

Strategic Planning and Its Implications on SMEs in Bangladesh: An Empirical Study

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ABSTRACT

Strategic plan is an important integral part and vital factor for long-term success and sustainable development of any organization and also for SMEs. Without strategic plan an SME may journey towards an imaginary destination. The current study is an endeavor to highlight the present scenario of SMEs in Bangladesh, scope of strategic plan in SMEs, barriers to preparing strategic plan and ways to removal of the barriers and finally implications of strategic plan in SMES in Bangladesh. The paper found that sustainable development of SMEs highly depends on the preparation and implementation of strategic plan in SMEs in Bangladesh and strategic plan has direct impact on the growth of number of employees, volume of capital and return on sales of SMEs.

Key Words: Strategic Planning, SME, Implications, Implementation, and Bangladesh.

GEL Classification Code: O20; G32; M13

1. INTRODUCTION

Strategic planning refers to the setting of long-term business goals, and the developing and implementing of the formal plans to achieve these goals. Strategic planning is a vital ingredient in small business development, competitiveness and success (Vicere, 1995). For example: small business that strategically plans are more likely to be those that achieve higher sales growth, higher return on assets, higher profit margins and higher employee growth. Small businesses that strategically plan are also more likely to be those that are innovative, those that achieve international growth and those less likely to fail. It improves the business performance, business decisions and enhances employee commitment (Curtis 1983). Peel and Brigade (1998) have highlighted a strong positive correlation between the success of SME's and the degree of long term planning undertaken.

In the survey of 214 German industrial enterprises Esser et. al. (1985) found that instruments of strategic planning are most frequently applied in the long term of a limited and incorporated company. Their results show a positive correlation between a company's workforce size and the uses of strategic planning activities. Berman, Gordon and Sussmann (1997) argue that enterprises that plan strategically obtain the better financial results. For example: Schweg and Shrader (1993) showed in their meta- analysis that the existence of

strategic planning is significantly positively correlated with an enterprise's (financial) success. Given all the evidence on the benefits of strategy and planning, most small businesses don't strategically plan. SMEs' are more likely to have short term plans and a non-financial, non-written type of strategy looks to better suit their needs (Stonehouse and Pembereton 2002). In practice the primary focus of small business operators is short term operational rather than long-term strategic issues, and their decision making is generally reactive and intuitive rather than practical and deliberate.

Research into why small businesses generally don't engage in strategic planning has suggested that operators may be hindered or discouraged by "planning barriers" such as; a lack of time, lack of specialized expertise, inadequate knowledge of the planning processes or a reluctance to share strategic plans with employees and external consultants (Robinson and Pearce 1984). O' Regan and Ghobadian indicated a number of general barriers relating to the constraint of strategic planning implementation, such as; communication was inadequate, implantation took longer than expected, a short fall in employee skills, objectives of a strategy were not clearly understood by the staff, ineffective coordination of implementation, unexpected external problems arouse and external factors impacted on implementation. Recently Wang, Walker and Redmond (in press) argued that business ownership motivations are a major reason for why many small businesses do not strategically plan. However, firms with strategic plan are better in position to overcome such implementation barriers. A Wilcoxon test was used to ascertain the difference in the extent to which implementation problems are experienced by both categories of firms with formal plan and firms without formal plan. The results showed that firms with strategic plan are better prepared to overcome the implementation problems than firms without strategic plan. This indicates that formal planning is more likely to enables firms to meet any potential barriers and problems with greater confidence (O Regan N. and Ghobadian A., 2007).

2. OBJECTIVES OF THE STUDY

The main objective of the study is to evaluate the importance of strategic plan for SMEs in Bangladesh. To fulfill the main objective, the specific objectives are as stated below:

- To justify the importance for strategic plan for SMEs in Bangladesh.
- To identify the barriers in preparing strategic plan in SMEs in Bangladesh.
- To evaluate the impact/implications of strategic plan in SMEs in Bangladesh.
- To identify the ways to overcome the barriers in preparing strategic plan in SMEs in Bangladesh.

3. METHODOLOGY OF THE STUDY

The study is an exploratory research completed basically based on primary data. Some secondary data was used for showing the SME scenario in Bangladesh. A questionnaire survey was conducted among the owners, managers, and officers of 48 SMEs from different parts of Chittagong on the basis of purposive sampling because the working place of the authors is Chittagong. According to the location of the SMEs, the SMEs under study are from New Market 28 (19.44%), Halishahar 18 (12.50%), Chawk Bazar 16 (11.11%), Sitakunda 13 (9.03%), Chandgaon 14 (9.72%), Bahaddar Hat 15 (10.42%), Agrabad 21 (14.58%), Chawmohoni 8 (5.56%), Fawzdarhat 6 (4.17%), Kumira 5 (3.47%).

As per the nature of SME business, the frequencies are Restaurant 29 (20.14%), Poultry, Dairy & Nursery 22 (15.28%), Bakery 23 (15.97%), Ready Made Garments (RMG) 21 (14.58%), Books and Stationary 16 (11.11%), Jewelers 33 (22.92%).

As per the designation, the respondents are Officer 14 (9.72%), Manager 35 (24.31%), and

Owner 95 (65.97%) and the level of education of the respondents is Below SSC 14 (9.72%), Below HSC 23 (15.97%), Graduate 38 (26.39%), and Masters 69 (47.92%).

The age distribution of SMEs having less than 1 year of age is 11 (7.64%), SMEs having 1-3 years of age is 21 (14.58%), SMEs having 3-6 years of age is 34 (23.61%), SMEs having 6-9 years of age is 29 (20.14%) and SMEs having more than 9 years of age is 49 (34.03%).

The data was collected through in depth interview with the respondents based on structured questionnaire during November and December, 2011. After collection, the data were tabulated and analyzed through percentage, frequency distribution, etc.

4. LIMITATIONS OF THE STUDY

The study is a self financed study because of what a small sample size were chosen for the study. Another limitation is 25.69% of the respondents have very few or no idea about strategic plan as they have no study in this regard because of their poor level of education that is less than HSC.

5. SME SCENARIOS IN BANGLADESH

In 2003 the International Consultancy Group (ICG) of the UK, in collaboration with the Micro Industries Development Assistance and Services (MIDAS), conducted the National Private Sector Survey of Enterprises in Bangladesh. The survey results drew the conclusion that there were approximately 6 million Small and Medium Enterprises (SMEs) which included enterprises with up to 100 workers employing a total of 31 million people, equivalent to 40 per cent of the population of the country of age 15 years and above. The survey also found that the industrial structure of SMEs consisted of primarily wholesale and retail trade and repairs (40 per cent), production and sale of agricultural goods (22 percent), services (15 percent), and manufacturing only (14 per cent). Thus the survey brought out the fact that the large untapped potential for expansion in manufacture and production could be exploited (or contributing more significantly to the national economy. Another vital findings of the survey under discussion was that SMEs contributed BDT 741 (\$ 12.5) billion i.e. nearly 25 per cent of the GDP (BDT 2,996 billion) in 2003. It is reflected from this survey that enterprises employing 2-5 workers contribute 51 percent share of the total SME contribution to the economy, followed by 26 percent by those having only one worker and 10 per cent by those having 6-10 workers. For LDCs like Bangladesh, SMEs are a highly cost-effective route for industrial development. It is observed from Table-1 that micro enterprises run by up to 10 workers contribute the most which is 86% of the total contribution from SMEs to GDP of Bangladesh. It is also observed that micro enterprises run by more than 21 workers contribute about 7% of total contribution from SME to GDP of Bangladesh.

Table 1: Contribution of SMEs in the GDP of Bangladesh

Number of Workers	Total Contribution to GDP (Taka)	% of total Contribution
0-1	193996555714	26
2-5	379663897358	51
6-10	73120983681	10
11-20	45183240157	6
21-50	33960498076	5
51-100	15138922373	2
Total	741064097360	100

Source: ICG/MIDAS Survey, 2003. Note: US \$1=BDT 69.0

Table-2 provides the information regarding sector wise contribution of SMEs to GDP. It is reflected from the table that manufacturing sector contributes the highest contribution in GDP i.e., 38%. It is also observed from the table that agriculture contributes 24%, wholesale and retail sector contribute more than 23% in the GDP of Bangladesh.

Table-2 Sector wise contribution of SME in GDP of Bangladesh (Taka)

Sector	Total Contribution to GDP (Taka)	Percentage of Total Contribution
Agriculture	177 729 637 63	24%
Fishing	32872674464	4%
Manufacturing	282 344 700 575	38%
Construction	7 196 460 200	1%
Wholesale and Retail trade and Repairs	171 335 861 390	23%
Hotels and Restaurants	28 599 263 975	3%
Transport, Storage and Communication	8 950 171 356	1%
Real state, Renting and Business activities	13 771 436 794	2%
Education	151 808 506	1%
Health and Social Work	2 743 049 893	1%
Other Service activities	15 632 094 785	2%
Total	741 327 159 609	100%

Source: ICG/MIDAS Survey, 2004, Note: US \$ 1 = BDT 69.00

Small and Medium Scale play an important role in the socioeconomic advancement of a country through decentralization, diversification of industries, innovation of new products and services, creation of new entrepreneurs, employment generation, utilization of natural resources and in overall, raising contribution to the GDP of the country. The contribution of the small and medium scale industries in GDP of Bangladesh are stated below:

Table-3: Contribution of Small scale industries in GDP of Bangladesh (at constant market prices)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
GDP of Small scale Industries (Million Tk.)	124085	135515	148651	159200	170189	180911
Total GDP of Bangladesh (Million Tk.)	2669740	2846726	3029709	3217260	3401968	3600465
% of GDP contribution of SSIs	4.85	4.94	5.08	5.14	5.18	5.20
% of Growth Rate of GDP of SSIs	7.93	9.21	9.69	7.10	6.90	6.30

Source: Statistical Year Book 2010, National Income Section, BBS.

Table-4 shows the growth pattern of SME. It is observed that during 2001-2002 to 2004-2005 in every financial year the growth rate of SME is about 7%. In 2005-2006 the growth rate was 9.21%. The highest growth was in 2006-2007 i.e., 10.28%.

Table-4 Growth Pattern of SMEs in Bangladesh

Year	Growth Percentage of Small Enterprises
2001-02	7.69
2002-03	7.21
2003-04	7.45
2004-05	7.93
2005-06	9.21
2006-07	10.28

Source: Bangladesh Economic Review 2006-2007.

Table-5 shows the growth pattern of manufacturing sector. It is observed that the average growth during 1972 to 2005 was 6.4%. During 2001-2002 to 2006-2007 the highest growth was in year 2006-07 i.e., 11.19%. It is also observed that during 2002-2003 to 2005-2006 in every financial year the growth of manufacturing sector was more than 6%.

Table-5: Growth Pattern of Manufacturing Sector

Year	Growth Percentage of Manufacturing Sector
1972-2000	6.4
2001-02	5.48
2002-03	6.75
2003-04	7.10
2004-05	8.19
2005-06	10.77
2006-07	11.19
2015	Expected Growth 15

Source: Bangladesh Economic Review 2006-07.

Table-6 shows that, Total SME loans increased by 35.93 percent at the end of December, 2010 as compared at the end of December, 2009 and 16.64 percent at the end of December, 2011 as compared at the end of December, 2010. Institutional category-wise SME loans increased at the end of December, 2010 in private banks (52.03%), specialized banks (28.09%), foreign banks (19.30%), state owned banks (17.34%) and non-bank financial institutions (27.91%) as compared to December, 2009 and at the end of December, 2011 in private banks (23.91%), specialized banks (12.27%), foreign banks (10.51%), state owned banks (6.43%) and non-bank financial institutions (4.17%) as compared to December, 2010.

Table-6: Outstanding position of SME loans as compare to total loans (Tk. In Crore)

	Types of Loans	State Owned Banks	Private Banks	Foreign Banks	Specialized Banks	Non-Bank FIs	Total
Dec, 2009	Total Loans	54931.53	157471.37	15324.52	16250.25	12948.61	256926.28
	SME Loans	18612.29	25707.55	1582.21	3315.82	1929.71	51147.59
	Percentage	(33.9)	(16.3)	(10.3)	(20.4)	(14.9)	(19.9)
Dec, 2010	Total Loans	68702.48	204442.22	18486.44	20578.15	17741.02	329950.31
	SME Loans	21839.54	39083.85	1887.54	4247.31	2468.34	69526.58
	Percentage	(31.79)	(19.12)	(10.21)	(20.64)	(13.91)	(21.07)
Dec, 2011p	Total Loans	81405.37	244335.67	21165.99	22994.08	20826.99	390728.10
	SME Loans	23244.5	48429.16	2085.89	4768.3	2571.38	81099.23
	Percentage	(28.55)	(19.82)	(9.85)	(20.74)	(12.35)	(20.76)
% change of SME loans at the end of December, 2010 over December, 2009.		17.34	52.03	19.30	28.09	27.91	35.93
% change of SME loans at the end of December, 2011 over December, 2010.		6.43	23.91	10.51	12.27	4.17	16.64

Source: SME & Special Programs Department, Bangladesh Bank.

Note: Figures in brackets indicate SME loans as percentage of total loans. P=provisional

Table-7 depicts the credit disbursement strategy being focused by the different categories of financial institutions while disbursing loans to SME sector. NBFIs become the prominent

players in disbursing loan strategy to the much desired SME sector constituting 35.5 percent of their total loan portfolio disbursement. The rest has been followed by SOBs and PCBs consisting of 28.7% and 22.1% respectively of their own loan disbursement portfolio.

Table 7: Loan disbursement to SME as % of total disbursement by Categories of Financial Institutions

SL No.	Category of Financial Institution (FI)	Loan disbursement to SME as %
01	NBFIs	32.5%
02	SOBs	28.7%
03	PCBs	22.1%
04	SBs	13.5%
05	FCBs	7.7%
	Total	100%

Source: SMESP Department, BB, 31st Dec. 2009.

Of the total loan disbursed to SME sector in the last quarter of 2009, around 50% went to Small Enterprises (SE). Table-8 shows the relative contribution of different categories of participating FIs in terms of disbursement to SE (18.1% of loan disbursement portfolio), while SOBs and PCBs were the subsequent successor.

Table-8: Loan disbursement to SE as % of total Disbursement by FIs

Categories of FIs	Loan Disbursement to SE as % of total disbursement
SOBs	17.3%
PCBs	10.2
SBs	7.8
FCBs	3.8
NBFIs	18.1

Source: Computed from data of SMESP Department, BB, 31st Dec. 2009.

6: THE SCOPE OF STRATEGIC PLANNING IN SMES

For the German-speaking countries, the following picture concerning strategic planning in SMEs emerges: In their survey of 214 German industrial enterprises Esser et al. (1985) found that instruments of strategic planning are most frequently applied in the legal form of a limited (GmbH) and incorporated (AG) company. Additionally, their results show a positive correlation between a company's workforce size and the use of strategic planning activities. Based on an analysis of 1461 German industrial enterprises, Scholz (1991) identified a rate of 73% of SMEs indicating to plan strategically. In contrast, the result from Austria and Switzerland look rather disilluioning. Kropfberger (1986) revealed in a survey of 161 medium sized enterprises in Austria that nearly half of the enterprises under study only plan on a short term basis and that almost one third does not have any sales planning at all. Similarly, Frohlich and Pichler (1988) found that almost one quarter of the 107 enterprises they investigated did not apply any planning, about one third only used short term plan and another third long term planning and only 12% used strategic planning. An almost identical picture shows up in Switzerland, where Haake (1987) surveyed 127 SMEs from different industries: 27% of the enterprises applied no written planning, 31.4% only short term planning, 26.9% long-term planning, and finally 13.7% strategic planning. Hofner, Kirsch and Wieselhuber (1985) surveyed on 214 SMEs with less than 500 employees from Germany. The result showed that 26.9% of SMEs plan strategically. Kupper and

Bronner (1995) conducted a survey on 240 SMEs from German. The result found that almost no long-term plan is prepared. Naffziger and Mueller (1999) surveyed on 71 SMEs with less than 500 employees from US and found that 46.5% of the enterprises do not have written Vision or Mission statement. Litner (2001) conducted a survey on 100 SMEs from Austria and got 62% of the enterprises have a written corporate policy. Gibson and Cassar (2002) surveyed on 3554 SMEs from Australia and found that more than 30% of the enterprises apply documented planning, however, only 50% of those prepare on an annual basis, larger firms plan more than smaller ones. Shane (2003) researched on 211 SMEs from Sweden. The result showed that strategic planning increases the degree of product development, the degree of corporate organization and the probability of survival of new ventures. A study was conducted by Elbanna (2007) in Egypt and found that 35.8% of the organizations in the sample do not have written strategic plans. A small number of studies of strategic in the Middle East have been undertaken. The picture is less clear in relation to strategic implementation than it is in relation to formulation. Two studies of strategic planning in Egypt have not examined implementation issues (Elbanna, 2007; 2008). In the case of Turkey, there is limited evidence that firms have greater commitment to strategy formulation than strategy implementation or evaluation (Glaister and Flashaw, 1999).

7. FINDINGS OF THE STUDY

We have conducted a survey on the owners, managers, and officers of 48 SMEs from Chittagong, Bangladesh and found that although most of the respondents (89.58%) believe that long-term planning is important for their success but actually 81.2% of SMEs prepare such plan.

Table-9: Opinion of the respondents' importance and preparation of L/T plan

Importance of long-term plan for SMEs:			Prepare long-term plan for SMEs		
Opinion	No. of SMEs	Percentage	Opinion	No. of SMEs	Percentage
Yes	129	89.58%	Yes	117	81.25%
No	15	10.42%	No	27	18.75%
Total	144	100%	Total	144	100%

Source: Own survey on SMEs during November-December, 2011.

From the table-9, it is also seen that only 10.42% of the respondents do not give importance on long-term plan for them but 18.75% of the do not prepare strategic plan for SMEs. Therefore, 8.33% of the SMEs do not prepare long-term plan though they admit the importance of long-term plan because of some barriers to strategic plan.

8. STRATEGIC PLAN AND ITS BENEFITS

Literature review reveals that preparation of strategic plan is important and beneficial for SMEs. The respondents of our survey also identified different benefits of preparing strategic plan in SMEs in Bangladesh. The responses are listed in the following frequency table.

Table-10: Opinion of the respondents on the benefits of Strategic plan in SMEs

Benefits	Frequency	Percentage
Higher sales growth	132	91.67
Higher return on assets	71	49.31
Higher margin or profit	83	57.64
Higher employee growth	52	36.11

Development and implementation of plan	65	45.14
Sustainable development (avoid failure)	87	60.42
Efficient in competition	103	71.53
International growth	57	39.58
Others: Customer Satisfaction	7	4.86

Source: Own survey on SMEs during November-December, 2011.

As per the opinion of the respondents, SMEs with strategic plan can exploit the benefits of Higher sales growth (91.67%), Efficient in competition (71.53%), Sustainable development (avoid failure) (60.42%), Higher margin or profit (57.64%), Higher return on assets (49.31%), Development and implementation of plan (45.14%), International growth (39.58%), Higher employee growth (36.11%), and Customer Satisfaction (4.86%).

9. BARRIERS IN PREPARING STRATEGIC PLAN IN SMEs IN BANGLADESH

Kropfberger (1986) revealed in a survey of 161 medium-sized enterprises in Australia that nearly half of the enterprises under study only plan on a short term basis and that almost one-third does not have any sales planning at all. In Switzerland, Haake (1987) surveyed 127 SMEs from different industries: 27.9% of the enterprises applied no written planning, 31.4% only short term planning, 26.9% long-term planning and finally 13.7% strategic planning. Similarly, Frohlich and Pichler (1988) found that almost one-quarter of the 107 enterprises they investigated, about one-third only used short term and another one third long term planning and only 12% used strategic planning.

Due to the well accepted view that strategies limit an SME's scope of activity too much thereby reducing its flexibility, many SMEs are still lacking written strategic plans (Pleitner, 1986). Scharpe, 1992; Robinson & Pearce, 1984 identified other reasons why SMEs refuse to engage in formal strategic planning, such as insufficient knowledge, distrust, rejection of external assistance, tradition-based thinking, fear of radical change, high cost, and lack of time or management over load. The degree of an entrepreneur's orientation seems to be a key factor for strategic focus of the enterprises (Mazzarol, 2003).

From our survey, it is found that 18.75% of SMEs do not prepare long term plan. As a result we had a question on them to explore the barriers associated with not preparing long term plan. The results of the responses are listed in the following frequency table:

Table-11: Opinion regarding reasons of not preparing strategic plan in SMEs

Reasons	Frequency	Percentage
Lack of specialized expertise	7	25.93
Inadequate knowledge of planning process	8	29.63
Size of business	4	14.81
Environmental uncertainty	3	11.11
Type of industry	5	18.52
Total	27	100

Source: Own survey on SMEs during November-December, 2011.

From the study we can conclude that SMEs do not prepare long term or strategic plan because of lack of specialized expertise (25.93%), inadequate knowledge of planning process (29.63%), type of industry (18.52%) and Size of business (14.81%).

10. REMOVAL OF BARRIERS TO STRATEGIC PLAN

It is not only important to identify the barriers to strategic plan but also important to identify the appropriate way to remove those barriers. As per the opinion of the respondents the following ways may help SMEs in overcoming the barriers to strategic plan:

Table-12: Opinion regarding means of overcoming barriers to strategic plan

Means of overcoming the barriers	Frequency	Percentage
To make realization of its importance	11	40.74
Providing training to existing employees	8	29.63
Employing expert employee	5	18.52
Govt. rules or incentives	3	11.11
Total	27	100

Source: Own survey on SMEs during November-December, 2011.

From the table-12, we can list the means of overcoming the barriers as per priority as to realize the importance of strategic planning (40.74%), ensure proper training facilities to existing employees on planning process (29.63%), ensure the employment of expert employees (18.52%) and finally formulation of Government rules favorable for preparation of long term plan (11.11%).

11. IMPLICATIONS OF STRATEGIC PLANNING IN SMEs IN BANGLADESH

The existence of strategic planning is significantly positively correlated with an enterprise's (financial) success (Robinson & Pearce, 1984; Bracker and Pearson, 1986; Bracker et. al. 1988; Schwark and Shrader, 1993). Matthews and Scott (1995) found that planning activities can help to reduce the level of uncertainty in the company. Berman, Gordon and Sussmann (1997) argued that enterprises that plan strategically obtain better financial results. Delmar and Shane (2003) found in a longitudinal analysis that new ventures conducting formal strategic planning have higher survival rates.

Armstrong (1982) reviewed 12 strategic planning and performance studies and found that strategic planning was enhancing overall performance. In a review of 26 studies of small business, Schwark and Shrander (1993) found a positive relationship overall between strategic planning and performance. Fossen et. al. (2006) in a review of 85 studies found that strategic planning had a small but significant relationship with performance.

In this study, it has been tried to explore the impact of strategic planning on the overall performance of organization based on three factors: change in number of employees, change in volume of capital and change in return on sales.

11.1: NO. OF EMPLOYEES AND STRATEGIC PLAN

From the survey of 144 SMEs, it was found that 117 of the SMEs prepare strategic plan out of which number of employees increased in 93 SMEs but not increased in 24 SMEs. On the other hand, 27 SMEs do not prepare strategic plan of which number of employees increased in 13 SMEs but not increased in 14 SMEs. Chi-Square test was used to justify whether there is any significant implications of strategic plan on number of employees of SMEs in Bangladesh.

Table No. 13: No. of employees and Strategic Plan

	Increase No. of Employees	Not Increase No. of Employees	Total
Prepare SP	93	24	117
Don't Prepare SP	13	14	27
Total	106	38	144

Source: Own survey on SMEs during November-December, 2011.

Assuming a null hypothesis that there is no implication of strategic plan on number of employees of SMEs in Bangladesh, the calculated value of Chi-square is 11.10992 and at 5% level of significance and degree of freedom 1, the table value is 3.841. Therefore, the null hypothesis is rejected which signifies that the preparation of strategic plan affect the number of employees of SMEs in Bangladesh. That is, the SMEs which prepare strategic plan can increase the number of employees to increase the overall performance of SMEs.

Table No. 14: Change in No. of employees before and after preparing strategic plan

No. of employees	Before Strategic Plan		After Strategic Plan		Change in percentage
	No. of SMEs	Percentage	No. of SMEs	Percentage	
1-24	97	82.91	61	52.14	-30.77
25-49	17	14.53	26	22.22	7.69
50-74	3	2.56	17	14.53	11.97
75-99	0	0	13	11.11	11.11
Total	117	100	117	100	-

Source: Own survey on SMEs during November-December, 2011.

From the above table it is clear that 82.91% of the SMEs had 1-24 employees before preparing strategic plan but after preparing strategic plan the percentage reduced to only 52.14%, that is, 30.77% of the SMEs could improve their position, and specifically 7.69% SMEs improved number of employees to 25-49, 11.97% SMEs improved number of employees to 50-74, and 11.11% SMEs improved number of employees to 75-99. Therefore, it can be said that SMEs could increase their volume of activities because of preparing long-term plan for which reason SMEs required to increase their number of employees.

11.2: THE VOLUME OF CAPITAL AND STRATEGIC PLAN

From the survey of 144 SMEs, it was found that 117 of the SMEs prepare strategic plan out of which volume of capital increased in 92 SMEs but not increased in 25 SMEs. On the other hand, 27 SMEs do not prepare strategic plan of which volume of capital increased in 16 SMEs but not increased in 11 SMEs. Chi-Square test was used to justify whether there is any significant implications of strategic plan on volume of capital of SMEs in Bangladesh.

Table No. 15: The volume of capital and Strategic Plan

	Increase Volume of Capital	Not Increase Volume of Capital	Total
Prepare SP	92	25	117
Don't Prepare SP	16	11	27
Total	108	36	144

Source: Own survey on SMEs during November-December, 2011.

Assuming a null hypothesis that there is no implication of strategic plan on volume of capital of SMEs in Bangladesh, the calculated value of Chi-square is 4.391263 and at 5% level of significance and degree of freedom 1, the table value is 3.841. Therefore, the null hypothesis is rejected which signifies that the preparation of strategic plan affect the volume of capital of SMEs in Bangladesh. That is, the SMEs which prepare strategic plan can increase the volume of capital through additional investment and earnings profit from operations to expand the business of SMEs.

Table No. 16: Change in volume of capital before and after preparing strategic plan

Volume of capital	Before Strategic Plan		After Strategic Plan		Change in percentage
	No. of SMEs	Percentage	No. of SMEs	Percentage	
Less than 2 Crores	93	79.49	64	54.70	-24.79
2-4 Crores	17	14.53	22	18.80	4.27
4-6 Crores	4	3.42	19	16.24	12.82
6-10 Crores	3	2.56	12	10.26	7.70
Total	117	100	117	100	-

Source: Own survey on SMEs during November-December, 2011.

From table no. 16, it can be observed that 79.49% of the SMEs had capital less than 2 crores before preparing strategic plan but after preparing strategic plan the percentage reduced to only 54.70%, that is, the capital of 24.79% SMEs increases from 2 Crores to the next levels, and specifically 4.27% SMEs increased to 2-4 crores, 12.82% SMEs increased to 4-6 crores and 7.70% SMEs increased to 6-10 crores. Therefore, it can be said that SMEs could increase their volume of activities because of preparing long-term plan for which reason SMEs required to increase their volume of capital.

11.3: RETURN ON SALES AND STRATEGIC PLAN

From the survey of 144 SMEs, it was found that 117 of the SMEs prepare strategic plan out of which return on sales increased in 88 SMEs but not increased in 29 SMEs. On the other hand, 27 SMEs do not prepare strategic plan of which return on sales increased in 10 SMEs but not increased in 17 SMEs. Chi-Square test was used to justify whether there is any significant implications of strategic plan on return on sales of SMEs in Bangladesh.

Table No. 17: Return on sales and Strategic Plan

	Increase Return on Sales	Not Increase Return on Sales	Total
Prepare SP	88	29	117
Don't Prepare SP	10	17	27
Total	98	46	144

Source: Own survey on SMEs during November-December, 2011.

Assuming a null hypothesis that there is no implication of strategic plan on return on sales of SMEs in Bangladesh, the calculated value of Chi-square is 14.71878 and at 5% level of significance and degree of freedom 1, the table value is 3.841. Therefore, the null hypothesis is rejected which signifies that the preparation of strategic plan affect the return on sales of SMEs in Bangladesh. That is, the SMEs which prepare strategic plan can increase return on sales and increase the overall performance of SMEs.

Table No. 18: Change in return on sales % for preparing strategic plan in SMEs

Return on sales %	Before Strategic Plan		After Strategic Plan		Change in percentage
	No. of SMEs	Percentage	No. of SMEs	Percentage	
Below 10%	22	18.80	5	4.27	-14.53
10%-15%	41	35.04	12	10.26	-24.79
15%-20%	34	29.06	27	23.08	-5.98
20%-25%	10	8.55	21	17.95	9.40
25%-30%	4	3.42	22	18.80	15.38
30%-35%	6	5.13	19	16.24	11.11
Above 35%	0	0	11	9.40	9.40
Total	117	100	117	100	-

Source: Own survey on SMEs during November-December, 2011.

From the table no. 18, it can be observed that 18.80% of the SMEs earned return on sales at less than 10% before preparing strategic plan but after preparing strategic plan the percentage reduced to 4.27%, that is, the return on sales of 14.53% SMEs increases from less than 10% to the next levels and 35.04% of the SMEs earned return on sales at 10%-15% before preparing strategic plan but after preparing strategic plan the percentage reduced to 10.26%, that is, the return on sales of 24.79% SMEs increases from 10%-15% to the next levels, and the return on sales of 5.98% SMEs increases from 15%-20% to the next levels, specifically 9.40% SMEs increased to 20%-25%, 15.38% SMEs increased to 25%-30%, 11.11% SMEs increased to 30%-35% and 9.40% SMEs increased to more than 35%. Therefore, it can be said that SMEs could increase their volume of activities because of preparing long-term plan for which reason SMEs could increase their return on sales in percentage.

Hence, based on literature review and our experiment, it may be said that the SMEs having strategic plan own higher amount of capital, more employees and achieve higher returns on sales than before preparation of strategic plan.

12. POLICY IMPLICATIONS

Among others the major policy implications of this research are as follows:

- Owners, managers and executives of the SMEs are expected to get motivation for formulating and implementing strategic plan for their SMEs.
- Government and different regulatory bodies would expect to prepare guidelines to inspire the SMEs in this regard.
- The researchers may get ideas for more comprehensive studies relating strategic planning in SMEs.

13. CONCLUSION

Finally it can be said that the regulatory bodies especially Government should provide support and motivate the SMEs in preparation of strategic plan because it may help the SMEs in getting long-term success and sustainable development.

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