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The Impact of SME planning on performance; The moderating role of Entrepreneur's self regulation and Entrepreneur's Resource use behaviour

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**The Impact of SME Planning on Performance: The Moderating Role of Entrepreneurs'
Self-Regulation and Entrepreneurs' Resource Use Behavior**

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Abstract

The study examines the moderating role of entrepreneurs' self-regulation and entrepreneurs resource use behaviour in the strategic planning performance relationship of SMEs. Studies have shown that strategic planning results in improved performance, however, the dynamic capability theory which explains the planning performance relationship, does not consider the role of individuals in influencing the strategic planning and firm performance. Entrepreneurs make strategic decisions that impact the direction of the firm and its ability to adapt to environmental changes, however, that is not the focus of the theory.

The outcome of this study will be an extension to the dynamic capability theory by the introduction of the self-regulation theory. The study argues that a high level of self-regulation and entrepreneurs resource use behaviour could enhance strategic planning in SMEs. The study proposes exploratory sequential research with the gathering and analysis of both quantitative and qualitative data from SMEs in Ghana.

Introduction

Small and medium-scale enterprises (SMEs) are crucial to the success of local, national, and international economies (Chatterjee et al., 2015; Ndiaye et al., 2018; Obi et al., 2018). SMEs comprise about 90% of all businesses worldwide (Mbuyisa & Leonard, 2017) and also contribute between 40% to 60% to the gross domestic product of nations (Igwe et al., 2018). Despite their crucial role, they are often threatened by highly competitive and turbulent market conditions amongst other constraints which make them vulnerable and have a high rate of failure (Asah et al., 2015; Donkor, Donkor & Kwarteng, 2018). However, the success of small and medium-sized businesses has been widely recognised to be significantly influenced by SME planning (Clifton et al 2020). SME planning is defined as a systematic approach that helps small and medium-sized enterprises align their actions with a clear strategy to enhance performance (Jones, & White, 2018). According to Longenecker, Moore, and Petty (2019), SME planning includes a range of actions that collectively help a business achieve its goals. These activities include financial planning, operational planning, and strategic planning. The absence of strategic thinking and strategic planning activities has been identified as one of the major reasons limiting the survival and performance of small enterprises in Africa (Agyapong et al., 2021). Strategic planning, according to studies (Majama and Magang 2017; Mayr et al 2021; Kitsios and Kamariotou 2018), boosts SMEs' performance and helps them avoid failure. As a result, SME planning has been the focus of numerous research emphasizing the crucial role it plays in fostering business success (Mokhber et al 2017; Radzi and Ali 2017; Turner and Endres 2017). These studies have examined the relationship between SME planning and performance.

Recent research has also emphasized the significance of personal traits that may govern this relationship. This implies that the impact of SME planning on performance may depend on personal traits like the entrepreneur's self-regulation and resource-use habits. Entrepreneurs that exhibit strong levels of self-regulation and efficient resource management techniques are more likely to take use of planning's advantages, resulting in better performance outcomes. The ability of entrepreneurs to control their thoughts, emotions, and behaviors in the service of goals is referred to as self-regulation (Baumeister et al., 2018). Entrepreneurs that have self-regulation are better able to stay focused, endure through difficulties, and modify their strategies as needed (Baumeister et al., 2018). Thus, it can be argued that the impact of SME planning on performance may be contingent upon the entrepreneur's level of self-regulation. This study focuses on the constructs of frugality and self-control as dimensions of self-regulation. Self-control regulates individuals' resource acquisition and deployment behaviors whilst frugality represents resource conservation and an economic rationale Michaelis et al (2020)

Another moderating factor is the entrepreneur's resource use behavior, which pertains to how effectively and efficiently they allocate and leverage resources to achieve their goals (Brush, Edelman, Manolova, & Welter, 2019). Entrepreneurs' resource use behaviour refers to a behaviour of entrepreneurs that foster efficient utilisation of the organisation's resources (Michaelis et al., 2020). Effective resource use can amplify the benefits of SME planning by ensuring the optimal utilization of available resources (Brush et al., 2019). It can influence the use of resources to maximize the potential benefits of planning (Bartolacci et al (2020)). On the other hand, poor resource allocation may hinder the implementation and effectiveness of planned strategies, thereby affecting performance outcomes. Entrepreneurs' resource use behaviour is measured using sub-variables like causation, bricolage, experimentation, flexibility, affordable loss and pre-commitments. Causation highlights a linear process of planning, resource organisation and resource deployment to achieve a goal whilst Bricolage is

about making do with resources at hand. Experimentation is about trying different approaches before settling on a business concept whilst affordable loss refers to assessing how much one is willing to lose and experimenting within the bounds of that constraint. Flexibility refers to adapting to changing circumstances, unexpected events, and new knowledge. Pre commitment refers to establishing early relationships with customers, suppliers, and other strategic partners to reduce uncertainty and spread responsibility to other stakeholders.

The extent of SME failure indicates that the existing approach to planning may not be working and so the study introduces the entrepreneurs resource use behaviour and the entrepreneur's self-regulation as moderators to enhance SME planning so as to reverse the negative effect of lack of strategic planning. The study seeks to address this gap by examining how SMEs plan to develop new dimensions of planning within the Ghanaian context. The main objective of the study is to develop a planning framework for SMEs in Ghana for enhanced firm performance whilst prioritising entrepreneurs' resource use behaviour and self-regulation.

Theoretical development

Several theories have been employed to explain the SME planning-performance relationship. The dynamic capability theory is considered one of the most promising frameworks in the strategy agenda which is aimed at identifying drivers of long-term firm survival and growth (Santa-Maria et al 2022, Amui et al 2017; Rodrigues et al 2021). The theory is an extension of the Resource Based view considering how firms develop, reconfigure and renew resources and capabilities in turbulent times (Wang and Wang 2017; Gibson et al 2021; Limudeen et al 2021; Kumar and Arputham 2018) The limitations of this theory include the lack of clear measurement for dynamic capabilities, lack of guidance in developing and deploying dynamic capabilities through planning as well as the role of individuals. The theory recognizes the importance of organizational capabilities rather than that of individuals in the organisation (Teece, 2018). The impact of strategic planning on performance cannot be well understood without considering the role of individuals. This is particularly important in the study of how strategic planning in SMEs impact on performance in the context of a developing economy.

Self-regulation theory offers a framework that explains why and how entrepreneurs manage their resources. The theory suggests that changes in behaviour manifest from the self-reflective in congruity between a current and desired future state. As such the theory is about the conflict between short term and long-term preferences since individuals regulate their present behaviour to reach a future desired state. SMEs are mostly run by individual entrepreneurs and these entrepreneurs may self-regulate how to conserve or deploy resources in relation to their personal standards of desirable behaviour.

SME planning and organizational performance

SME planning is defined as a systematic approach that helps small and medium-sized enterprises align their actions with a clear strategy to enhance performance (Jones, & White, 2018). The relationship between SME planning and organizational performance suggests that SMEs that adopt and execute thorough planning processes experience improved performance outcomes. These planning processes may include strategic planning, operational planning, financial planning, and marketing planning, among others. It implies that SMEs that invest time and resources in developing and implementing effective planning strategies will achieve better overall performance, such as increased profitability, productivity, and market

competitiveness. Strategic planning allows SMEs to set clear goals and objectives, ensuring that all efforts and resources are directed towards achieving them (Thompson, 2017). Resource allocation promotes better performance results. SMEs can maximize the performance benefit of these resources by allocating resources to areas like marketing, R&D, or talent acquisition through strategic planning (Miller, 2016).

SMEs can foresee future disruptions and create methods to lessen them by engaging in scenario planning and risk analysis (Jones & White, 2018). This adaptability enhances performance outcomes by allowing SMEs to navigate uncertainties and capitalize on new opportunities. SMEs can differentiate themselves and position themselves favorably within the industry, by conducting thorough market analysis and competitor research (Johnson & Thompson, 2019). This strategic positioning enhances performance outcomes by capturing market share, attracting customers, and gaining a competitive edge. SMEs can identify areas for improvement and implement innovative strategies by regularly evaluating their performance against set goals (Brown & Davis, 2020). By aligning goals, efficient allocation resources, adapting to changing circumstances, gaining a competitive advantage, and fostering innovation, SMEs can significantly enhance their overall performance. Strategic planning is therefore essential for SMEs to prioritize as a significant factor in their success. This study suggests that:

Hypothesis 1: There is a positive relationship between effective planning and performance outcomes in small and medium-sized enterprises (SMEs).

Moderating role of entrepreneurs' self-regulation

Entrepreneurs' self-regulation refers to their ability to regulate their thoughts, emotions, and behaviors in pursuit of goals (Baumeister, Heatherton, & Tice, 2018). Entrepreneurs' self-regulation plays a critical role in enhancing the impact of SME planning on organizational performance, ultimately leading to improved outcomes for the business. According to Chen and Huang's research (2020), business owners who exhibit strong levels of self-control are more likely to carry out SMEs' strategic goals successfully. Their capacity to set priorities, stay on task, and exercise self-control improves the execution of predetermined tactics, improving organizational performance. Entrepreneurs with self-regulatory abilities, such as restraint and tenacity, are better able to adjust to shifting conditions and overcome difficulties encountered during the execution of SME planning, according to a study by Li et al. (2019). This adaptability positively influences organizational performance by facilitating adjustments and problem-solving in dynamic environments.

SME planning alone may not guarantee optimal outcomes if entrepreneurs lack the self-regulatory skills necessary to translate plans into action. Entrepreneurs' self-regulation acts as a crucial moderating factor in the relationship between SME planning and organizational performance. By harnessing their self-regulatory abilities, entrepreneurs can effectively execute planned strategies, adapt to changing environments, and drive better outcomes for their businesses. The possibility of obtaining greater organizational performance and long-term success is increased when SME planning is integrated with entrepreneurs' self-regulation. Entrepreneurs can overcome challenges, avoid detours, and persevere in the pursuit of their strategic objectives by exercising self-regulation. This maximizes the performance-enhancing potential of SME planning. It gives business owners the mental and behavioral tools they need

to respond to external conditions and take advantage of strategic planning's advantages. This research suggests:

Hypothesis 2: Entrepreneurs' self-regulation moderates the relationship between SME planning and organizational performance.

Moderating role of Entrepreneurs' Resource use behaviour

According to Michaelis et al. (2020), an entrepreneur's resource use behavior is a behavior that promotes efficient use of the organization's resources. Entrepreneurs' behavior in allocating and utilizing resources effectively can improve the results of their planning efforts, which is why there is a relationship between SME planning and organizational performance. According to studies, resource allocation and utilization tactics used by business owners have a big impact on how well an organization performs. For instance, Anderson and Zhang's research (2021) discovered that business owners with higher financial performance in their SMEs strategically deployed their resources and made efficient resource allocation decisions. This emphasizes how crucial resource use behavior by entrepreneurs is to achieving successful organizational outcomes.

Additionally, research has shown a connection between SME planning and organizational effectiveness. Smith et al.'s (2019) research, for instance, discovered that SMEs who engaged in thorough strategic planning saw greater levels of growth, profitability, and market share. This underlines how important planning is for the success of SME's.

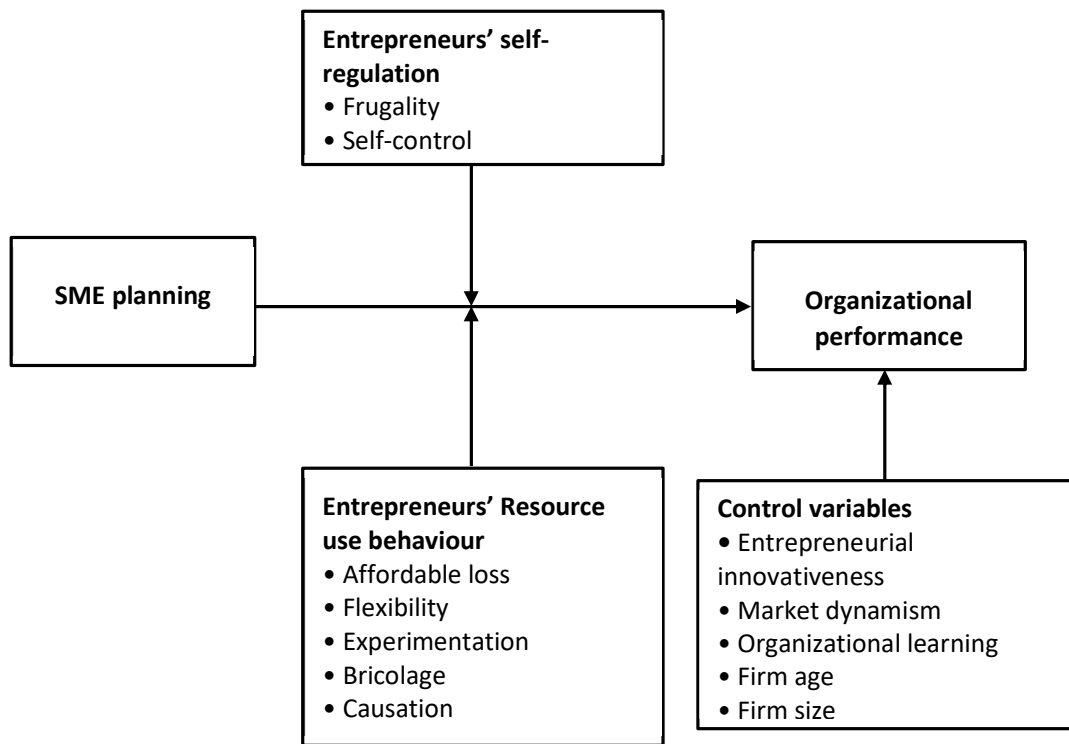
Through two main mechanisms, the resource use behavior of entrepreneurs can limit the correlation between SME planning and organizational success. First off, wise resource management can increase the effectiveness of planning efforts. Entrepreneurs can assure the effective execution of planned operations, improving performance outcomes, by wisely allocating resources based on the objectives determined through planning.

Entrepreneurs' Resource Use Behavior can help overcome resource constraints and optimize the utilization of available resources. SMEs often face resource limitations, such as limited financial capital or human resources. Entrepreneurs who possess resourcefulness and the ability to leverage their available resources effectively can mitigate the negative impact of resource constraints on the implementation of planned strategies, thus positively influencing organizational performance. This study suggests that:

Hypothesis 3: Entrepreneurs' Resource use behaviour moderates the relationship between SME planning and organizational performance.

Conceptual framework

The suggested conceptual framework for this study highlights the role of entrepreneurs' self-regulation and entrepreneurs' resource use behavior in the relationship between SME planning and organizational performance. The high rate of SME failure suggests that the approach of linking SME planning to performance is too simplistic and ineffective. The study introduces entrepreneurs' resource use behavior and the entrepreneurs' self-regulation behavior as moderators to improve the role of SME planning in organizational performance.



Source: Author's construct

Methodology

The study will employ an exploratory sequential mixed method research approach where elements of qualitative and quantitative research will be used to address the research objectives (Zohrabi 2013). The qualitative approach will be used to gather information to develop a new construct and dimensions of organizational planning tailored towards SMEs. The quantitative approach will be used to analyse the data gathered and in testing our hypothesis.

The population for the qualitative approach will be based on purposeful sampling of about 20 SMEs in different industry sectors. This is to enable us gather in depth information from SME owners and managers about how planning is carried out in their organizations. Data will be gathered using focused individual interviews and this will be recorded and transcribed. Analysis of the data will be done using content analysis.

The quantitative study sample will be based on SME's listed by the Association of Ghana Industries with our sample selection done across sectors but in the urban areas of Accra. The sample size of about 250 will be based on the number of SMEs registered. The survey by questionnaire will be conducted across sectors and SME owners will be approached through personal contact. Data analysis will be carried out using exploratory factor analysis, principal components will also be used as an extraction method.

Conclusion

In conclusion, this research highlights the significance of effective planning in small and medium-sized firms (SMEs) for improving organizational performance. The findings show a link between rigorous planning processes and better performance outcomes, such as enhanced profitability, productivity, and market competitiveness. Strategic planning enables SMEs to establish clear goals and effectively align their resources, whereas scenario planning and risk analysis improve their adaptability to uncertainties and new possibilities. Furthermore, conducting market research and competitor research enables SMEs to position themselves favorably and achieve a competitive advantage. Regular performance evaluation versus goals fosters innovation and identifies areas for improvement. As a result, strategic planning emerges as a critical aspect in the success of SMEs.

Furthermore, the study emphasizes the significance of entrepreneurs' self-regulation as a moderator in the relationship between SME planning and organizational performance. Entrepreneurs with high self-regulation skills, such as self-control, and frugality, are more likely to successfully implement their plans and deal with challenges. The integration of SME planning with self-regulation by entrepreneurs increases the potential for optimal performance outcomes and long-term success. Entrepreneurs may effectively transform plans into action, adjust to changing surroundings, and persevere in reaching strategic objectives by exercising self-regulation.

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