



## **THE EFFECT OF STRATEGIC PLANNING ON SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN EASTLIEGH AREA**

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**Abstract:** The purpose of this study is to establish the effects of strategic planning on small and medium enterprises performance in Eastliegh Area. The study also sought to establish the effect of mission statement and goal setting on small and medium enterprises performance in Eastliegh Area. Further, the study sought to assess the effect of the environmental scan on small and medium enterprises performance and to examine whether the communication influences the performance of small and medium enterprises in Eastliegh Area. This research problem can best be studied through the use of a descriptive research design. The target population of this study was therefore 721 member of Eastleigh business Association. The sampling frame of this study included hotels, clothes and textiles, electronics, utensils, general shops, hardwares, bookshops, pharmacies and clinics, transport, supermarkets, motor vehicle spares, Cybercafe, insurance and brokerage services, car dealership and petrol stations. Stratified random sampling was used to select 20% of the target population. The sample size of this study was therefore 142 respondents. Structured questionnaires were used in this study to collect data. The questionnaires were administered by use of a drop off and pick up later method to the sampled respondents. Data analysis was done after data collection. The quantitative data in this research was analyzed by descriptive statistics and inferential statistics using Statistical Package for Social Sciences (SPSS version 20). Descriptive statistics included measures of central tendencies (mean), measures of dispersion (standard deviation), frequencies and percentages. Data was then presented in tables, charts and graphs. Content analysis was used in processing qualitative data and results were presented in prose form. The study also used multivariate regression analysis to establish the relationship between the dependent variable and dependent variables. The study found that companies that are better performing have better, stronger and clearer vision and mission statements and that a mission statement affects financial performance in SMEs positively. The study concludes that there is a positive relationship between mission statement, goal setting, environmental scan and communication performance of small and medium enterprises. The study recommends that Eastleigh Business Association should ensure that each enterprise's mission statement should be strong and clearer. The study recommends that mission statements of the individual small and medium enterprises be tailored to reflect their competitive nature and strategies.

**Key Words:** Goal setting, Mission Statement, Organizational Performance, Strategic planning, Vision Statement

### **Introduction**

In the military sense, strategic planning is an early science of warfare. Military battles and campaigns are commonly referred to in ancient literature as large-scale tricks to engage and confront the enemy (Shivakumar, 2014). Nevertheless, strategic planning in the administrative

and management context is a contemporary process and concept recognizable within both the public and corporate fields. Regarding public planning itself, governments in the municipal were the first to engage in placing together formal written documents to recognize objectives and ways in which to accomplish them. The New York Municipal Research Authority was among the first to formalize urban planning techniques in the early years of 20<sup>th</sup> century, setting goals, schedules, activities and milestones in prudently ordered documents of planning (Darvish & Zahra, 2014).

Strategic planning's origins, as applied in the public sector, are traceable to the late 1950s and early 1960s. The U.S. Department of Defense started to look for more useful methods to plan for its long-term needs while simultaneously achieving cost savings. The dawn of the Planning-Programming-Budgeting-System (PPBS) began what was to bloom into a series of varying strategic budgeting and planning systems (Weber & Tarba, 2014).

The development of unified policy coordination and planning system in Latvia was launched in 2000. In 2001, Policy Planning Guidelines (PPG) was adopted by Cabinet of Ministers, which suggests the basic ideologies for the policy development, the types of policy planning documents and their respective hierarchy. In the year 2003, the Methodology Guidelines for Development of Institution Strategic Plan was established and the pilot project launched – the first to develop its Strategic Plan was the Ministry of Agriculture (Mbugua & Rarieya, 2014). Going by the results of pilot project, later on in 2006, medium term budget planning and strategic planning were introduced in all state administration institutions – state and ministries' institutions under the authority and direction of ministries, including municipal and state agencies which further developed their strategic plans according to the Law on Public Agencies. The enactment of the strategic planning system was a significant step towards linking of the drafting of the state budget and policy planning process (Dibrell, Craig & Neubaum, 2014).

In Latvia, the main principle of strategic planning in public administration is make the most of the integration of policy budgeting and planning process and the key document of strategic planning is institution's strategy of action (Zuckerman, 2014) more efficient management of material, financial and human resources by setting definite targets and projected outcomes. The state institution's action strategy was set to be a medium-term management document, which is a fundamental component of the institution's budget medium-term planning, thus harmonizing the planning of financial resources that are essential for their implementation and strategic objectives Wang, Walker & Redmond, 2008). Through action strategy institutions of state are planning their performance activities subject to their financial capacity that is founded on the budget adopted by the Parliament. The foremost core activities and targets are set centered on analyses of institution's external and internal environment and available resources. In order to accurately measure the accomplishments institutions are defining anticipated results framed in a clear definition and guaranteeing continuity. Results should be in line with the objectives set by the planning documents and only in distinct cases a change of meaning by wording of the result is tolerable (Veskaisri, Chan & Pollard, 2007).

Research has unswervingly shown that a majority of small and medium sized enterprises (SMEs) do not engage in strategic planning (Orser, Hogarth-Scott & Riding, 2000). This is in conflict with much of the strategy literature that states that enterprises must plan for the future actively for them to effectively compete and survive. As a result, SME owner-managers have been accused of being "myopic strategically" and deficient in long-term vision as to the direction their

company is headed (Mazzarol 2004). The main concern is that by overlooking strategic planning, SMEs may not attain their full growth and performance potentials, and their existence could be at risk. Subsequently, substantial research efforts has been spent on identifying 'barriers' that obstruct planning so that these may mitigated to embolden strategic planning in SMEs.

Operating and/or starting a small business include a likelihood of success plus failure. On account of their small size, a simple mistake by the management is likely to cause sure death of a small enterprise henceforth no chance of learning from its past mistakes. Lack of improper financing, planning, and poor management have been speculated as the main reasons behind the failure of small enterprises. Lack of credit has also been recognized as one of the most severe constraints facing SMEs and hampering their development (O'Regan & Ghobadian 2002).

### **Statement of the Problem**

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to Wanjohi (2009), the sector contributed over 50 percent of new jobs created in the year 2005. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation. Regardless of their many contributions, SMEs are beleaguered by poor performance levels and high failure rates (Jocumsen, 2004). To safeguard sustained development of the sector, it is crucial to comprehend why some SMEs are more prosperous than others. Strategic planning is related to the setting of long-term goals, the implementation and development of plans to realize these goals, and the diversion or allocation of resources necessary for understanding these goals (Stonehouse & Pemberton 2002). Practically, strategic planning is concerned with competitive advantage. This is summarized by O'Regan and Ghobadian (2002) who stated that the purpose of strategic planning is to empower a business to gain as proficiently as possible, a sustainable competitive edge over its competitors.

Studies have generally shown that planning is not only important for large organizations but for SMEs as well. Berman et al (2008) found that firms that plan produce better financial results than firms that do not plan. Lerner and Almor (2002) contended that planning lays the groundwork for developing the strategic capabilities needed for high performance. However, according to French, Kelly and Harrison (2004) planning including mission statement, goal setting communication planning as well as environmental scan does not guarantee business success. However, it is maintained that many of the contributing factors to business failures may be predicted and effectively address during the infancy of small business development when strategic planning is employed, thereby decreasing the failure rate for small business.

However, an extensive review of the literature shows that research on the impact of strategic planning on SME performance is inconclusive. Sexton and Van Auken (2006) found in their longitudinal analysis that the survival rates of SME that apply formal strategic planning are higher. Boyd (2007) found that the probability of survival is substantially smaller for non-planning enterprises. Robinson and Littlejohn (2004) found a positive relationship between strategic planning and financial success in their investigation of small business enterprises. Although the majority of studies have identified a positive relationship between strategic planning and SME success, there are also those that have identified no relationship between these variables. Gibson et al (2001) in their investigation of 2,956 small Australian enterprises and French et al (2004) in their investigation of 127 small Australian service enterprises) found

no relationship between strategic planning and SMEs performance. This study therefore sought to establish whether strategic planning (mission statement, goal setting, environmental scan and communication) influence SMEs performance in Kenya by focusing on Eastleigh Area.

The specific objectives of the study were;

- i. To investigate the effect of the mission statement on small and medium enterprises' performance in Eastleigh Area
- ii. To determine the effects of goal setting on small and medium enterprises performance in Eastleigh Area
- iii. To assess the effect of the environmental scan on small and medium enterprises performance in Eastleigh Area
- iv. To examine whether the communication influences the performance of small and medium enterprises in Eastleigh Area

## **Literature Review**

### **The Effect of Mission Statement on SME Performance**

The mission statement answers two elementary questions stakeholders are likely ask about a company: what the company does and who the company is. It gives the definition regarding the scope of company's operations and differentiates the company from others. Lybaert, (2002) postulates that mission statement may express a company's main reason for being, highlighting where it is headed and making plans, how it will arrive there.

Kirk and Nolan (2010) connect mission statement to business goals and proceeds to define it as a forerunner to realistic and clear business objectives. Sheaffer, Landau and Drori (2008) noted that factually a company is considered as an economic entity with the main objective being profit maximization. This objective is firmly associated with interests of company's owners. In contrast, the stakeholder theory claims that objectives of a business should be structured to account for interests of other stakeholders too. Some researchers argue that company mission statement should in addition address interests of employees, management, shareholders, customers and other residents of the communities, states and world where it conducts business. Nevertheless, some authors argue that the best mission statements define a company's business and propose market objectives and future products (Kirk & Nolan, 2010).

Sheaffer, Landau and Drori (2008) argue that a mission statement is only real only when it directly affects the behavior and directs the peoples' actions. Consistent with this, Desmidt and Prinzie (2009) narrow the targets of a mission statement and perceive it as a communication tool only. They share the opinion that the companies should narrow down the main purpose of a mission statement to that of accurately communicating market and product objectives to stakeholders. This culminates in development of behavioral standards, which form the company's rule of a thumb – the way we do things around here.

Studies investigating relationship between company performance and mission statement is rare and its results in most cases not very convincing (Forehand, 2000). For instance, three studies (Sheaffer, Landau & Drori 2008) find no discrepancy in financial performance between firms with and without mission statements. Two studies (Kirk & Nolan, 2010) demonstrated that companies with mission statements are better performers, but these studies only offer anecdotal

evidence. Mazzarol (2004) outline some studies reporting that after the formulation and introduction of mission statement, company performance shoots by about 50 %. Lybaert, (2002) encapsulates that companies that are better performing have better, stronger and clearer vision and mission statements, and also the process of identification of organizational values is related positively with performance of a company.

Some studies concentrating on a process of their components' or mission statements' creation and communication, indicate the significance and influence of a companywide discussion about company's central issues on its performance, and an association between company's identity and its reflection about the future performance (Mbugua & Rarieya, 2014). A Study by Mbugua and Rarieya, (2014) finds that companies, that effectively communicate their business strategies, attain on average 43% higher market to book ratio in comparison to the ones which do not communicate their strategies at all. Forehand (2000) indicated that companies providing employees with understanding into key organizational issues enhance their market value on average for almost 5%. Besides, study done by Fugazzotto (2009) postulates that the disagreement or uncertainty about the central issues of a company reflects in lower personal income and poorer sales results.

### **The Effect of Goal Setting on SME Performance**

A goal is the target of an action or task that a person desires consciously to obtain or achieve (Thorgren & Wincent, 2013). Goal setting includes the conscious process of developing levels of performance so as to have desirable outcomes (Dishman et al., 2010). If teams or individuals find that their present performance is not achieving anticipated goals, they normally become motivated to change their strategy or increase effort (Fried & Slowik, 2004). The decision to set a goal emanates from discontent with present performance levels. Setting a goal should embrace setting of a structure that directs behaviors and actions which enhance the performance. Miles and Clenney (2012) found a direct relationship that is linear between level of performance, goal difficulty and involved effort. This relationship will be positive, provided the person is dedicated to the goal, has the essential ability to achieve it, and does not have contradictory goals (Vigoda-Gadot & Angert, 2007). These include goal commitment and acceptance, goal difficulty, goal specificity and feedback (Scobbie, Wyke & Dixon, 2009). These conditions have been edited and extended by other researchers, such as Spencer Johnson's and Kenneth Blanchard SMART goals, which are conditions that are essential to make goals effective.

Goal mechanisms influence performance by amassing motivation to attain set goals (Lycette & Herniman, 2008). Such mechanisms are inputs that influence behavior in individuals or groups, which serve to create more attention to a goal, persistence in achieving a goal, energy in pursuing a goal and ability to plan to accomplish a goal. When team or an individual can narrow down attention on behaviors that will attain a goal, they also tend to divert attention away from behaviors that will not help in achieving the goal. Goals stimulate people to spend more effort centered upon the effort that is needed to attain a certain goal. Goals lead also to a tenacious pursuit of reaching the goal by offering a purpose for that particular pursuit (Lycette & Herniman, 2008). Lastly, when people are chasing after a goal they will pursue effective means for realizing it, specifically if the goal is challenging to achieve. For a goal to be motivating and to inspire commitment in a person, one must accept the goal. This is the first step in establishing motivation (Locke & Latham, 2006). Commitment to a goal is the degree of determination one

applies to attain an accepted goal. Two main factors that aid in enhancing goal commitment are self-efficacy and significance (Scobbie, et al., 2013). Significance refers to the factors that make reaching a goal significant, including the outcomes expected (Scobbie, Wyke & Dixon, 2009). Self-efficacy is the conviction that one can reach their goal (Scobbie, et al., 2013). These factors can be as easy as making a public announcement pertaining to the commitment, or as intricate as a formal program of inspirational leadership and mentoring.

Self-efficacy and significance improve the commitment to a goal for the individual (Scobbie, et al., 2013). The individual must first find the goal significant and must have confidence they can attain it (Miles & Clenney, 2012). Through making the significance of the goal personal offers the individual with the incentive to surpass failure and continue the path toward reaching the goal. Research by Vigoda-Gadot and Angert (2007) specifies that involvement in setting one's own goals leads to a higher rate of acceptance owing to the individual feeling of control over the process of goal setting. Locke and Latham established that when the rationale or purpose of the goal is offered, performance between assigned goals and participatively-set do not differ so much, provided the goal is accepted (Locke & Latham, 2006). Their explanation for the inconsistency lies in the way the goal was presented. If the objectives were explained clearly to the participants, motivation augmented.

### **The Effect of Environmental scan on Performance**

Environmental scanning is the evaluating, monitoring and disseminating of information from the internal and external environment to pertinent people in the organization or corporation. Environmental scanning is a process involved in the gathering, analyzing, and distributing information for strategic or tactical purposes. The environmental scanning process involves obtaining both subjective and factual information on the business environments in which a company is considering entering or operating (May et al., 2000). There are basically three modes by which organizations scan their immediate environment. Ad-hoc scanning means infrequent examinations, short term typically instigated by a crisis: organizations scan it environment following occurrence of crisis that is at the moment affecting the company and analyze the circumstances to know if the problem is external or internal.

Studies conducted on a consistent schedule (e.g. once a year): most extremely conscious organizations can perceive environment scanning as a program that ought to be done regularly and consequently, most of such organizations do it annually. Continuous scanning(also called continuous learning) means continuous structured data collection and processing on an extensive range of environmental factors (Mayer et al., 2013). The external and internal environment scan is a crucial part of the strategic planning process. Environmental factors internal to the organization typically can be categorized as strengths (S) or weaknesses (W), and those external to the organization can be categorized as opportunities (O) or threats (T). This strategic analysis of the environment is referred to as the SWOT analysis. It provides information that is resourceful in matching the firm's capabilities and resources to the competitive environment in which it functions. Consequently, it is resourceful in strategy selection and formulation.

PEST analysis stands for Political, Economic, Social-cultural, and Technological analysis and is a framework of factors in the macro-environment utilized in the environmental scanning component of strategic management. It is a part of an external analysis when conducting a doing

market research or strategic analysis, and offers a general idea of the different factors in the macro environment that the company has to take into account. It is a valuable strategic tool for comprehending growth or decline of the market, potential and direction for operations and business position (Xue, Majid & Foo, 2010). The increasing prominence of ecological or environmental factors in the first 10 years of the 21st century have led to green business and stimulated widespread use of an updated version of the PEST framework (Olamade et al., 2011).

### **The Effect of Communication on Performance**

Communication is defined as a process of receiving and sending symbols with meaning attached to them. It is also defined as a process in which a group, person or an organization (the sender) and transmits some sort of information (the message) to another group, organization or individual (the receiver). Vogelgesang, Leroy and Avolio (2013) classify communication into two distinct areas, organizational communication and interpersonal communication. He further expands his theory by introducing processes and structures that are vital to effective communication. Goris, Vaught and Pettit (2000) mention the topic of organizational communication in the internet age, field that is particularly crucial in modern day changing and fast moving global environment. In this respect they define communications as the exchange of meaningful information between the sender and the receiver and also the perception of meaning between the individuals involved.

Clearly, inferring from current literature communication is critical to successful management and amidst varying definitions; structures and processes are described as the true essence of achievement of the required standards of productivity and performance within organizations (Jing, Avery & Bergsteiner, 2014). Effective communication is perceived as a very pertinent tool for sharing information between the employees and the management. It plays a very significant role in organizational strategy. When a communication policy is being formulated the employees should ensure that they connect with the entire organization. Emphasis should be on the importance of adequate comprehension of the many processes and structure involved in communication in a given organization (Daniela, 2013).

Organizations need sets of interrelated communication channels for processing, sending and receiving external and internal messages. They also require receiving of information from their immediate environment (Vogelgesang, Leroy & Avolio, 2013). Information can be received, decisions made, feedback obtained and corrections made through such information channels. Communication is also vital in creating and also maintaining a suitable organizational culture and climate. Sufficient flow of information in an organization is a critical factor when members evaluate their working climate. Employees must feel themselves to be accustomed with the organization. Perceiving themselves as well informed and can thus communicate sufficiently with superiors and co-workers is crucial for employees.

Strategic planning certainly comes with change. The introduction of novel strategies may impact the normal way of doing things in an organization. It affects an organization's and an individual's culture. So as to effectively cope with the change and the cultures, Scobbi et al (2009) states that there is need for a coordinated and comprehensive strategy that includes communicating new rule and cultural analysis. The communication must have the subsequent basic elements: a vision of what the organization is to become and how it will achieve this, the

state of the organization and its task environment, and any other information of value to members; and the development of the organization in the areas identified as significant to realizing the vision. According to Jing, Avery and Bergsteiner (2014), executing an organization-wide Strategic Performance Management initiative requires IT support to incorporate data from incongruent sources, facilitate organizations to process the data across all strategic elements, and most significantly allow communication and collaboration of the strategic logic and chief objectives organization-wide. It is significant for public service managers to make sure that all staff members are unceasingly informed about the strategy to be implemented and how they fit in. It is critical that management promote an organizational culture of shared values by safeguarding that employees understand the mission and vision statements of the organization.

### Research Methodology

This research problem was studied through the use of a descriptive research design. The population of this study comprised of business owners in Eastleigh business Association. Eastleigh business Association has 721 members. The target population of this study was therefore 721. A stratified random sampling method was used in this study to select 20% of the target population. The 20% selection is justified by Mugenda and Mugenda (2003), who argues that a 20% sample size is a good representation of the target population.

This study used primary data, which was collected by use of structured questionnaires. Questionnaires are the most commonly used methods when respondents can be reached and are willing to cooperate. The quantitative data in this research was analyzed by descriptive statistics and inferential statistics using Statistical Package for Social Sciences (SPSS version 20). Descriptive statistics included measures of central tendencies (mean), measures of dispersion (standard deviation), frequencies and percentages. This was facilitated by use of the Likert Scale which enables easier presentation and interpretation of data. Data was then presented in tables, charts and graphs. Content analysis was used in processing qualitative data and results will be presented in prose form.

The study also used multivariate regression analysis to establish the relationship between the dependent variable and dependent variables. The regression model in this study was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby

- Y = Small and medium enterprises performance
- X<sub>1</sub> = mission statement
- X<sub>2</sub> = goal setting
- X<sub>3</sub> = environmental scan
- X<sub>4</sub> = communication
- ε = Error Term

### Results and Findings

The sample size of this study will be 142 members of Eastleigh Business Association. Out of 142 individuals, 134 comprehensively filled and returned their questionnaires. This represents a

94.36% response rate. This correlates with Mugenda and Mugenda (2003) argument that a response rate of 50% is sufficient for analysis and reporting; a response rate of 60% is good while a response rate of 70% and over is excellent. This evidently shows that the response rate in this study was excellent and hence the responses can be used to make inferences in relation to the small and medium enterprises performance in Eastleigh Area.

### Effect of Mission Statement on Performance

The respondents were asked to indicate the extent to which they agreed with the following statements in relation to organization's mission statement and performance of SMEs. According to the findings, the respondents agreed with a mean of 3.985 and a standard deviation of 0.234 a poor mission statement will lead to misappropriation of resources with regard to priorities. Also, the respondents agreed with a mean of 3.866 and a standard deviation of 0.283 that companies that are better performing have better, stronger and clearer vision and mission statements. In addition, the respondents indicated with a mean of 3.724 and a standard deviation 0.184 that a mission statement affects financial performance in SMEs positively. Further, the respondents indicated with a mean of 3.709 and a standard deviation of 0.211 that a poor mission statement leads to a poor communication. Moreover, the respondents agreed with a mean of 3.612 and a standard deviation of 0.172 that when the mission statement is not clear the behavior of the employees and the leaders may go on undirected and unmotivated. The respondents also agreed with a mean of 3.537 and a standard deviation of 0.200 that a poor statement leads to vague and overlapping company perspective on pertinent issues of the company. The respondents further agreed with a mean of 3.530 and a standard deviation of 0.148 that their mission statement is structured to account for interests of other stakeholders too. Lastly, the respondents agreed with a mean of 3.478 and a standard deviation of 0.150 that mission statements define a company's business and propose market objectives and future products.

**Table 1: Effect of Mission Statement on Performance**

	Mean	Std. Deviation
Our mission statement is structured to account for interests of other stakeholders too	3.530	0.148
Mission statements define a company's business and propose market objectives and future products	3.478	0.150
Mission statement affect financial performance in SMEs positively	3.724	0.184
Companies that are better performing have better, stronger and clearer vision and mission statements,	3.866	0.283
A poor statement leads to vague and overlapping company perspective on pertinent issues of the company	3.537	0.200
A poor mission statement will lead to misappropriation of resources with regard to priorities.	3.985	0.234
A poor mission statement leads to a poor communication	3.709	0.211
When the mission statement is not clear the behavior of the employees and the leaders may go on undirected and unmotivated	3.612	0.172

### Effect of Goal Setting on Performance

The respondents were also requested to indicate their extent of agreement with the following statements in relation to goal setting and SMEs performance. According to the findings, the respondents agreed with a mean of 3.910 and a standard deviation of 0.283 that removing vagueness allows one to concentrate on precise behaviors and actions associated with goal achievement. Further, the respondents agreed with a mean of 3.910 and a standard deviation of 0.283 that goals lead also to a tenacious pursuit of reaching the goal by offering a purpose for that particular pursuit. Further, the respondents agreed with a mean of 3.724 and a standard deviation of 0.2119 that goals lacking an external referent lead to a wide range of performance levels that are just acceptable. Also, the respondents agreed with mean of 3.664 and a standard deviation of 0.200 that self-efficacy and significance improve the commitment to a goal for the individual. Further, the respondents agreed with mean of 3.642 and a standard deviation of 0.194 that goal mechanisms influence performance by amassing motivation to attain set goals. The respondents also agreed with a mean of 3.612 and a standard deviation of 0.172 that goals that are too specific often lead employees to develop such a narrow focus that they fail to recognize obvious problems unrelated to the target. The respondents further agreed with a mean of 3.560 and a standard deviation of 0.159 that goal setting includes the conscious process of developing levels of performance so as to have desirable outcomes. Lastly, the respondents agreed with a mean of 3.515 and a standard deviation of 0.159 that setting a goal should embrace setting of a structure that directs behaviors and actions which enhance the performance.

**Table 2: Statements in relation to goal setting and SMEs performance**

	Mean	Std. deviation
Goal setting includes the conscious process of developing levels of performance so as to have desirable outcomes	3.560	0.159
Setting a goal should embrace setting of a structure that directs behaviors and actions which enhance the performance.	3.515	0.159
Goal mechanisms influence performance by amassing motivation to attain set goals	3.642	0.194
Goals lead also to a tenacious pursuit of reaching the goal by offering a purpose for that particular pursuit	3.910	0.283
Self-efficacy and significance improve the commitment to a goal for the individual	3.664	0.200
Removing vagueness allows one to concentrate on precise behaviors and actions associated with goal achievement	3.940	0.234
Goals lacking an external referent lead to a wide range of performance levels that are just acceptable	3.724	0.2119
Goals that are too specific often lead employees to develop such a narrow focus that they fail to recognize obvious problems unrelated to the target	3.612	0.1729

### Environmental scan and enterprise performance

The respondents were further requested to indicate their level of agreement with the following statements in relation to environmental scanning on enterprise performance. According to the findings, the respondents agreed with a mean of 4.082 and a standard deviation of 0.307 that the external factors considered during PEST analysis are dynamic and they change at a very fast

pace. Further, the respondents agreed with a mean of 3.940 and a standard deviation of 0.234 that competition is very high in their sector. Moreover, the respondents agreed with mean of 3.910 and a standard deviation of 0.283 that porter's model analyzes the driving forces in an industry. Also, the respondents agreed with a mean of 3.858 and a standard deviation of 0.223 that focusing too much on strengths can lead to ignorance of the organization's flaws and can eventually lead to the weakening of one's business. In addition, the respondent's agreed with a mean of 3.724 and a standard deviation of 0.211 that environmental scanning directly leads to better performance at the organizational level. Furthermore, the respondents agreed with a mean of 3.746 and a standard deviation of 0.224 that with adequate environmental intelligence, organizations are able to successfully manage strategic surprise and response swiftly even to weak signals. The respondents additionally agreed with a mean of 3.664 and a standard deviation of 0.200 that their sector has a threat of new entrants. Also, the respondents agreed with a mean of 3.642 and a standard deviation of 0.194 that PESTEL analysis is a valuable strategic tool for comprehending growth or decline of the market, potential and direction for operations and business position. Further, the respondents agreed with a mean of 3.612 and a standard deviation of 0.172 that with effective scanning, organizations are able to achieve more accurate industry and market insights. In addition, the respondents agreed with a mean of 3.560 and a standard deviation of 0.159 that the external and internal environment scan is a crucial part of the strategic planning process. Lastly, the respondents agreed with mean of 3.515 and a standard deviation of 0.159 that SWOT analysis provides information that is resourceful in matching the firm's capabilities and resources to the competitive environment in which it functions.

**Table 3: Statements in relation to environmental scanning on enterprise performance**

	Mean	Std. Deviation
The external and internal environment scan is a crucial part of the strategic planning process.	3.560	0.159
SWOT analysis provides information that is resourceful in matching the firm's capabilities and resources to the competitive environment in which it functions	3.515	0.159
Porter's model analyzes the driving forces in an industry.	3.910	0.283
Our sector has a threat of new entrants	3.664	0.200
Competition is very high in our sector	3.940	0.234
Environmental scanning directly leads to better performance at the organizational level	3.724	0.2119
With effective scanning, organizations are able to achieve more accurate industry and market insights	3.612	0.1729
With adequate environmental intelligence, organizations are able to successfully manage strategic surprise and response swiftly even to weak signals	3.746	0.2249
The external factors considered during PEST analysis are dynamic and they change at a very fast pace.	4.082	0.3078
Focusing too much on strengths can lead to ignorance of the organization's flaws and can eventually lead to the weakening of one's business	3.858	0.2235

### Communication influences and enterprise performance

The respondents were also requested to indicate their level of agreement with following statements in relation to communication and small and medium enterprises performance. According to the findings, the respondents agreed with a mean of 4.112 and a standard deviation of 0.283 that communication seeks to confirm or change the receiver's attitude, knowledge or explicit behavior in some manner that is predetermined. Further, the respondents agreed with a mean of 3.873 and a standard deviation of 0.233 that when organizational communication breaks down, the flow of communication only goes from management to employees. In addition, the respondents agreed with a mean of 3.821 and a standard deviation of 0.194 that their organization uses email and intranets, notice boards for internal communication. Also, the respondents agreed with a mean of 3.679 and a standard deviation of 0.199 that their organization has interrelated communication channels for processing, sending and receiving external and internal messages. Additionally, the respondents agreed with a mean of 3.625 and a standard deviation of 0.162 that effective communication is a very pertinent tool for sharing information between the employees and the management. Lastly, the respondents agreed with a mean of 3.515 and a standard deviation of 0.159 that effective communication very significant role in organizational strategy.

**Table 4: Statements in relation to communication and enterprises performance**

	Mean	Std. Deviation
Effective communication is a very pertinent tool for sharing information between the employees and the management.	3.625	0.162
Effective communication very significant role in organizational strategy	3.515	0.159
Our organization uses email and intranets, notice boards for internal communication	3.821	0.194
Communication seeks to confirm or change the receiver's attitude, knowledge or explicit behavior in some manner that is predetermined	4.112	0.283
Our organization has interrelated communication channels for processing, sending and receiving external and internal messages.	3.679	0.199
When organizational communication breaks down, the flow of communication only goes from management to employees	3.873	0.233

### Enterprises Performance

The study requested the respondents to rate the performance of their organization before and after the introduction of the use of strategic planning practices. From the findings, the respondents rated with a mean of 4.112 and a standard deviation of 0.283 the performance of their organization before the introduction of the use of strategic planning practices was great. Further, the respondents rated with a mean of 3.679 and a standard deviation of 0.199 the performance of their organization after the introduction of the use of strategic planning practices was great.

**Table 5: Performance of organizations and the use of strategic planning practices**

	Mean	Std Deviation
Before the introduction of the use of strategic planning practices	4.112	0.283
After the introduction of the use of strategic planning practices	3.679	0.199

The respondents were further requested to indicate the extent to which strategic planning influence the following aspects of enterprise performance in their organization. According to the findings, the respondents indicated with a mean of 4.142 and a standard deviation of 0.323 that employee's productivity influences enterprise performance in their organization to a great extent. Also, the respondents indicated with a mean of 3.813 and a standard deviation of 0.200 that customer satisfaction influences to enterprise performance in their organization to a great extent. Further, the respondents indicated with a mean of 3.784 and a standard deviation of 0.214 that service delivery influences to enterprise performance in their organization to a great extent. In addition, the respondents indicated with a mean of 3.709 and a standard deviation of 0.211 that staff development influences to enterprise performance in their organization to a great extent. Lastly, the respondents indicated with a mean of 3.537 and a standard deviation of 0.1729 that team-work influences to enterprise performance in their organization to a great extent.

**Table 6: Aspects of enterprise performance**

	Mean	Std. Deviation
Employees productivity	4.142	0.323
Customer satisfaction	3.813	0.200
Service delivery	3.784	0.214
Staff Development	3.709	0.211
Team-work	3.537	0.172

### Regression Analysis

The study also used multivariate regression analysis to establish the relationship between the dependent variable and dependent variables. The regression model in this study was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Whereby

- Y = Small and medium enterprises performance
- X1 = mission statement
- X2 = goal setting
- X3 = environmental scan
- X4 = communication
- $\varepsilon$  = Error Term

The four independent variables (mission statement, goal setting, environmental scan and communication) that were studied, explain 46.7% small and medium enterprises performance as represented by the  $R^2$ . This therefore means that other factors not studied in this research contribute 53.3% of project success within the banking industry in Kenya.

**Table 7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.695 <sup>a</sup>	.484	.467	.52778

The significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how mission statement, goal setting, environmental scan and communication influence small and medium enterprises performance. The F critical at 5% level of significance was 2.46. Since F calculated (30.191) is greater than the F critical, this shows that the overall model was significant.

**Table 8: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.639	4	8.410	30.191	.000 <sup>b</sup>
	Residual	35.933	129	.279		
	Total	69.573	133			

The regression equation was;

$$Y = 0.413 + 0.287 X_1 + 0.510 X_2 + 0.327 X_3 + 0.425 X_4 + 0.52778$$

The regression equation above has established that taking all factors into account (mission statement, goal setting, environmental scan and communication) constant, small and medium enterprises performance will be 0.413 units. The findings presented also show that there is a positive significant relationship between mission statement and small and medium enterprises performance as shown by a coefficient of 0.287 (p-value=0.000). This shows that a unit improvement in mission statement would lead to a 0.287 improvement in small and medium enterprises performance. In addition, there is a positive significant relationship between goal setting and small and medium enterprises performance as shown by a coefficient of 0.510 (p-value=0.000). A unit improvement in goal setting leads to a 0.510 improvement in small and medium enterprises performance.

Further, the findings show that there is a significant positive relationship between environmental scan and small and medium enterprises performance as shown by a coefficient of 0.327 (p-value = 0.001). A unit increase in environmental scan would lead to a 0.327 improvement in small and medium enterprises performance. Lastly, there is a positive significant relationship between communication and small and medium enterprises performance as indicated by a coefficient of 0.425 (p-value = 0.000).

This infers that goal setting influences small and medium enterprises performance most followed by communication, environmental scan and mission statement.

**Table 9: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.413	.317		1.305	.194
1 mission statement	.287	.069	.282	4.174	.000
goal setting	.510	.087	.561	5.857	.000
environmental scan	.327	.080	.422	4.071	.000
communication	.391	.095	.360	4.126	.000

## Conclusion

The study concludes that there is a positive relationship between mission statement and performance of small and medium enterprises. The study concludes that poor mission statement leads to misappropriation of resources with regard to priorities and also that mission statements affect financial performance in SMEs positively in the Eastleigh Business Association sector. Also, the study concludes that companies that are better performing have better, stronger and clearer vision and mission statements.

The study concluded that there is a positive relationship between goal setting and performance of enterprises. The study concludes that goals lead to a tenacious pursuit of reaching the goal by offering a purpose for that particular pursuit. The study further concludes that goal mechanisms influence performance by amassing motivation to attain set goals in Eastleigh Business Association sector. In addition, the study concludes that goals that are too specific have led to employees developing narrow focus failing to recognize obvious problems unrelated to the target in most businesses in Eastleigh Business Association sector. The study further concludes that setting a goal should embrace setting of a structure that directs behaviors and actions which enhance the performance of Eastleigh Business Association sector enterprises.

The study concludes that there is a positive relationship between environmental scan and performance of enterprises. Further, the study concludes that competition is very high in the Eastleigh Business Association sector and that the sector has a threat of new entrants. The study further concludes that focusing too much on strengths has led to ignorance of the some organization's flaws and has eventually led to the weakening of such businesses in the Eastleigh Business Association sector. The study concludes that in analyzing the in the Eastleigh Business Association sector, PESTEL and SWOT analyses are very resourceful.

The study concludes that there is a positive relationship between communication and performance of enterprises. The study concludes that where organizational communication has broken down, the flow of communication has only gone from management to employees in Eastleigh Business Association sector enterprises. The study further concludes that most Eastleigh Business Association sector enterprises use email and intranets, notice boards for internal communication. The study additionally concludes that organizations in Eastleigh area have interrelated communication channels for processing, sending and receiving external and internal messages. Further, the study concludes that effective communication plays a very

significant role in organizational strategy of most Eastleigh Business Association sector enterprises.

### **Recommendations**

The study established that companies that are better performing have better, stronger and clearer vision and mission statements. In this regard, the study recommends that Eastleigh Business Association should ensure that each enterprise's mission statement should be strong and clearer. This can be achieved through meeting with all business owners in the association and assessing their respective missions to change them if deemed necessary. Poor performing are best candidates for changing of their mission statements.

The study established that goals lacking an external referent lead to a wide range of performance levels that are just acceptable. For business that aspire to achieve the highest level of performance possible, they should sure that their goals have an external referent. To come up with a good external referent, the owners should consult the Eastleigh Business Association members. In this way, they can be advised through the diversity of the association.

The study found out that competition is very high in the Eastleigh Business Association sector. The study recommends that mission statements of the individual small and medium enterprises be tailored to reflect their competitive nature and strategies. This will enable them to remain focused on competing effectively. The study also found out that Eastleigh Business Association sector has a threat of new entrants. The study therefore recommends that businesses should they offer quality services and products and that this is reflected in their mission and vision statements. This will make sure that their customers are satisfied and loyal making it difficult for new entrant to cement their own share of the market.

The study established that where organizational communication has broken down, the flow of communication has only gone from management to employees in Eastleigh Business Association sector enterprises. The study recommends that Eastleigh Business Association sector enterprises should enhance their flow of communication by conducting researches to identify the loopholes. The recommendations made should then be implemented efficiently.

### **Areas for further Research**

This study was limited to Eastleigh business area and was further limited to small and medium enterprises. The study therefore recommends that more research be conducted to incorporate larger business enterprises and other parts of the country. As such, these findings and those of other research can be used to make generalized conclusions.

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