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Impact of Strategic Planning on Small and Medium-Sized Enterprises' (SMEs)Performance: The Role of Employee Participation, Implementation Incentives and Evaluation and Control

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ABSTRACT The importance of strategic planning to small- and medium-sized enterprises (SMEs) iswidely acknowledged by many practitioners and academiciansin SouthAfrica and the world over, yet there seems to be a paucity of research in thisfield. To address this dearth of published studies, the current study attempts to examine the influence of strategic planning aspects, namely employee participation, implementation incentives, and evaluation and control on business performance. The conceptualised modeland three hypotheses areempirically validated using a sample of 200 SMEs in Gauteng, South Africa. The findings indicate that strategic planning, in the form of employee participation, implementation incentives, and its evaluation and control, influences business performance in a significant way. In addition, managerial implications of the research findings and avenues for future research are provided.

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) operate within the economic environment characterised by volatility, dynamism and competitive markets that may seriously threaten their survival (O'Regan and Ghobadian 2004; Hernandez et al. 2004). In South Africa, the operating environment for SMEs is constantly changing in the face of a volatile economic environment and a highly competitive market. For SMEs to weather the storm of such volatility and competitive climate, Dansoh (2005) is of the view that SMEs need to engage in a strategic planning process.According to Jennings and Disney (2006), stable environments appear to require less planning activity, whereas unstable and competitive environments require increased planning capability and comprehensiveness, as well as greater planning flexibility. Studies have suggested that SMEs can use strategic planning as a weapon to cushion them against the unstable business environment in order to ensure their survival and growth (Kraus et al.2006; Tajuddin and Ahmand 2013). The need for strategic planning is even more pronounced in emerging economies like South Africa where the business environment is unstable, business cycles alter and competition is tightening. In this regard, Teeratansirikool et al. (2013) posit that strategic planning enables SMEs to be forward looking and vigilant in order to be able to cope with these circumstances. In the light of the above, it is evident that there is a strong argument from the literature that SMEs need to engage in strategic planning if they are to maintain their position as key economic players. Advocates of strategic planning by SMEs believe that it buffers SMEs from highly unstable business environments characterised by the heightened pace of technological change, increased government regulations, volatile business cycles, tightening of competition, and inflationary pressures, which reduce their capital.

Against this background, it is important to investigate the strategic planning behaviour of SMEs in South Africa and determine if they do engage in strategic planning, and whether they derive any benefits as a result. However, while strategic planning research in large organisations has been studied extensively, little attention has been paid to strategic planning of SMEs (O'

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Regan and Ghobadian 2004). Teeratansirikool et al. (2013) argue that strategic planning has not significantly filtered down to the SME sector and that those who do engage in the strategic planning exercise have plans that are unstructured, less comprehensive and sporadic.There is little evidence of empirical research that has sought to evaluate strategic planning within the sphere of small business research (French 2009). Furthermore, Sum et al. (2004) agree that despite the widespread recognition of the importance and significant contributions of SMEs, research on these businesses remains scarce.In addition, there is no evidence of research conducted in the Gauteng province of South Africa that has determined the impact of strategic planning practices of SMEs on their performance. This study attempts to contribute to the body of knowledge in this field. Therefore, the following objectives have developed:

a) Establish the mediating role of employee involvement, implementation incentives, and strategy evaluation and control on business performance.
b) Ascertain the impact of strategic planning on SMEs' performance.

The study is valuable to SMEs in that it extends the knowledge of strategic planning practices, techniques and processes, which may result in enterprise growth and competitiveness. The results of the research study should assist managers in understanding the strategic path through which strategic planning can assist a business achieve a future desired position. In particular, the study suggests the mechanism used by managers to adopt strategic planning in order to gain a competitive advantage. In essence, this research, combined with the results of the previous studies, serves as a tool for SMEs to improve the effectiveness of strategic planning and their sustainability.

2. LITERATURE REVIEW

2.1 Employee Participation

In an employee participative strategic planning process, employees from different units and hierarchical levels form working teams to complete assigned tasks (Ketokivi and Castane 2004). Raps (2005) states that employee involvementis crucial for the following reasons: it increases the general awareness of the strategy, it builds a consensus in the business about the implementation of the strategy andit boosts their morale and, hence, provides them with a strong drive to implement the strategies.

Speculand (2009) reiterates that organisational leaders should influence beliefs of those resisting so that everyone is involved and united towards achieving common goals. In a qualitative study of implementing strategies successfully, Aaltonen and Ikavalko (2002) confirm the view that middle managers and supervisors play a key role in implementing strategies. Other scholars, such as Gadiesh and Gilbert (2001), maintain that involving employees in strategy execution offers benefits that include motivating employees to capitalise on opportunities swiftly, and to innovate and take risks.

2.2 Implementation Incentives

The implementation incentives construct suggests that SMEs use rewards to motivate employees for goal attainment. Ehlers and Lazenby (2007) support the use of this construct by stating that motivating rewards for employees are a necessary condition for business to implement strategies successfully. Ehlers and Lazenby (2007) further posit that one of the barriers to successful strategy implementation is the people barrier, where only 25 percent of managers use rewards in strategy implementation. This indicates that if employees are incentivised, the rewards may be an effective driver to successful strategy implementation. This view is consistent with Okumus' (2003) strategy implementation framework, which recommends incentives as a key factor to implementing strategies successfully.

2.3 Strategy Evaluation and Control

Strategy control ensures that a business measures progress against completion dates, costs and quality or standards (Nah et al. 2001). A business needs to review its strategic choices and continuously make adjustments in order to maintain a fit with the environment (Pearce and Robinson 2005). David (2003) recommends a systematic review, evaluation and controlling of the implementation of strategies because the best formulated and well-implemented strategies become valueless as the business environment changes.

Strydom (2011) expresses similar sentiments by mentioning that strategy evaluation and control informs the managers about the reasons leading to the failure to meet a certain objective, performance standard and/or any other performance indicator. In order to achieve this, the author suggests that five tasks must be performed. The first task is to revise and update the plan constantly so that it suits the environmental conditions. The second task is to set standards that need to be met in order to achieve the goals. Thirdly, management must evaluate the performance of employees through performance appraisals in order to ascertain if everyone is performing as required. The fourth task is to prevent problems and crises through proactive planning. Finally, evaluation and control protects the business from collapse as it ensures that errors are attended to timely. Pearce and Robinson (2005) suggest that to be effective, operational control systems need to follow four steps, namely setting standards of performance, measuring actual performance, identifying deviations from set standards and initiating corrective action.

2.4 Strategic Planning

Zandi et al. (2013) describe strategic planning as a process of setting objectives, analysing the situation, developing concepts to deal with the situation, as well as achieving and implementing those objectives. Raczynski (2008) states that strategic planning is about looking at where an organisation wants to go in the future and putting together the resources, assets and the personnel to get there. In addition to analysing where the organisation wishes to be in the future, strategic planning involves determining what outside forces may influence that vision. These include the actions of competitors, technical breakthroughs and threats from changes in the world environment (Raczynski 2008). According to Shah (2013), the purpose of strategic planning is to enable a business to gain a sustainable edge over its competitors.

Several theorists and practitioners have argued for the need of strategic planning (Mitchelmoreet al. 2013; Shah 3013). A major claim of such arguments is that strategic planning creates a viable link between an organisation's objectives, goals and resources. Perez et al. (2013) believe that strategic planning provides an operational framework, which allows an organisation to enjoy competitive advantages and improved performance.Those SMEs that engage in strategic planning are more likely to achieve higher sales growth, high returns on assets, higher margins on profit, higher employee growth, international growth, and are less likely to fail (Raymond et al. 2013; Rosenbuschet al. 2013).

2.5 Business Performance

Reijonen (2008) define business performance as an indicator that measures business' efficiency and effectiveness in achieving its goals. Business performance can also be analysed by a business' ability to produce results in relation to set targets (O'Regan et al. 2008). Wongrassamee et al. (2003) show that business performance refers to how well the business satisfies the needs of its employees, customers and other stakeholders, as well as its ability to achieve its planned business goals. Different views exist on how to measure business performance. Several business performance studies have tended to use a variety of measures, which may be classified as objective or subjective (Falshaw et al. 2006). While objective measures include financial records, namely profit, turnover, return on investment, return on capital employed and inventory turnover, subjective measures are about the managers' perceptions of business performance (Tang and Zhang 2005).

Chong (2008) criticises objective measures for being inaccessible, confidential, incomplete and inaccurate. In his view, profit figures are subject to manipulations, which make comparisons among different sectors difficult. In a similar vein, Chow and Van der Stede (2006) argue that objective measures are unreliable because they are too aggregated and backward looking. Managers are, therefore, unable to understand the root causes of performance problems and make cross-functional decisions. A study by Tang and Zhang (2005) reveals that objective performance data are influenced by industry specific factors and, hence, are inappropriate for cross-industry comparison.

In addition, Tang and Zhang (2005) state that more researchers rely on subjective measures because of the difficulty in obtaining objective performance data. Tapinos et al. (2005) explain that perceptual measures may lack reality but are useful because they form the basis for behaviour. Falshawet al. (2006) argue that objective measures are flawed and unsuitable for research purposes.

Having been justified by several writers (Tapinoset al. 2005; Falshawet al. 2006; Chow and Van der Stede 2006; Chong 2008), the subjective measures of business performance will be used this study. Therefore, instead of looking into the objective measures of business performance, the study will rely on the perceptions of the owners/managers on those measures and thus, the business performance.

3. THEORETICAL FRAMEWORK AND HYPOTHESES

Drawing from the extant literature on strategic planning and business performance discussed above, a conceptual model was developed,as illustrated in Figure 1. The model consists of five constructs; that is, one predictor–strategic planning, three mediators–employee participation, implementation incentives and strategy control, and one outcome variable–business performance. The model provides that strategic planning practices by SMEs positively influences their performance and that the influence is mediated by employee participation, implementation incentives and strategy control.

A detailed explanation of the associations between the five constructs is provided, together with the hypotheses developed hereafter

3.1 Employee Participation and Strategic Planning

Most researchers generally agree that employee participation in the strategic planning process is critical in the successful implementation of a strategy (Barker and Frolick 2003; Ketokivi and Castane 2004; Mantera and Vaara 2008). According to Nahet al. (2001), employee participation enhances skills development through information sharing and knowledge transfer. Through a participative strategic planning process, employees are satisfied that their ideas are considered for problem solving, employees develop an interest in the process of planning and become committed and motivated to work hard for goal achievement. Empirical tests of the influence of employee participation confirm these assertions. For example, a study by Nah et al. (2001) reports that involvement of employees is a key factor in successful implementation of strategies. Similarly, Barker and Frolick (2003) state that in order to ensure strategy success,employees should be involved unconditionally. Based on these arguments, this study proposes that:

H_1: *Employee involvement exhibits a positive relationship with the strategic planning process.*

3.2 ImplementationIncentives and Strategic Planning

Nah et al.(2001) asserted that employees should be given compensation and incentives to ensure strategy success. Their argument was that the use of incentives enhances togetherness in strategy execution. Rewarding employees increases the likelihood of employee commitment and motivation in the strategic planning process (Ehlers and Lazenby 2007). Thus it is

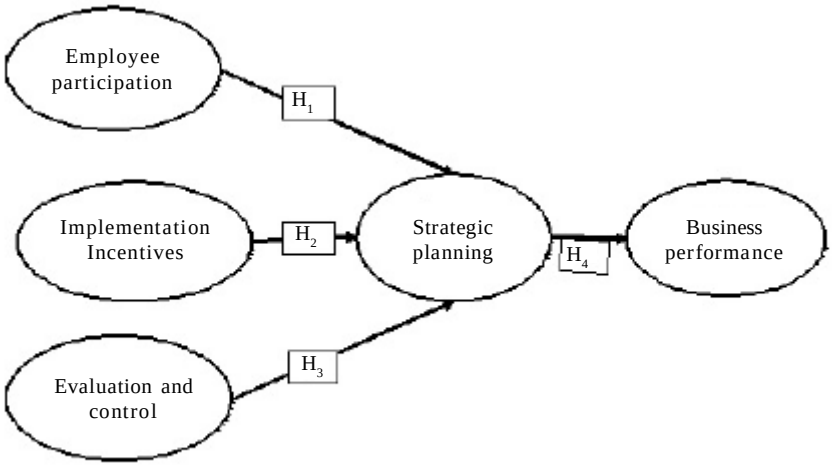

Fig. 1. The conceptual model

proposed that:

H_2: *There is a positive relationship between implementation incentives and the strategic planning process*

3.3 StrategyEvaluation and Control and Strategic Planning

Strategy evaluation and controlare important as they help a business to keep track of progress in attaining milestones and targets (Nah et al. 2001).David (2003) argues that a continuous rather than periodic strategy evaluation is necessary for all businesses, regardless of size, sector or industry affiliation. The reason is that a continuous evaluation of strategies offers benefits such as allowing benchmarking of progress to be established and monitored effectively, creating manager and employee commitment to achieve objectives, and enabling the monitoring of changes in the external opportunities and threats as well as the internal strengths and weaknesses of the business. Therefore, it is proposed that:

H_3: *Strategy evaluation and control exhibits a positive relationship with the strategic planning process.*

3.4 Strategic Planning and SMEs' Business Performance

Several studies have found empirical support for the positive relationship between strategic planning and business performance. Baker (2003) executed a survey of 200 executives in five food-processing industries to examine the relationship between formal strategic planning and financial performance. The study indicates positive results in terms of strategic planning and business performance. Delmar and Shane (2003) note in a survey of 223 Swedish SMEs, the ability of strategic planning to facilitate the development of new ventures. The results show that by helping businesses to make decisions, strategic planning reduces the probability of business failure and accelerates the chances of new product development and new venture creation. Sanchez and Marin (2005) examined 1 351 Spanish SMEs and linked strategic orientation to business performance. Furthermore, results in a study by Wilson and Eilertsen (2010) show the line managers' and staff professionals' perceived benefits of strategic planning during the 2009 financial crisis. The study mentions four major benefits. First, business organisations that utilised strategic planning during the financial crisis were better positioned to pursue growth opportunities during the crisis. Secondly, strategic planners were more confident about their future growth prospects than non-strategic planners were. Thirdly, regular strategic planners were more prepared for the economic crisis and, therefore, were less affected by the crisis than non-regular planners were because they were prepared for it. Finally, businesses that employed strategic planning involved management in strategic planning and, as a result, achieved more revenue growth. The survey concluded that the use of strategic planning in decision-making enhances business success.

Similar findings about the positive impact of strategic planning on business performance are reported by other scholars such as Mcllquham-Schmidit (2010),who employed a comprehensive meta-analysis procedure on 88 individual studies representing a total sample size of 32 472 observations. The study presents findings that suggest that strategic planning has a positive influence on business performance. The study, however, points out that the positive relationship is weaker than the existing strategic management literature proclaims it to be. The results also showed that the effect of strategic planning on business performance is stronger when quantitative performance measures are used, as compared to qualitative measures. The conclusion provided by the study is that the determination of whether there is a relationship between strategic planning and business performance depends on the performance measure selected. Another study by Efendioglu and Karabulut (2010) on the impact of strategic planning on financial performance of companies in Turkey highlights and reinforces the importance of strategic planning activities on business performance. The findings show that strategic planning had a positive and statistically significant impact on business performance. Based on this, it is hypothesised that:

H_4: *Strategic planning has a positively impact on SMEs'business performance.*

4. METHODOLOGY

This study adopted a quantitative approach to establish the relationship between three key components of the strategic planning implemen-

tation and the business performance of SMEs. The approach was deemed appropriate as it enabled the researchers to test and confirm the hypothesesobjectively, and to explain the impact of strategic planning on business performance in the manner of Johnson and Onwuegbuzie (2004).

4.1 Data Collection

Data were collected from SMEs operating within the Ekurhuleni municipal area of Gauteng, which is a highly industrialised region of South Africa. The lists of the surveyed SMEs are obtainable from the databases of Gauteng Enterprise Propeller (GEP) and Small Enterprise Development Agency (SEDA) of South Africa. Owing to the nature of this research, the targeted research participants were the SME's managers and owner-managers. In particular, SME owners or officials who occupied senior management positions were interviewed. This was done to ensure the competence of the respondents in evaluating the firms' strategic planning, strategic implementation, evaluation and control and business performance. Of the 415 questionnaires distributed, 200 usable questionnaires were retrieved for the final data analysis, representing a response rate of 48.2 percent.

4.2 Measurement Instrument

A structured questionnaire comprising three research constructs was operationalised on the basis of previous work. Proper modifications were made in order to fit the current research context and purpose. This study adapted the measurement constructsfrom three separate studies by Anderson (2000),Tseet al. (2003) and Falshawet al.(2006) to measure strategic planning, implementation, employee participation, evaluation and control practices of the business. The questionnaire began with the demographic information section, which also incorporated business characteristics such as number of years in business, number of employees, and the type of industry to which the business belongs. This data were needed to establish a detailed profile for the sample. Sections B and Crespectively covered questions related to the strategic planning practices and perceptual questions on the performance of the businesses. The respondents were asked to rank the performance measures on a five-point Likert scale where 1 = strong disagreement, 3 = moderate agreement and 5 = strong agreement. In order to minimise the completion time, the questions were closed-ended and respondents were simply required to tick the most appropriate answer. Previous research studies of similar topics also used subjective measures of performance (Pushpakumari and Watanabe 2009).

5. RESULTS

5.1 Sample Characteristics

Table 1 presents the profile of the participants. The profile indicates that the majority of respondents 121(60.5%) were male and 79(39.5%) of respondents were female. This indicates a higher proportion of males in the managerial and ownership of SMEs. It seems that mainly male managers or owners lead most SMEs in South Africa. It also shows that the majority of respondents 59(29.5%) were in the age category of 26-35 years, followed by two other age categories, 36-45 and 46-55, which accounted for 57(28.5%) and 51(25.5%) of the sample, respectively. In addition, while 20 respondents (10%) indicated that they were in the age category of 56 years and older, 13 respondents (6.5%) fell in the 20-25 year old category.

The majority of SMEs' positions are occupied by senior managers, 76 (38%) followed by junior managers 60 (30%), respectively. In contrast, 42 respondents (21%) were owners and only eight respondents (4%) were Chief Executive Officers (CEOs), while 14 respondents (7%) were people who occupy non-managerial positions but are involved in the strategic planning process.Guided by the South African National Small Business Act, No. 102 of 1996 (amended in 2004), 12 sectors were represented in the sample. As depicted in Table 1, the majority of SMEs in the study operated in the wholesale and retail (n=33; 16.5%), which comprised community, social and personal services, and (n=24; 12%) comprised financial and business services. The least represented sectors were mining and quarrying, comprising five respondents (2.5%), and commercial agents, which comprised 11 respondents (5.5%). The moderately represented sectors were manufacturing, which constituted 19 respondents (9.5%), tourism and catering which consisted of 15 respondents (7.5%) and agriculture, which also constituted 15 respondents (7.5%).

Table 1: Sample demographic characteristics

Demographic characteristics	*Freq*	*Percent*	*Age in years*	*Freq*	*Percent*
Gender					
Male	121	60.5	20-25	13	6.5
Female	79	39.5	26-35	59	29.5
			36-45	57	28.5
			46-55	51	25.5
			≥ 56	20	10
Total	200	100	Total	200	100
Positions Held in Company			*Period of Operation (yrs)*		
Business owner	42	21	≤ 5years	44	22.0
Chief executive (CEO)	8	4	6-10 years	45	22.5
Senior manager	76	38	11-20 years	48	24.0
Junior manager	60	30	≥ 21	63	31.5
Other	14	7			
Total	200	200	Total	200	100
Industry Sector of SMEs					
Agriculture				15	7.5
Mining/quarrying				5	2.5
Manufacturing				19	9.5
Electrical/gas/water				16	8.0
Construction				14	7.0
Wholesale/retail				33	16.5
Motor trade and repairs				12	6.0
Commercial agents				11	5.5
Tourism/catering				15	7.5
Finance/business services				22	11.0
Transport/Storage/Comm				14	7.0
Community/social services				24	12.0
Total				200	100

The results further show that the majority of SMEs (n=63; 31.5%) were more than 21 years old, followed by those SMEs who operated their business between 11 and 20 years (n=48; 24%) and those who operated their business between six and 10 years (n=45; 22.5%). Finally, those SMEs that were in operations for five years and less (n= 44; 22%) comprise a small part of the sample. The majority of SMEs (n=63; 31.5%) were more than 21 years old, followed by those SMEs who operated their business between 11 and 20 years (n=48; 24%) and those who operated their business between six and 10 years (n=45; 22.5%). Finally, those SMEs that were in operations for five years and less (n= 44; 22%) comprise a small part of the sample.

5.2 Reliability and Validity of the Measures

In the manner of Anderson and Gerbing (1988), prior to testing the hypotheses, confirmatory factor analysis (CFA) was performed to examine the multiple-item scale's reliability and validity using AMOS 5. First, a confirmatory factor analysis model that includes the five research constructs was assessed to check the model fit. The overall statistical indicators of the model with the ratio of chi-square (CMIN=619.893) to degrees of freedom (DF=237.23) of 2.613, the goodness-of-fit-index (GFI=0.968), the comparative-fit-index (CFI=0.987), the incremental fit index (IFI=0.993), the relative fit index (RFI=0.908), the normed fit index (NFI=0.979) and the root mean square error of approximation (RMSEA=0.229) are considered statistically significant.This confirms a robust and acceptable model fit (Bentler 1990), as depicted in Table 2.The composite reliabilities (CR values) are above 0.9 and, therefore, well above the recommended minimum threshold of 0.6 (Bagozziand Yi 1991). At values all above 0.7, the average variance extracted (AVE) exceeds the 0.5 benchmark (Fornell and Larcker 1981). In addition, all of the coefficient alpha values (a) exceeded the threshold value of 0.7, recommended by Malhotra (2010) and all the factor loadings significantly above the recommended 0.5 threshold. These results confirm the scale reliability and provide support for an acceptable internal consistency within the constructs; thereby satisfying convergent validity (Bagozzi and Yi 1991).

In order to investigate the distinctiveness of constructs, the assessment of discriminant va-

Table 2: Accuracy analysis statistics

Research construct		*Descriptive statistics*				*Cronbach's test*		*C.r. value*	*Ave value*	*Factor loading*
		Mean value		*Standard deviation*		*Item-total*	*α- value*			
SP	SP1	3.096	3.032	.969	.848	.853	.939	.943	.828	.938
	SP2	3.091		.984		.858				.931
	SP3	3.037		.903		.871				.987
	SP4	3.032		.911		.862				.992
	SP5	2.983		.903		.858				.979
	SP6	2.954		.889		.863				.953
PB	PB1	2.913	2.815	.908	.867	.862	.911	.918	.879	.924
	PB2	2.872		.892		.867				.891
	PB3	2.823		.873		.864				.829
	PB4	2.756		.881		.865				.792
	PB5	2.712		.896		.873				.769
EP	EP1	2.623	2.589	.901	.879	.881	.914	.913	.926	.927
	EP2	2.609		.912		.873				.968
	EP3	2.562		.913		.883				.991
	EP4	2.561		.906		.881				.963
ImI	ImI 1	2.552	2.588	.907	.893	.887	.911	.911	.928	.967
	ImI 2	2.561		.892		.883				.976
	ImI 3	2.583		.923		.893				.988
	ImI 4	2.587		.926		.879				.978
	ImI 5	2.659		.963		.839				.893
EC	EC1	2.616	2.554	.787	.738	.776	.926	.923	.739	.871
	EC2	2.487		.856		.743				.848
	EC3	2.488		.898		.781				.839
	EC4	2.625		.923		.787				.872

Note: SP= Strategic planning; BP= Business performance; EP=Employee participation; ImI=Implementation incentives; EC= Evaluation and control; C.R.= Composite Reliability; AVE= Average Variance Reliability;
* Scores: 1 – Strongly Disagree; 3 – Neutral; 5 – Strongly Agree
*significance level: *** p<0.01; Measurement CFA model fits;
Structural Model Fits: χ^2/df=2.613; GFI=0.968; CFI=0.987; IFI=0.993; RFI=0.908; NFI=0.979 and RMSEA=0.229.

lidity was tested. Although the inter-correlations between the research constructs are relatively high, they are still marginally acceptable (Hulland 1999). However, to check discriminant validity the current study compared the variance-extracted estimates of the measurements with the square of the parameter estimate between the measurements. If the variance-extracted estimates of the constructs are greater than the square of the correlation between two constructs, the evidence of discriminant validity exists (Fornell and Larcker 1981). For example, the relationship between employee participation and strategic planning, the average variance-extracted estimate of employee participation was 0.828 and that of strategic planning was 0.926. These two variance-extracted estimates are greater than the square of the correlation between employee participation and strategic planning (where $0.785^2 = 0.623$); see Table 3. Therefore, the result supported the discriminant validity of constructs.

5.3 Structural Equation Modelling

Structural equation modelling (SEM) was conducted to test the validity of the proposed model and proof-test the hypotheses. Results reported in Table 4 represent the estimated model, illustrating the direction and magnitude of the impact of the standardised path coefficients. Recommended statistics for the overall structural equation model assessment also showed acceptable

Table 3: Descriptive statistics and correlations

Research constructs	*SP*	*BP*	*EP*	*ImI*	*EC*
Strategic planning (SP)	1.000				
Business performance (BP)	.789	1.000			
Employee participation (EP)	.678	.861	1.000		
Implementation incentives (ImI)	.726	.803	.603	1.000	
Evaluation and control (EC)	.697	.797	.566	.578	1.000

fit of χ^2/df=2.613; GFI=0.968; CFI=0.987; IFI=0.993; RFI=0.908; NFI=0.979 and RMSEA=0.229.The model fit, as indicated by these indexes,provides a good basis for testing the hypotheses paths and is deemed satisfactory. A significant coefficient at a certain level of alpha reveals a significant relationship among latent constructs within the measurement. The results in Table 4 provided support for the entire proposed five research hypotheses. The path coefficients for the four hypotheses (H_1, H_2, H_3 and H_4) are illustrated in Table 4. All hypothesis coefficients are significant at a confidence level (*p* value) of 0.001.

Table 4: Results of structural equation model analysis

Path	*Hypothesis*	*Coefficients*
Employee participation (EP) → Strategic planning (SP)	H_1	0.76***
Implementation incentives (ImI) → Strategic planning (SP)	H_2	0.31***
Evaluation and Control (EC) → Strategic planning (SP)	H_3	0.73***
Strategic planning (SP) → Business performance (BP)	H_4	0.79***

Structural Model Fits: χ2/df=2.613; GFI=0.968; CFI=0.987; IFI=0.993; RFI=0.908; NFI=0.979 and RMSEA=0.229.
*Significance Level p<0.05; **Significance Level p<0.01; ***Significance Level p<0.001.

6. DISCUSSION

This current study sought to examine the impact of strategic planning on SMEs' business performance and the mediating role of employee participation, implementation incentives and strategy evaluation and controlin order to provide a theoretical grounding for the conceptualised framework. Specifically, the current study postulated four hypotheses and in order to test these hypothesis data were collected from SMEs in Ekurhuleni, South Africa. The empirical results supported all the postulated research hypotheses in a significant way.

Drawing from the findings of this research, strategic planning has strong impact on the performance of SMEs (0.79). Furthermore, the impact of employee participation, implementation incentives, and evaluation and control on the effectiveness of strategic planning is notably robust at 0.76, 0.31 and 0.73, respectively. More so, since a strong relationship (0.76) is reported between employee participation and strategic planning, it might imply that involving employees in the strategy formulation and implementation processes has an indirect impact on business performance.

7. CONCLUSION

The current study makes important academic and practical contributions to the literature on SMEs' strategy, performance and business practice. This study gives credit to a body of pioneering research on strategic planning and business performance relationships in South Africa's SME sector, particularly on employee participation, strategy implementation and evaluation. Since the SME sector is deemed the engine of economic growth and a major sourceof employment creation in South Africa, there are useful implications for academics, professionals and business owners.

On the academic side, a contribution regarding the impact of strategic planning on business performance from an often neglected research context,namely SMEs in a developing country, is made to the literature on small business management. The findings of the current study provide empirical evidence to the existing literature from developed countries that employee participation has a significant positive impacton strategic planning (H1=0.76), which, in turn,has an impact on the business performance of SMEs. In addition, a successful attempt was made to establish the impact of strategy implementation incentives (H2=0.31) as well as evaluation and control (H3=0.73) on strategic planning in order to explain their importance in the SME setting. The findings affirm their importance, although implementation incentives were seen to be less significant.

On the professionals and business owners' side, prominence of strategic planning as a precursor to improved business performance is confirmed. Managers and small business owners in the SME sector couldemploy the conceptualised model and enhance their business performance by involving employees, using some strategy implementation incentives and effectively applying evaluation and control measures in their strategic planning. Increased business performance implies high revenue and better profitsfor a company. Recently, the Government of South Africa adopted a policy targeted at promoting SMEs in the country. The fact that the three components

(employee participation, implementation incentives, evaluation and control) strongly influence strategic planning,which eventually has a strong impact on business performance, implies that managers and owners of SMEs should make use of all these capabilities,which augment each other in successful business strategies.

Additionally, an effective management of strategic planning process might necessitate or require a change in organisational culture and new skills acquisition by SMEs, as well re-skilling of employees. Thus, a mismatch between the use of implementation incentives and a lack of buy-in from the employees, as well as unskilled management or incongruent organisational culture may likely yield undesirable results. Therefore, it is imperative that the SMEs accordingly adjust for instance, their evaluation and control, implementation incentives and employee participation in tandem with the challenges that come with the key objectives of the strategic planning processes.

In summary, this study submits that the practitioners, SME-owners and their managers can successfully improve their businesses' performances by exploiting their employee participation, strategy implementation incentives and evaluation and control. Eventually, a successful business performance is expected to generate more revenue for the SMEs and, hence, their profitability and survival in South Africa's challenging economic circumstances.

8. RECOMMENDATIONS

Although this study makes noteworthy contributions to academia and management practice, it has its own limitations. The current study employed cross-sectional survey data to test the proposed research hypotheses. A deeper understanding of the relationships among the identified scale dimensions could be obtained if longitudinal data is exploited. Therefore, future studies might consider longitudinal methodology. The key informants during the data collection surveys were mainly the owners and managers of SMEs. This could filter some level of bias in the method and results. Therefore, future survey researches should attempt to incorporate secondary source data in order to provide further insight into the impact of the three precursors to the impact of strategic planning on small business performance. Additionally, the current study only considered employee participation, implementation incentives, and evaluation and control as the intercedingfactors on the impact of strategic planning on business performance. Future research might consider investigating the possible influence of other variables.

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