



## Strategic Planning Practices of Manufacturing Small and Medium Scale Enterprises in Sri Lanka: An Empirical Study

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### Abstract

It has been observed that the SMEs have become a crucial segment caused by majority of private sector in developing countries consists of SMEs. As a consequence, it is important to accelerate the growth of SMEs in order to gain sustainable development in this era. Many scholars have argued that the strategic planning is one of the salient factors which contribute to the performance of SMEs. However, the SME sector encounters so many difficulties which challenge their growth and the survival. The question to be answered is that how they can be protected. At this context it opens the rooms to think that; what are the best practices that they can adopt while engaging their businesses. Scholars argued that the strategic planning contributed to the success of the firms. Accordingly this study is aimed at studying the strategic planning practices in the manufacturing SMEs in Sri Lanka. Data were collected through structured questionnaire given to 275 owner/managers in manufacturing SMEs in Western province of Sri Lanka. Descriptive analysis found that the majority of manufacturing SMEs in Western province preparing formal plans. With respect to the time period engaged in strategic planning, majority of 29 percent SMEs are engaged in strategic planning 7-9 years category.

Further, the researcher was interested to identify the basis of the strategic plans. Accordingly, 37 percent of owner/managers of SMEs use their knowledge and education as the basis in the preparation of strategic plans. Their main argument is that the unpredictability of the business is their major barrier to engage in strategic planning process.

### 1. Background of the Study

At present the vibrant SME sector is identified as engine of growth playing a significant role in economic growth, innovation, employment generation and poverty reduction (Stokes, 2003 and Prasad, 2004). According to European Commission (2003) Micro, small and medium-sized enterprises in European Union provide around 75 million jobs and represent 99 percent of all enterprises playing a central role in the European economy.

However, the emergence of SME sector in Sri Lanka was began with the independence in 1948. With the introduction of open economy policy in 1977, the Sri Lankan economy had transformed from a traditional export-import economy to a more export-oriented economy. However, during the post-liberalization period the economic development of Sri Lanka had been far behind its counterparts in East Asia. Sri Lanka had recorded a negative real Gross Domestic Product (GDP) of 1.4 percent for the first time from 1948 to 2001 (White paper, 2002). Several factors influenced in the development of SMEs in Sri Lanka; shortage of capital, less infrastructure, labour intensive nature of the sector, potential to mobilize and divert financial resources in the economy, promote balanced regional development, nurtures entrepreneurial talents and play a complementary role to large industries through sub-contracting and facilitating the linkage between the formal and informal sector. It laid the favorable conditions for the industrialization through promoting private sector initiatives (Gamage, 2003). So that the development of SMEs in developing countries like Sri Lanka is very significant. SME sector essentially requires a competitive domestic market and global competitiveness which requires SMEs to be dynamic, robust, innovative and technologically driven (White paper, 2002).

SMEs account for about 80–90 percent of the total number of enterprises in Sri Lanka and 75 percent of employment in the private sector (ADB Report, 2007). According to the banking survey done by International Finance Corporation (IFC) in 2006/2007 of the SME Market, in Sri Lanka, SMEs constitute 80-90 percent of total establishments and 20 percent of industrial value added and around 70 percent of employment opportunities have been generated. Further the contribution of SME sector has been increased from 40 percent in 2010 to 52 percent in 2011 (Ministry of Finance and Planning Annual report, 2011). All these evidences show the significance of SME sector in Sri Lanka. Although today the SMEs are challenged by globalization of trade, growth of internet and information technology (Prasad, 2004). In addition to that, SMEs face many difficulties of inadequate access to capital and finance, inadequate industrial infrastructure, lack of market base information, obsolete technology, lack of modern management skills and lack of labour training. Further, these factors challenge the sustainability of SMEs (Gamage 2004).

Within this context, the necessity and the importance of planning are also emerged. Strategic planning is one of the salient factors which contribute to the performance of SMEs (Ihua, 2009; Kraus *et al.*, 2006; Topino *et al.*, 2005 and Kiriri, 2005). Besides, various studies have proven the necessity of strategic planning towards the development and success of SMEs (Balasundaram, 2009; French *et al.*, 2004; Delmar and Shane, 2003; Osbourne, 1995). It is also argued that regardless of the size, every business needs to have an effective and comprehensive business plan to function with the reality (Herter, 1995; Kargar and Parnell, 1996). Consistent with these evidences Clayton (1996) pointed out that the strategic planning properly directs the SMEs to achieve goals by communicating where the business is going and how can it get there. This led the growing interest on strategic planning and organizational performance among scholars in this arena (Balasundaram, 2009 and Shrader *et al.*, 1989).

## 2. Problem Statement

Even though the small business are important for the economy they are facing the challenge of their survival. It is evident that the planning in smaller firms is at low level (Perry, 2001) and majority small firms do not engage in strategic planning (Glen and Weerawardena, 1996). Further, a number of empirical studies have shown positive relationship between strategic planning function and performance of small and medium firms (Braker and Pearson, 1986; Shrader *et al.*, 1989; Schwenk and Shrader, 1993; French *et al.*, 2004; Kraus *et al.*, 2006; O'Regan, Sims and Galleary, 2008; Aldehayyat and Twaissi, 2011). With this context it is important to study the strategic planning practices among Sri Lankan SMEs. Based on the above evidences the study is based on two research questions mentioned below.

- What are the strategic planning practices of SMEs in Sri Lanka?
- What are the barriers faced by SMEs in strategic planning?

## 3. Research Objectives

- To examine the strategic planning practices of SMEs
- To identify the barriers faced by SMEs in engaged in strategic planning

## 4. Literature Review

### 4.1 The Importance of Developing SMEs in Sri Lanka

SMEs have been recognized to play a significant role towards the economic development in developed as well as developing economies. Though SMEs are very critical in developing countries since which have been considered as backbone of the economies (Gamage, 2003). The following Table 1 shows the total SMEs in major industry divisions in Sri Lanka. According to this table, manufacturing sector accounts for a major composition with respect to number of establishments, number of persons engaged and the amount of value added. It consists of small, medium and large firms. According to the above classification SMEs less than 100 employees account for 79 percent establishments, 27 percent of persons engaged and 28 percent value added out of the total.

Table 1: Principal Indicators of Industrial Activity Classified by Major Industry Division & Persons Engaged size Class – 2009 in Sri Lanka (Establishments with 5 or more Persons Engaged)

Major industry division & persons engaged size class		Number of establishments	Number of employees	Value added (Rs.)
Mining and Quarrying	<b>Group Total</b>	<b>2,102</b>	<b>19,159</b>	<b>5,113,064,702</b>
	less than 10	1,776	10,324	2,413,696,361
	10 - 19	268	3,350	936,760,013
	20 - 39	36	850	181,786,056
	40 - 99	12	615	351,172,903
	100 & above	10	4,019	1,229,649,370
Manufacturing	<b>Group Total</b>	<b>16,873</b>	<b>685,221</b>	<b>628,343,077,907</b>
	less than 10	10,680	59,969	22,718,228,798
	10 - 19	2,949	36,387	22,859,609,886
	20 - 39	946	25,661	32,237,898,793
	40 - 99	1245	78,788	127,341,933,430
	100 & above	1,053	484,416	423,185,407,000
Electricity, Gas and Water supply	<b>Group Total</b>	<b>48</b>	<b>24,577</b>	<b>95,035,124,204</b>
	less than 10	23	127	231,594,621
	10 - 19	16	183	401,179,237
	20 - 39	07	156	637,602,342
	100 & above	02	24,111	93,764,748,004
<b>Total</b>		<b>19,023</b>	<b>728,956</b>	<b>728,491,266,813</b>

Source: Annual Industrial Survey 2009 (Department of Census and Statistics)

As far as the manufacturing sector is concerned, it consists of 22 sub divisions. The following Table 2 shows no. of establishments, no. of Employees and value added for each sub division.

According to the following Table 2, the highest number of establishments are engaged in food products and beverages, hence that division generates highest employment and value addition to the economy. Other non-metallic mineral products and Textiles divisions represent the second and third largest contributor in terms of establishments, employment and value addition respectively. Thus it is evident that Sri Lankan SME sector plays a vital role in the economy. According to the White Paper (2002), the SMEs are less dynamic and underdeveloped as against large enterprises in the Sri Lankan economy. SMEs should be competitive in both domestic and global markets in order to play a significant role in government. Therefore Sri Lankan government must take a prominent role in facilitating, protecting and developing the SME sector to become dynamic, robust and innovative. Dynamic SME sector allows easy entry and exist and improves flexibility in economic activities. An innovative SME sector absorbs the new ideas and technologies providing with a competitive advantage. Apart from that SMEs contribute Sri Lankan economy through employment creation, income generation, poverty alleviation, gender, equity and role in the production of goods and services consumed by low income earners of the population (White paper, 2002). Today SMEs being catalyst for the balanced growth, having high shares with respect to number of firms, employment, export and value added, challenge and support large firms in improving economic efficiency (Yoo, undated). In this context, the following part is an in search of policy and institutional background of SMEs.

Table 2: Principal Indicators of Industrial Activity Classified by District – 2009 in Sri Lanka (Establishments with 5-100 Persons Engaged)

(Manufacturing Sector)			
Industry division	No. of establishments	No. of employees	Value added (Rs.)
Food products and beverages	4,320	66,193	121,871,173,349
Tobacco products	159	1,803	229,555,283
Textiles	2,055	23,346	9,594,437,839
Wearing Apparel, dressing & dyeing of fur	1,380	19,938	5,866,662,595
Tanning and dressing of leather; manufacture of luggage, hand	271	3,178	895,894,093
Wood & products of wood & cork except furniture	1,479	10,498	2,959,749,967
Paper and paper products	111	2,997	1,496,805,594
Publishing, printing and reproduction of recorded media	500	6,897	5,474,538,191
Chemicals & chemical products	454	6,947	11,871,644,321
Rubber & plastic products	477	12,076	10,823,014,440
Other non metallic mineral products	2,318	19,167	15,064,298,532
Basic metals	131	2,223	5,724,557,406
Fabricated metal products except machinery equip	716	6,707	3,177,190,912
Machinery & equipments	111	1,875	865,313,441
Electrical machinery and apparatus n.e.c.	61	5,245	7,642,551,394
Radio, TV & communication equipment and apparatus	19	414	285,932,474
Medical, precision & optical instruments, watche	07	154	33,550,629
Motor vehicles, trailers and semi-trailers	42	730	209,082,075
Other transport equipment	19	306	226,258,826
Furniture, Manufacturing of n.e.c.	1,179	13,610	4,932,959,536
Recycling	06	66	90,206,627
Other industry	05	153	144,721,922
<b>Total</b>	<b>15,820</b>	<b>204,523</b>	<b>209,480,099,446</b>

Source: Annual Industrial Survey 2009 (Department of Census and Statistics)

#### 4.2 Strategic Planning Practices of SMEs

Dealing with the concept of planning it becomes important to concentrate on the planning practices of prevalence of planning (presence or absence), types/levels (strategic, operational and functional), planning history (short term or long term) and formality (formal or informal). It is evident that the planning behavior of small firms was not at adequate level. Over 5 percent of the small firms did not systematically practice strategic planning (Robinson *et al.*, 1986). In the study undertaken by Shrader *et al* 1989, of the sample of 97 small businesses 65 (67 percent) had no strategic plan whereas 32 (33 percent) of them had strategic plans. More specifically 65 of small businesses comprised of 20 from manufacturing sector, 26 from retail sector and 19 from service sector. The lack of strategic planning was backed by limited time, lack of skills, planning being too costly and the environment being too unpredictable. Shrader *et al* (1989) confirmed the argument of Robinson *et al* (1986) that the small businesses are commonly engaged in operational planning. Only 65 CEOs had done the planning by themselves while 32 had got the involvement of others. In a study of 209 manufacturing SMEs in Queensland reported that although 79 percent of owner/managers perceived strategic planning as important, only 21 percent of SMEs were engaged in sophisticated strategic planning. Various reasons were discovered for this hinders the use of strategic planning. Having a mental plan, unpredictability of business environment, lack of time, lack of experience and skills were more common and no appropriateness, no need of a plan, business is too small to have a plan, too complicated, too expensive and sensitivity of information were less prioritized (Glen and Weerawardena, 1996). Perry (2001) favored the hypothesis that the extent of planning was quite low in both non-failed firms and failed firms. Stonehouse and Pemberton (2002) undertaken a comprehensive empirical analysis of strategic planning practices in SMEs based on manufacturing and service sectors in UK. This study clearly differentiated business planning from strategic planning that it is concerned with short term analysis of a business, attainment of short-term goals and functional level of planning. Their focus was on type of planning, time horizon of planning, content of strategic plans and use of strategic tools in planning. A total of 92 percent of SMEs undertake strategic planning in highly structured or generic nature. In both sectors only 25 percent had planned five years to ten years while 75 percent had plans with three years or less. In consideration of the content of the plan 71 percent had mission/vision statement in their plans. Traditional tools were still common among SMEs while STEP analysis, five forces analysis, value chain analysis and

portfolio analyses were in seldom use. However, SWOT analysis was ranked as the highest usage. When compared with SMEs in Thailand, 60 percent of SMEs had written strategic plans (Veskaisri *et al.*, 2007). According to the study done by El-Mobayed (2006) using small industrial businesses in Palestine Gaza strip, it was found that of 165 firms, 68 prepare strategic plans and 50 percent of the firms have been engaged in strategic planning from 7-9 years. Further, 126 (76 percent) of them seek outside consultancy in the preparation of strategic plan while 39 (24 percent) of them prepare by themselves. According to Kiriri (2005), 74.4 percent of the SMEs in Australia were engaged in some business planning nevertheless only 34 percent were practicing strategic planning. In his study eight types of plans were considered namely; internal financial plans, external financial plans, marketing/sales plans, organizational plans, staffing/people plans, succession plans, strategic plans and feasibility plans of which strategic plans had third place of importance. As far as Greek SMEs are concerned, 57 percent do not adopt structured strategic or operational planning, while a quite a low percent (10 percent) engaged in structured strategic plans.

#### 4.3 Reasons for Lesser Practices of Strategic Planning in SMEs

The empirical literature adequately supports the fact that the SMEs are adopting low level of strategic planning. Therefore it is quite interesting to find out the reasons for the apparent lack of strategic planning in SMEs. Some of the barriers that discourage the strategic planning are lack of time, lack of specialized expertise, inadequate knowledge of planning processes, reluctance to share strategic plans with employees others and external consultants are detrimental to compromise strategic planning (Robinson and Pearce (1984), as summarized by Wang *et al* (2007). A study done by Glen and Weerawardena (1996) based on SMEs in Queensland found that there are several reasons for not having a strategic plan such as; having a mental plan, unpredictability of the business, lack of sufficient time, lack of skill and expertise, not appropriate for the business, no need to prepare a plan, business is too small, business is too complicated, too expensive and sensitivity of information. Out of these reasons the most important reason is the availability of a mental plan.

#### 4.4 The Tribulations Encountered by SMEs

Apart from the fact that the importance and necessity of SMEs as vibrant economic actors in the economy those are highly criticized due to high failure rates which. More over 85 percent of SMEs face significant survival challenges and more than 75 percent fail within five years of startup (Gamage, 2004). SMEs are challenged by globalization of trade, growth of internet and information technology (Prasad, 2004). As one economic unit in the whole economy SMEs also have to operate in turbulent and dynamic environment in which they have to respond high interest rates, cash flow and payments, low turnover, lack of skilled employees, total tax burden, premises, rent and rates, inflation, government regulations and paperwork, access to finance, competition from big business, high rates of pay. In Sri Lankan context SMEs are affected by several constraints including limited access to capital and cost of capital, low level of technology, limited access to markets and market information, absence of business development services, regulatory and administrative constraints and inadequate institutional support (White paper, 2002). These obstacles hinder the development of new ventures. Apart from that disasters and crises, Fierce Market Competition, Infrastructural Inadequacy and Lack of Social Support, Multiple and High Taxes, Poor Accounting and Book-Keeping Practices, Management Inability, Poor Marketing and Sales Efforts, Poor Economic Conditions, Improper and Poor Planning, and Financial Problems constitute high failure rate among SMEs in UK and Nigeria. Among the factors 37 percent of SMEs indicated that poor planning is the most crucial factor (Ihwa, 2009).

### 5. Research Methodology

The operational population of this study consists of manufacturing SMEs in western province in Sri Lanka. The reason for selecting the manufacturing sector was within the manufacturing sector SMEs account for 96 percent (White Paper, 2002). Among the several databases maintained by various institutions, the database maintained by Department of Census and Statistics (DCS) of Sri Lanka was selected as the sampling frame of this study due to the wide coverage and reliability of data. In this study, the researcher has defined a SME as any establishment having more than 5 employees and less than 300 employees, in order to properly address the research problem of this study. Approximately 42 percent of the SMEs are located in western province which represents the highest number of establishments (DCS, 2003). The sample size under the confidence level of 99 percent and margin of error 3 percent based on the operational population is approximately 275 (Bartlett, Kotrlik and Higgins, 2001). The primary data were collected through a structured questionnaire distributed among the owner/managers of SMEs who are respondents in the sample. The stratified sampling method was used to select the SMEs to the sample. The following table shows the distribution of sample within the western province.

Table 3: Distribution of the Sample

District	(A) Population (No. of SMEs)	Percentage out of total no. of SMEs in column (A)	Required no. of SMEs for the sample)
Colombo	3241	45 percent	124
Gampaha	3001	42 percent	115
Kaluthara	974	13 percent	36
<b>Total</b>	<b>7216</b>	<b>100</b>	<b>275</b>

The following Table 4 shows the no. of manufacturing SMEs selected proportionately for the sample in order to represent the each category in manufacturing sector in Western province.

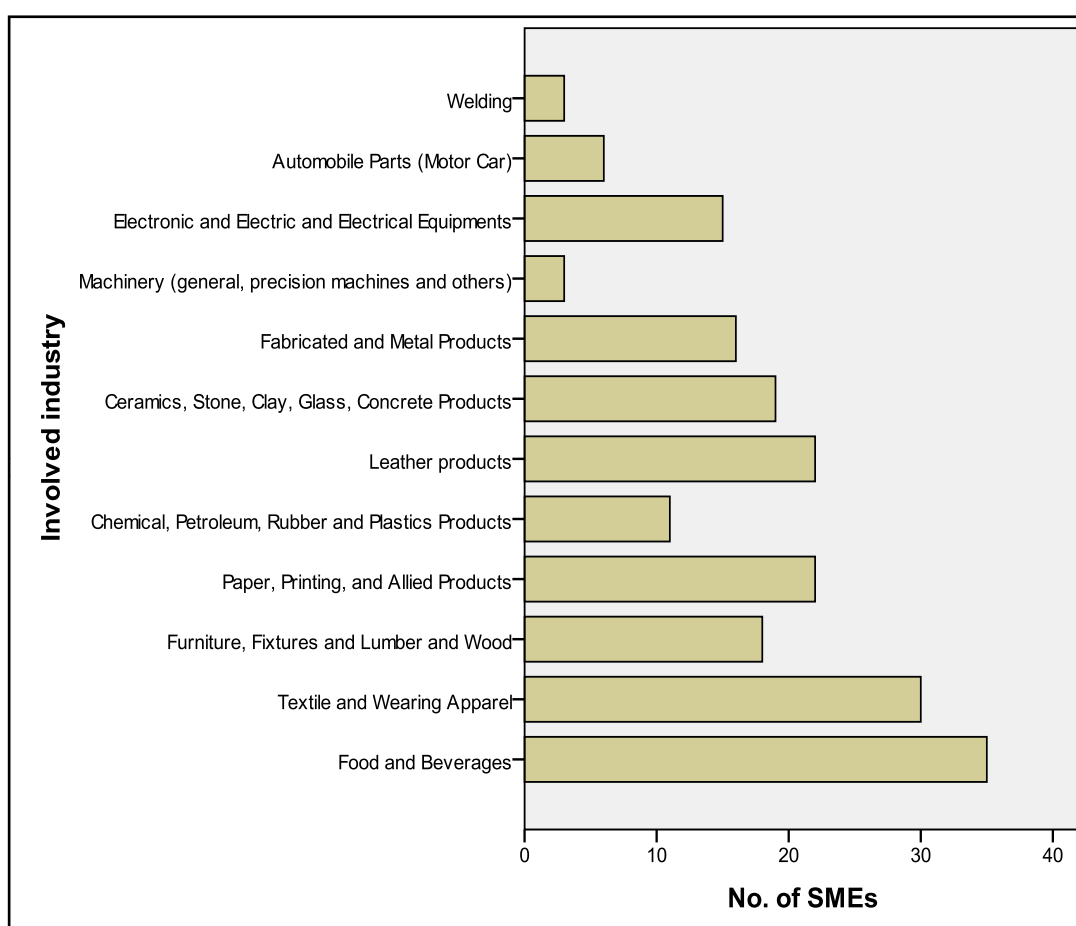
Table 4: Industry wise Selection of SMEs in Western Province

Industry sub divisions	No. of SMEs in the sample			Total
	Colombo	Gampaha	Kaluthara	
Food and Beverages	30	23	9	62
Textile and Wearing Apparel	24	22	10	56
Furniture, Fixtures and Lumber and Wood	19	22	6	47
Paper, printing and Allied Products	14	15	0	29
Chemical, Petroleum, Rubber and Plastic Products	4	3	1	8
Leather Products	11	10	5	26
Ceramics, Stone, Clay, Glass, Concrete Products	7	7	2	16
Fabricated and Metal Products	8	5	2	15
Machinery (general, precision machines and other)	1	2	0	3
Electronic and Electric and Electrical Equipments	2	1	0	3
Automobile Parts (Motor car)	1	1	0	2
Welding	3	3	0	6
Other	0	1	1	2
<b>Total</b>	<b>124</b>	<b>115</b>	<b>36</b>	<b>275</b>

Source: Survey data (2013)

## 5. Data Analysis

This part provides some characteristics of SMEs which will help to understand the nature of SMEs in the sample. These characteristics include involved industry, age, legal form, product market, no. of employees, value of assets (excluding land and buildings), whether the business is family business or not and the reason to start the business. Since the sample consists of manufacturing SMEs, 12 categories can be identified based on the International Standard Industrial Classification of the United Nations (ISIC). The following Figure 1 depicts the representation of SMEs for each category of manufacturing.



In accordance with the following Table 6, age distribution of the firm is concerned, 33 percent of SMEs are prevailed in their business from 11 to 15 years. It is apparent that 93 percent of SMEs are within the age group of 5-25 years. Further, 46 percent of SMEs are private limited and substantially they are focusing on local market to sell their products constitutes 80 percent. Furthermore, 31 percent of SMEs have employees within the category of 51-100. 30 percent of SMEs are having employees within 101-200 which is almost in similar percent with compared to the previous. As far as the value of assets are concerned, 24 percent, 23 percent and 20 percent of SMEs are having asset value 31-40 million, 41-50 million and 21-30 million respectively. Since the sample consists of manufacturing SMEs they represent somewhat high asset value. Additionally the researcher was interested to identify whether the SMEs in the sample are family businesses or not. Results show that 52 percent of SMEs are family businesses and having average of 5 managers.

**Table 6: General Profile of SMEs**

Characteristic		No. of SMEs	Percentage
Age of the firm	Less than 5 years	09	05
	5-10 years	46	23
	11-15 years	66	33
	16-20 years	47	23
	21-25 years	28	14
	More than 25 years	04	02
		200	100
Legal form of the firm	Proprietorship	68	34
	Partnership	39	19
	Private Limited Company	93	46
		200	100
Market of the products	Domestic market	161	80
	International market	001	01
	Both domestic and international markets	38	19
		200	100
Total no. of employees	5-50 employees	40	20
	51-100 employees	62	31
	101-200 employees	61	30
	201-300 employees	37	18
		200	100
Value of assets (excluding land and building)	Less than 10 million	23	12
	11-20 million	26	13
	21-30 million	40	20
	31-40 million	49	24
	41-50 million	46	23
	51-60 million	14	7
	More than 60 million	02	01
		200	100
Whether the business is family business or not	Yes	105	52
	No	95	48
		200	100
Average no. of managers			05

Source: Survey data (2013)

In examining the strategic planning practices of SMEs the researcher was mainly interested to find out the classification of the strategic planning adopted (formal, informal or no), period engaged in strategic planning, basis and outside consultancy of the strategic planning. The primary data collected for this were analyzed using descriptive statistics and the results are depicted by the following Table 7.

Further, 129 (65 percent) of manufacturing SMEs in Western province are engaged in formal strategic planning, 56 (28 percent) SMEs are engaged in informal planning and 15 (7 percent) SMEs do not involve in planning.

As an aggregate 185 (93 percent) of SMEs are engaged either in formal or informal strategic planning, of which indicates that 129 SMEs (70 percent) are preparing strategic plans while 56 SMEs (30 percent) do not prepare strategic plans as the output of strategic planning process. Obviously the primary data regarding the time period of engaged in strategic planning, basis and outside consultancy were able to collect only from the SMEs those are involved in either formal or informal planning. With respect to the time period engaged in strategic planning, majority of 29 percent SMEs are engaged in strategic planning 7-9 years category. The second and third highest categories of time periods include 4-6 years and 1-3 years respectively. Further, the researcher was interested to identify the basis of the strategic plans. Accordingly, 37 percent of owner/managers of SMEs use their knowledge and education as the basis in the preparation of strategic plans. In almost similar proportion (36 percent) owner/managers get the assistance of managers and employees to prepare strategic plans.

The results show that, with compared to first two bases, very small percent of owner/managers (16 percent) use their own past experience to prepare strategic plans. Finally 69 percent of SMEs do not seek outside consultancy or assistance whereas 31 percent of SMEs get the outside assistance to prepare strategic plans. When summarizing the above results only 65 percent of SMEs are engaged in formal strategic planning. It can be treated as a satisfactory level as far as SMEs are concerned. Even though they are facing certain difficulties/barriers encountered with strategic planning.

Table 7: Strategic Planning Practices of Manufacturing SMEs in Western Province

		No. of SMEs	Percentage
Classification of strategic planning	Formal	129	65
	Informal	56	28
	No	15	07
		200	100%
Time period engaged in strategic planning	Less than 1 year	07	04
	1-3 years	39	21
	4-6 years	43	23
	7-9 years	53	29
	10-12 years	26	14
	13-15 years	05	03
	More than 15 years	12	6
		185	100%
Basis of the Strategic plans	Knowledge and education	69	37
	Past experience	31	17
	Help of managers and employees	66	36
	Help of relatives, friends or any other party	19	10
		185	100%
Whether obtain outside assistance to develop SP	Yes	58	31
	No	127	69
		185	100%

Source: Survey data (2013)

As mentioned in earlier section one of the objectives includes examination of difficulties faced by manufacturing SMEs in Western province when they involved in strategic planning process. Accordingly, respondents were asked to mention the most important barrier encountered in strategic planning from the SMEs who are engaged in formal and informal planning. Table 8 depicts the most important barrier when involving in the strategic planning process by manufacturing SMEs in Western province.

Table 8: Most Important Barrier in Strategic Planning

Barrier	No. of SMEs	Percentage
Having a mental plan	16	8
Business is unpredictable	41	21
Lack of sufficient time	35	18
Lack of skills and expertise	30	15
Not appropriate for the business	8	4
No need to prepare a plan	7	3
Business is too small	5	2
Business is too complicated	23	11
Too expensive	15	8
Sensitivity of information	20	10
Total	200	100

Source: Survey data (2013)

According to the Table 8, 21 percent of SMEs in the sample have mentioned that unpredictability of the business is their major barrier to engage in strategic planning process. Further, 18 percent of SMEs claim that they are lacking of sufficient time, 15 percent SMEs are experiencing insufficient skills and expertise. However, another 11 percent argue that the business is too complicated. Based on the data, four important barriers could be identified when SMEs are engaged in strategic planning. In accordance with the importance these barriers can be arranged as unpredictability of business, lack of sufficient time, lack of skills and expertise and complexity of the business.

## 6. Conclusion

Profile characteristics of the sample in the study revealed that majority of manufacturing SMEs in Western province prevailed in their businesses since 10-15 years and cater the domestic market. Further, the majority of manufacturing SMEs in Western province were started as a source of income. The study found that the majority of manufacturing SMEs in Western province preparing formal plans. With respect to the time period engaged in strategic planning, majority of 29 percent SMEs are engaged in strategic planning 7-9 years category.

Further, the researcher was interested to identify the basis of the strategic plans. Accordingly, 37 percent of owner/managers of SMEs use their knowledge and education as the basis in the preparation of strategic plans. Their main argument is that the unpredictability of the business is their major barrier to engage in strategic planning process.

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