: Descriptive characteristics of firms in the study

Firm description	Category	Frequency	Percentage
	Sole proprietorship	39	35.1
	Partnership	23	20.7
	Private limited company	40	36.0
	Cooperative society	3	2.7
	Joint venture	6	5.4
	Subtotal	111	100
Period in operation			
	5-9 years	91	82
	10-14 years	8	7.2
	15 years and above	12	10.8
	Subtotal	111	100
Number of employees			
	1-5 employees	38	34.2
	6-49 employees	38	34.2
	50-100 employees	34	30.6
	100 and above employees	1	0.9
	subtotal	111	100

Regarding the description of the firm, most of the SMEs in the study were private limited companies constituting 40(36%), this was followed by sole proprietors who constituted 39(35.1%) and partnerships constituted 23(20.7 %). On the other hand, joint ventures were 6(5.4%) and lastly, cooperative societies were 3(2.7%). This implies that the respondents who took part in the study were true representatives of the SME sector given that even the UBOS Report (2019) indicated that the private limited companies constituted the biggest percentage

of registered small businesses in Kampala Capital City Authority where Rubaga South Constituency is part.

Regarding the period in operation, the majority of the SMEs had been in existence for a period between 5-9 years accounting for 91(82%), only 8(7.2%) had operated for a period between 10-14 years and 12(10.8%) had operated for 15 years and above. This implies that the sample from which data was collected had sufficient experience in the sector of SMEs and how they operate, indicating that their responses can be relied upon to be true.

Regarding the number of employees, firms that employed between 1-5 and 6-49 employees each constituted 38(34.2%) and 34(30.6%) of the firms employed between 50 and 100 employees. Only one firm employed 100 and above employees constituting 0.9% of the total respondents. This implies that the majority of the firms operating in Rubaga are truly operating on a small and medium scale given the fact that they employ between 1 and 50 employees.

4.3 Descriptive statistics

The table provided below indicates the descriptive statistics on the formalization of vision and mission among SMEs in Rubaga South.

Table 4.3: Descriptive statistics on the formalization of Vision and Mission amongst SMEs in Rubaga South Constituency, Kampala Capital City Authority

Items	Mean	S. D
Our business has a formal written vision statement	4.2	.94
The long-term aims of this firm are well communicated to all employees	4.3	.86
We set objectives and goals guided by the overall aim of the firm	4.1	.96
The owner/manager determines the overall long-term aims(plans) of the firm	4.0	.87
Our decision-making in this firm is directed by the overall purpose of the firm	4.0	.89
Grand mean	4.12	

Findings from Table 4.3 above illustrate that the majority of the firms had a formal written vision statement (Mean=4.2, SD=0.9). Furthermore, respondents also indicated that their firms communicate their long-term aims to all their employees (Mean=4.3, SD=0.86) and the setting of goals and objectives in their firms is guided by the overall aim of the firm (mean=4.1, SD=.96). Respondents also indicated that their firms make decisions basing on the overall purpose of the firm (mean=4.0, SD=0.89) and the owner or manager of the firm determines the overall long-term aims(plans) that a firm exists to achieve (mean=4.01, SD=0.869). The overall grand mean score for the formalization of vision and mission was **4.12**. This implies that the formalization of vision and mission was considered by respondents to be vital in their SMEs.

4.3.2 Nature of firm objectives among SMEs in the study

In this regard, respondents were asked to respond to the degree to which they agreed or disagreed with the statements on the nature of their objectives that were provided as indicated in the table 4.4 below.

Table 4.4: Firm objectives among SMEs of Rubaga South Constituency

Items	Mean	S. D
Our firm has generally stated and specific aims to be achieved in a given time frame	4.0	.82
Managers in this firm give employees feedback about their progress towards achieving the overall targets of the firm	3.9	.98
Employees in our firm set their aims for achieving the overall targets of the firm	3.7	1.11
We set targets to meet on a weekly and monthly basis	4.2	.82
Managers in our firm sit with employees to discuss the overall aims of the firm and the individual means to achieve those aims	4.2	.97
Our set targets are well aligned with the overall vision and mission of the firm	4.41	.67
Grand mean	4.07	

According to the findings in Table 4.4 above, the majority of the respondents indicated their firms set objectives which are aligned with their vision and mission (mean=4.41, SD= 0.67)

and set weekly and monthly based targets (Mean=4.23, SD=0.820). In addition, firms had specific aims to be achieved in a given time (Mean=4.06, SD=0.82). Further to note is that respondents indicated managers in their firms sit down with employees and discuss with them the overall aims of the firm and how each individual can achieve those aims (Mean=4.16, SD=0.968) lastly respondents indicated that managers in the firms give employees feedback about their progress towards achieving the overall targets of the firm with a score of (Mean=3.86, SD=0.980). Generally, the grand mean score on the nature of SMEs included in the study objectives was 4.07.

4.3.3 Firm strategy among small and medium enterprises

This section presents responses on the degree to which SMEs adopt a firm strategy based on the measures included in the table below.

Table 4.5: Reported level of adoption of firm strategy among small and medium enterprises in the study

Items	Mean	S. D
Our firm provides after-sales services to customers	3.86	1.02
Our firm provides advice to clients about the use of our products or services	3.74	1.02
Our firm offers unique products/services that attract customer loyalty	3.95	.87
Our firm usually innovates new products/services to retain and attract clients	4.04	.87
Our firm concentrates on serving a particular section of the general market	4.07	.89
Our customers feel attached to our brands because of their uniqueness	4.10	.77
Grand mean	3.96	

In Table 4.5 above, the majority of the respondents illustrated that their customers are attached to their brands because they were unique (Mean=4.10 SD= 0.774) and further indicated that their firms concentrated on serving a particular section of the general market (Mean=4.07, 0.89). Concerning innovativeness, respondents indicated that their firms usually innovate new products/services to retain and attract clients (Mean=4.04, SD= 0.873). On the side of

uniqueness, respondents from SMEs indicated that their firms offer unique products/services to attract the loyalty of their customers (Mean=3.95, SD=0.865) and further indicated that their respective firms provided after-sales services to their customers (Mean=3.86, SD=1.017) and lastly respondents indicated that their firms advised their clients regarding the use of such products/ services they offered to them (Mean=3.74, SD= 1.015).

4.3.4 Performance of SMEs in the study

To assess the performance of SMEs in the study, SME respondents were requested to provide their opinions about their firms' performance based on the statements provided on market growth, sales growth and innovation, therefore, statistics in the table below indicate the variations in the performance of SMEs about the questions that were posed.

Table 4. 6: Descriptive statistics on the performance of SMEs

Items	Mean	S D
The number of people who buy our products/services has increased over time.	4.15	.73
The demand for our product in the market has kept on increasing over time	4.23	.66
The operations of our business have expanded to other parts of Kampala Capital City Authority	3.98	.91
Our business has added new business lines to the current business	4.26	.69
We sell more products/ services than our competitors in the market	4.28	.69
Our business always buys more than the previous purchases	3.97	.89
Our business receives more orders for sales from new clients daily	4.22	.69
The operational costs of the firm have been reduced due to innovative modes of production	3.77	1.18
Grand mean	4.11	

From the results above, the vast majority responded that their firms sold more products/services in the market than their competitors (mean=4.28, SD=0.69) and indicated that their businesses had added new business lines to their current businesses (mean=4.26, SD=0.69). Regarding sales orders, respondents indicated that their firms received more sales orders from their clients daily (mean=4.22, SD=0.69) and the demand for their products/services in the market had kept

increasing over time (mean=4.23, SD=0.66). Considering the expansion of services, firm respondents indicated that their firms' operations had expanded to other parts of Kampala Capital City Authority (mean=3.98, SD=0.91). In other results, respondents indicated that their operational costs had reduced as a result of their innovative modes of production (mean=3.77, SD=1.183). Further, results indicate firms' purchases had increased from the previous purchases (mean=3.97, SD= 0.889). The performance of these SMEs on average was reported to be high given that their grand mean was 4.11 from all the constructs that were used to measure performance.

4.4 Correlation analysis of the relationship between the variables

To establish the strength and direction of the relationship between strategic planning and the performance of SMEs, a Pearson correlation coefficient was utilized and the results are presented in the table below.

Table 4.7: Relationship between the formalization of vision and mission, nature of firm objectives, adoption of firm objectives and firm performance

Variables		(1)	(2)	(3)	(4)
Formalization of vision and mission (1)	Pearson	1			
Nature of firm objectives (2)	Pearson	.29**	1		
Adoption of firm strategy (3)	Pearson	.27**	.53**	1	
Firm Performance (4)	Pearson	.33**	.497**	.52**	1

** . Correlation is significant at the 0.01 level (2-tailed). N=111

From the results in Table 4.7 above, formalization of vision and mission was found to have a statistically significant positive relationship with SME performance ($r=0.334$, at $P<0.01$). Secondly, there is a statistically significant positive relationship between the nature of firm objectives and performance ($r=0.497$, $P<0.01$) and lastly, it was established that there is a statistically significant positive relationship between the adoption of firm strategy and the performance of the firm in the study ($r=0.529$, $P<0.01$).

4.5 Regression analysis

As a powerful statistical method, regression analysis was carried out to establish the influence of strategic planning on SME performance and the results are presented in the statistical tables below.

Table 4. 8: Regression analysis results for the relationship between the formalization of vision and mission and the performance of SMEs

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	3.188	.253		12.625	.000
1	Formalization of vision and mission	.224	.060	.334	3.702	.000

Model summary statistics
R-Square= 0.112
Adjusted R-Square =0.104
F-value =13.706
N=111

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), vision and mission

According to the results in Table 4.8 above, there is statistical evidence that the model fits well the data and it is statistically significant since (F-statistic=13.706, $P < 0.05$). further to note, according to the adjusted R^2 , formalization of vision and mission explains a 10.4% variation in SME performance (Adjusted $R^2=0.104$). The contribution of vision and mission formalization to the overall performance of a firm is $\beta=0.224$ meaning, a unit increase in formalizing a vision and mission leads to a 22.4% increase in the performance of SMEs. The null hypothesis in this regard was rejected.

Table 4. 9: Regression analysis results for the relationship between firm objectives and performance of SMEs

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.468	.277		8.900	.000
1	Nature of firm objectives	.403	.067	.497	5.979	.000
Model summary statistics						
R-Square= 0.247						
Adjusted R-Square =.240						
F-value =35.746						
N=111						
a. Dependent Variable: Firm Performance						
b. Predictors: (Constant), Firm objectives						

Results in Table 4.9 also indicate that the model fits well the data and is statistically significant (F-statistic=35.746, $P < 0.05$). The results also indicate that firm objectives explain the variations in the performance of a firm by 24% (Adjusted $R^2 = 0.240$) and further results show that a unit increase in the effort towards setting firm objectives increases the performance of SMEs by $\beta = 0.403$, sig.0.000. This suggests that any efforts geared towards setting firm objectives by SMEs account for a 40.3% increase in their performance. Therefore, the nature of firm objectives significantly affects the performance of SMEs and therefore, for this reason, the null hypothesis is rejected.

Table 4.10: Regression analysis results for the relationship between firm strategy and performance of SMEs

Coefficients

Model		Unstandardized		Standardized	t	Sig.	
		B	Std. Error	Beta			
1	(Constant)	2.617	.233		11.243	.000	
	Firm strategy	.377	.058	.529	6.505	.000	From

Model summary statistics

R-Square= 0.280

Adjusted R-Square = 0.273

F-value = 42.321

N=111

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Firm strategy

results in Table 4.10, it is evident that the model fits well with the data F-statistic=42.321, which is significant at $P < 0.01$. This means that firm strategy is a reliable predictor of firm performance. Further, this is an indication that the effect of the firm strategy is significant at a 0.001 level of significance. The findings further indicate that firm strategy explains the variations in the performance of SMEs by 27.3% (adjusted $R^2=0.273$). The predictive model developed from the findings is $FP=2.617+ 0.377FS$, where FP is firm performance and FS is firm strategy. This implies that a unit increase in the utilization of strategy by SMEs leads to a 0.37 variation in their performance. Based on evidence on the third objective, the adoption of firm strategy significantly and positively affects the performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority.

It is also noted that firm strategy affects firm performance by 37.7% ($\beta=0.377$). This means that a unit increase in the adoption of firm strategy leads to a 37.7% increase in the performance of SMEs. Based on evidence on the third objective, the adoption of firm strategy significantly

affects the performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority and therefore, the null hypothesis is rejected.

4.5.2 Multiple-linear regression

Results from the regression analysis are presented in the table below.

Table 4.11: Multiple regression analysis for the relationship between strategic planning and performance of SMEs

Model	Coefficients			t	Sig.	
	Unstandardized		Standardized			
	B	Std. Error	Beta			
1	(Constant)	1.825	.303		6.014	.000
	Vision and mission	.108	.054	.162	1.989	.049
	Firm objectives	.215	.075	.265	2.850	.005
	Firm strategy	.243	.066	.342	3.699	.000

Model summary statistics

R-Square= 0.366

Adjusted R-Square = 0.349

F-value = 20.622

Sig= 0.000b

N=111

Dependent Variable: Firm Performance

Predictors: (Constant), Firm strategy, Vision and mission, Firm objectives

As results in Table 4.11 above indicate, the regression was statistically significant with (F=20.622), P<0.001 indicating the regression fit well the data. Further, a combination of the three variables (Vision and mission, firm objectives and firm strategy) explains a 34.9% variation in the performance of SMEs in the study context (Adjusted R-Square = 0.349). Adoption of the firm strategy was found to be the strongest predictor of firm performance (β =0.243, P-value <0.001). This implies a unit increase in efforts towards having a firm strategy by the SMEs in the study context results in a 0.24 increase in the level of firm performance.

The nature of firm objectives came second with ($\beta = 0.215$, P-value < 0.005) and lastly formalization of vision and mission was found to be the least predictor of firm performance with ($\beta = 0.108$, P-value < 0.049). This, therefore, implies that a unit increase in the effort concerning the formalization of vision and mission by the SME in the study context results in a 0.10 variation in their performance.

Therefore, based on the adjusted R^2 , the findings indicate that a combination of the three variables explains a 34.9% variation in the performance of SMEs (Adjusted $R^2 = 0.349$, $p < 0.05$).

Adoption of the firm strategy was found to influence firm performance by 24.3% ($\beta = 0.243$, P-value = 0.001). on the other hand, the nature of firm objectives influenced performance by 21.5% ($\beta = 0.215$, P-value = 0.01) and lastly formalization of vision and mission influenced performance by 10.8% ($\beta = 0.108$, P-value = 0.049).

CHAPTER FIVE
SUMMARY, DISCUSSION OF FINDINGS, CONCLUSION AND
RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusion and discussion of findings in line with the study objectives. The chapter also shows the recommendations to managers, limitations and areas for further research

5.1 Summary of the findings

The performance of SMEs is important since they contribute to the economic welfare of Uganda. Hence studies that seek to establish the antecedents of SME performance are paramount. The current study sought to establish the influence of strategic planning on the performance of SMEs using empirical evidence from Rubaga South Constituency, Kampala Capital City Authority. Specifically, the study sought to establish the influence of organisational mission and vision formalisation on the performance of SMEs; determine the effect of the nature of firm objectives on the performance of SMEs and establish the influence of the adoption of firm strategy on the performance of SMEs in the Rubaga division. The study findings reveal a statistically significant relationship between mission and vision formalisation on the performance of SMEs. The study findings also show that firm objectives enhance the performance of SMEs. Further, the findings of the study reveal that the adoption of a firm strategy has a statistically significant effect on the performance of SMEs in the Rubaga division.

5.2 Discussion of findings

In light of the study findings presented in chapter four above, these findings are discussed starting with evidence on the formalization of vision and mission on the performance of SMEs,

followed by nature of firm objectives and performance of SMEs and thereafter, adoption of firm strategy on performance of SMEs.

5.2.1 Formalization of vision and mission on the performance of SMEs

Objective one sought to establish the relationship between the formalization of vision and mission and SME performance in the Rubaga South Constituency. The study hypothesized that formalization of vision and mission has no significant effect on SME performance. The study correlation results revealed a statistically significant relationship between the formalization of vision and mission on the performance of SMEs. This implies that the performance of SMEs is determined by their vision and mission formalization.

The study findings imply that a change in vision and mission formalization explains a significant change in the performance of SMEs much as the formalization of vision and mission is not a very strong predictor of firm performance.

The study findings show that SMEs that have well-written vision and mission were also found to have registered an increase in their performance in terms of sales growth, market growth and innovation. These study findings are consistent with findings by Forbes and Seena (2016) and Mazzarol *et al.*, (2019), who revealed the existence of a relationship between the vision and mission formalization and business performance of SMEs in Nigeria. These findings are also in line with the findings of Kantabura (2018) which revealed that vision and mission statements had a significant relationship with firm performance among SMEs. Kantabura also explained that formalization of vision and mission guides the decision-making process, and motivates and inspires the employees in their daily routines thereby enhancing performance. Similarly, the current study findings concur with the findings by Jones and Kahaner (2019) who established that formalization of vision and mission was significantly related to firm performance, they further explained that formalizing a mission and vision brings about a

change in the general performance and it is a satisfactory tool a firm can use in planning to ensure pro-activeness and sustain a high performance. This is in line with the findings by Forest (2020). In his study on vision and mission and the performance of small firms, results showed that communication of the vision and mission contributes to building a collective consciousness of what to expect, leading to focused efforts, provision of a course of action and sustaining an employee's determination and place in decision-making. This was supported by findings from Bart (2019) who concluded that communication of a firm's vision and mission provides a ground for allocating the resources of a firm and interpreting the firm's goals into further precise objectives. Further, results by Wadhwa & Society (2017) also revealed when management engages and involves employees in the establishment of vision and mission through clear and constant communication, it creates togetherness in deciding on crucial matters, resolving differences and harmonizing the implementation exercises, hence translating into sales growth, market growth and innovativeness of a firm. The findings however revealed that the degree of formalization of vision and mission was moderate among the selected SMEs in Rubaga South Constituency leading to a relatively lower contribution towards their overall firm performance. These findings are further in line with Bagire & Namanda (2013), and Amy and Sukartini (2017) who found that a significant relationship existed between the formalization of vision and mission and performance among small firms. These findings also support the findings of Aronoff (2018) who found out that when vision and mission are properly documented, communicated and clearly understood, by the respective stakeholders, they provide a firm's direction, and goals, motivate employees and owners and further ensures a firm stay on course as far as its operations are concerned leading to an increase in their performance.

5.2.2 Nature of firm objectives and performance of SMEs

The second study objective sought to establish the relationship between the nature of firm objectives and the performance of SMEs in Rubaga South Constituency. The study hypothesized that the nature of firm objectives has no significant relationship with the performance of SMEs. Findings revealed that the nature of firm objectives has a statistically significant relationship with the performance of SMEs. This is explained by correlation results which showed that there is a statistically significant relationship between the nature of firm objectives and the performance of SMEs in Rubaga South Constituency.

The study established that firms which take the initiative to set objectives and particularly align them with the overall aim of the firm are those that most likely registered an increase in their performance. This finding agrees with Kosmas (2020) who studied the relationship between strategic planning and SME performance among SMEs in Zimbabwe and revealed a significant relationship between the nature of firm objectives and performance of SMEs.

This finding is also supported by Afandi et al. (2018) who found a significant relationship between firm objectives and their performance in Cirebon West Java. They further explained that firm objectives determine the outcome of a planned activity and they enhance the efficiency and effectiveness of a firm's performance. They further ought to be tailored to the overall aim of the firm to enhance performance.

This study finding is also in line with Jude (2017) who studied the association between objective setting in small firms and their performance in Sri Lanka and found that firm objectives had a significant relationship with the performance of SMEs. He further explained that setting objectives is a crucial exercise that firms ought to take seriously right from the initial stages of planning because it influences performance outcomes. The study findings further concur with Sreeramana (2016) who revealed that firm objectives have a significant

relationship with the performance of SMEs because they direct the firm's efforts towards the achievement of the stated targets thereby enhancing performance.

The study findings confirm the assertions of the goal-setting theory by Locke et al (1990), that firms which set challenging specific goals and objectives direct their efforts to the achievement of the set goals thereby increasing their performance. Goals and objectives set in a firm thus guide managers, employees, and other stakeholders during the execution of their duties, and this further enables these individuals to perform their duties (Yitzhaky, 2021).

5.2.3 Adoption of firm strategy and performance of SMEs

The third study objective sought to establish the relationship between the adoption of firm strategy and the performance of SMEs in the Rubaga division. The study hypothesized that the adoption of a firm strategy has no significant relationship with the performance of SMEs. The study findings revealed a statistically significant relationship between the adoption of firm strategy and the performance of SMEs. The study findings imply that SMEs that articulate a plan of action can increase their performance since they are capable of leveraging the available organisational resources to achieve the organisational goals. The study findings also imply that firms that adopt the organisational strategy can organise resources to carry out organisational activities to achieve organisational goals.

The findings of the current study are in line with the findings by Adhiambo (2018) which revealed that firm strategy has a significant influence on firm performance. Relatedly, Majama et al. (2015) established that SMEs do not necessarily follow a specific strategy for running their businesses, but as environmental dynamism takes shape, they continue modifying the current strategies to fit the current trends.

The study findings further confirm the findings by Hindu (2021) who established that firm strategy had a positive influence on firm performance. The results are also consistent with

findings from Hana & Eungdo (2018) which revealed that firm strategy enhances firm performance. Similar findings by Reuben et al. (2021) support the findings of this study. Reuben found out that SMEs which adopted a given firm strategy registered a significant increase in their overall performance.

5.3 Conclusion

This study aimed at establishing the relationship between Strategic planning and the performance of SMEs in Rubaga South Constituency and specifically addresses three objectives; to examine the relationship between the formalization of vision and mission and the performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority, to investigate the relationship between nature of firm objectives and performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority, and to establish the relationship between adoption of firm strategy and SMEs in Rubaga South Constituency, Kampala Capital City Authority. Formalization of vision and mission, nature of objectives and adoption of firm strategy have a statistically significant influence on the performance of SMEs in Rubaga South Constituency. Therefore, it can be concluded that SMEs ought to come up with an overall vision and mission, set specific and general objectives as well and adopt a given firm strategy to enhance their performance.

5.4 Recommendations

Based on the findings, the study draws important insights into practising managers in SMEs. Managers in SMEs ought to formulate an organisation's overall goal and mission to direct the efforts of the organisational members towards achieving the organisational goals thereby increasing performance. This can be done by establishing a strategic intent for the organisation to determine where the organisation wants to be and the purpose of its existence and communicating the organisation's strategic intent to the middle and lower-level managers.

Managers of SMEs should also design objectives that are attainable so that the firms' operations are guided by the overall aim of the firm. Scholars have revealed that setting challenging objectives is a key driving force in activating the efforts of employees towards the achievement of the firm's goals. Managers in SMEs should therefore set challenging goals to enhance the employees' ability to stretch and find alternative means of achieving the goals. This can be done by setting individual objective for employees that are in line with the organisational objectives so that employees are challenged to direct their efforts towards the achievement of the organisational goals.

In light of the study findings, there is a need to sensitize SME managers and owners about the role of setting clear aims for the existence of their firms, establishing specific objectives and adopting a clear strategy to enable them to enhance their performance.

5.5 Limitations and suggestions for further study

In as much as this study has provided several suggestions and provided dependable evidence, the findings ought to be interpreted in light of the limitations below.

Since the study adopted a cross-sectional design and focused on SMEs in Rubaga South Constituency, the findings cannot be generalized to represent all SMEs across the country therefore, further studies can replicate these findings in other parts of the country by using a longitudinal approach and also use a bigger population sample in other divisions of Kampala Capital City Authority like Kawempe, Makindye and others.

Given that this study used dimensions of formalization of vision and mission, nature of firm objectives and adoption of firm strategy, a combination of the three explained 34.9% of the variation in performance of SMEs in Rubaga South Constituency. This, therefore, suggests that 56.1% calls for investigations into other dimensions. On that note, therefore, other researchers can use other dimensions like strategy implementation, strategy evaluation and

control and establish how they influence the performance of SMEs in the same division. Therefore, a study on how strategy implementation influences the financial performance of SMEs can be studied.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Dear Respondent,

Kindly receive and fill our questionnaire. This is an academic study seeking to establish the hypothetical effect of “**Strategic planning on performance of SMEs in Rubaga South Constituency, Kampala Capital City Authority**”. The information provided will be treated with utmost confidentiality and will be used solely for academic purposes.

In case you need any further information or to get a copy of the study findings, please reach me at: ssewanyanafrank@kyu.ac.ug

SECTION A: DEMOGRAPHIC INFORMATION

Indicate your response to the items below by ticking in the boxes

What is your Gender: 1 Male 2 Female?

a) What is your age bracket: 1 Below 20 years 2 20-30 years?

3 31-40 years 4 over 40 years

b) What is your highest level of education attained 1 Primary 2 secondary

3 Certificate 4 Diploma 5 1st Degree 6 Masters

c) For how long has this business been in existence?

1 Less than 5 years 2 6-10 years 3 11-15 years 4 16-20 5 more than 20

years

e). What is your position in this in this enterprise?

1 Owner 2 Manager 3 others (specify).....

f). Which of the following describes your enterprise?

1 Sole proprietorship 2 Partnership 3 Private limited company 4 Cooperative society Joint venture 5 Others (please specify)

g). How many employees does this enterprise have?

1 1-5 2 6-49 3 50-100 4 100 and above

h). In which sector does this enterprise operate? Production/manufacturing

1 Retail 2 Wholesale 3 Service 4 Trade and commerce 5

SECTION B: STRATEGIC PLANNING

Read each statement and answer by ticking in the suitable category that best fits your opinion.

1 = strongly dis-agree, 2 = Dis-agree, 3= neutral, 4 = Agree, 5 = Strongly-agree

SP	STRATEGIC PLANNING	SD	D	N	A	SA
VM	Vision and Mission					
VM1	We have written down long-term aims to be achieved by the firm	1	2	3	4	5
VM2	The long-term aims of this firm are well communicated to all employees	1	2	3	4	5
VM3	We set objectives and goals guided by the overall aim of the firm	1	2	3	4	5
VM4	The long-term aims provide direction, coordination, and control of firm activities	1	2	3	4	5
VM5	The owner/manager determines the overall long-term aims(plans) of the firm	1	2	3	4	5
VM6	Our decision-making in this firm is directed by the overall purpose of the firm	1	2	3	4	5
VM7	We involve employees in the planning process and decision making	1	2	3	4	5
VM8	We keep modifying the set plans to match the changes in the business environment	1	2	3	4	5
VM9	We set goals for a period of more than three years	1	2	3	4	5
VM10	We have a written strategic plan	1	2	3	4	5
VM11	We consider the changes in customer preferences when planning	1	2	3	4	5
VM12	We set alternative plans to cater for unforeseen occurrences	1	2	3	4	5
FO	FIRM OBJECTIVES					

FO1	Our firm has general stated and specific aims to be achieved in a given time frame	1	2	3	4	5
FO2	Together with employees, we establish avenues for achieving the firm's overall aims	1	2	3	4	5
FO3	Employees in our firm set their individual aims for achieving the overall firm targets	1	2	3	4	5
FO4	Managers give employees feedback about progress towards achieving overall aims	1	2	3	4	5
FO5	Workers in this firm are aware of the outcomes of the firm activities they do	1	2	3	4	5
FO6	Managers sit with employees to discuss firm aims and individual means to achieve them	1	2	3	4	5
FO7	There are clearly communicated avenues for achieving the overall aims of the firm	1	2	3	4	5
FO8	This firm aims at earning profits just sufficient to keep business operations ongoing	1	2	3	4	5
FO9	Our firm's major aim is to make as many sales as possible without making losses	1	2	3	4	5
FS	FIRM STRATEGY					
FS	Our firm charges lower prices relative to other firms in the industry	1	2	3	4	5
FS	Our firm provides after-sales services to the customers	1	2	3	4	5
FS	Our firm provides advice to clients about the use of our products or services	1	2	3	4	5
FS	Our firm offers unique products/services that attract customer loyalty	1	2	3	4	5
FS	We have speedy and flexible distribution channels for easy products and services access	1	2	3	4	5
FS	Our firm offers a variety of products/services to a wide market to ensure reliability	1	2	3	4	5
FS	Our firm usually innovates new products/services to retain and attract clients	1	2	3	4	5

FS	Our firm concentrates on serving a particular section of the general market	1	2	3	4	5
FS	Our customers feel attached to our brands because of their uniqueness	1	2	3	4	5
FS	Our firm invests in research and development to ensure relevance and staying up to date	1	2	3	4	5

Section C: Growth of SMEs

Read each statement and answer by ticking in the suitable category that best fits your opinion.

1 = strongly dis-agree, 2 = Dis-agree, 3= neutral, 4 = Agree, 5 = Strongly-agree

	FIRM PERFORMANCE	SD	D	N	A	SA
MG	Market growth	1	2	3	4	5
MG1	The number of people who buy our products/services has increased over time.	1	2	3	4	5
MG2	The demand for our product in the market has kept on increasing over time	1	2	3	4	5
MG3	The operations of our business have expanded to other parts of Kampala Capital City Authority	1	2	3	4	5
MG4	Our business has added new business lines to the current business	1	2	3	4	5
MG5	We sell more products/ services than our competitors in the market	1	2	3	4	5
MG6	Our business always buys more than the previous purchases	1	2	3	4	5
MG7	Our business receives more orders for sales from new clients daily	1	2	3	4	5
MG8	Our business has been expanding as a result of market growth	1	2	3	4	5
SG	Sales growth	SD	D	N	A	SA
SG1	Our business sells more of the existing products/services in the market than our competitors	1	2	3	4	5
SG2	This business has established new distribution and marketing channels	1	2	3	4	5

SG3	There has been an increase in client base over the past three years	1	2	3	4	5
SG4	Our business has established customers that purchase daily and monthly	1	2	3	4	5
SG5	Our daily and monthly sales keep increasing over and over again	1	2	3	4	5
SG6	Customers of our business are loyal to our products and services	1	2	3	4	5
SG7	The level of demand for our products and services has increased	1	2	3	4	5
SG8	The sales of the business grow at an increasing rate per month.	1	2	3	4	5
SG9	The sales of the business are greatly affected by the decisions made by management	1	2	3	4	5
IN	Innovation	SD	D	N	A	SA
IN1	Employees in this firm have come up with new products/services	1	2	3	4	5
IN2	The operational costs of the firm have been reduced due to innovative modes of production	1	2	3	4	5
IN3	This firm encourages employees to try out new modes of problem-solving	1	2	3	4	5
IN4	There is a great improvement in the products and services of this firm due to innovation	1	2	3	4	5
IN5	This firm awards the employee that comes up with new ideas that improve production.	1	2	3	4	5
IN6	Our innovative products/services have attracted and retained more customers	1	2	3	4	5
IN7	Employees cooperate and come up with ideas for dealing with new tasks	1	2	3	4	5

APPENDIX II: BUDGET

	Activity/ITEM	Unit	Unit Cost (Ugx)	Amount (Ugx)	Reason for
1	Pens, pencils, and notebooks	2 notebooks,2 pens, 2 pencils	20,000	20,000	Data recording
2	Fees for printing questionnaire	200 questionnaires	75	15,000	Data collection
3	Printing and binding the report	5 copies	22,125	110,625	Final copies to submit
	Grand Total			145,625	
	DATA COLLECTION				
4	Brief with research assistants	3	15,000	30,000	Assistance in data collection
5	Data collection	3 x 5 weekly days	15,000	225,000	Data collection
	Subtotal			255000	
	DATA ANALYSIS				
6	Data entry	01	20,000	20,000	Data cleaning
7	Assistance in Analysis	01	150,000	150,000	For assistance in analysis
	Sub-total			170,000	
	Miscellaneous costs				
8	Transport costs at the field	5 days	25,000	125,000	Costs for data collection coordination
9	Lunch in the field	5 days	10,000	50,000	For energizing
	Total			755,625	