The Relevance of Business Planning Document for Small and Medium Scale Enterprises in Tamale Metropolis, Northern Ghana

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Abstract: It is conventional wisdom that new businesses be planned prior to their start-up hence prospective business founders are generally advised to develop formal plans of their proposed ventures. A business plan that serves as a blueprint or road map that provides direction and increases the firm’s chances for survival and success is thus essential. According to Kraten and Kenneth (2010), a business planning document represents “a nuts-and-bolts document” that clearly demonstrates that the business operator prepared to operate the business from day one. Andualem (1997) asserts that SMEs with regards to Ghana comprise activities that are independently owned and operated; managed by the owner; have a small share of the market; and employ 6-49 employees.

This study investigated the impact of a business planning document on the growth of small scale businesses. Basically, the researcher chose the survey strategy in line with the observation that it is possible to use survey approaches within either a qualitative or quantitative research strategy. All the 50 respondents chosen purposively from the target population responded to the survey questionnaires.

The study found that business planning influences the success or survival of SMEs. Also SMEs Enhance poverty alleviation, Improve per capita income, Enhance the quality of lives, Encourage technological innovations, Enhance export promotion, Enhance GDP growth, Encourage entrepreneurship, Accelerate employment generation, Ensure inter- and intra-regional decentralization, Serve as a countervailing force against the economic power of larger firms, Accelerate the achievement of wider socio-economic objectives, as well as Serve as cornerstone for socioeconomic growth and stability.

Keywords: Business Plan, Small and Medium Scale Enterprise (SME, Tamale Northern Ghana).
Background of Study

The major objective of any meaningful business is to make profit and strive towards obtaining a fair share of the market and ultimately ensure dominance in its area of operation, being it product development, trading or service delivery. The economic strength of the nation lies in how well its businesses (private or public) fare in the face of whatever challenges may prevail domestically or globally. Technological and scientific advancement has brought with it a paradigm shift from the classical concept of total isolation in business to an approach that involves national consideration in major business decisions.

According to (Castrogiovanni 1996), it is conventional wisdom that new businesses be planned prior to their start-up hence prospective business founders are generally advised to develop formal plans of their proposed ventures. For instance, a study by (Van Auken and Sexton 1985) found that 20% of non-planners failed within three years. This correlates with the dictum that “failing to plan is planning to fail”. Thus, businesses that want to maintain a firm grip on its market share require strategic and comprehensive planning.

Large firms develop fundamentally from small and medium scale enterprises (SMEs). The dynamic role of small scale enterprises in developing countries as engines through which the growth objectives of developing countries can be achieved has long been recognized (Kayanula Dalitso and Peter Quartey 2000).

A business planning document being a document containing specific information about a business, and its future is essentially becoming an imperative document in the development of SMEs.

In the struggle for market share and finance for expansion, communication is inevitable. A business planning document will communicate to potential investors where the business is going and the plan to get there. It aids in tracking, monitoring, and evaluating business progress over the short and long term. It also assists in strategic and
successful planning for the future. In fact the business plan is a great tool with which to chart and gauge business growth. However, the business plan will continually change and evolve over time.

Essentially if the availability or non-availability of business planning document for small scale businesses in the Tamale metropolis is properly examined and comprehensively evaluated, an all-inclusive plan could be put in place to aid in the maximum exploitation of the full potentials of SMEs. A boost in SMEs in the Tamale Metropolis will essentially lead to job creation and contribute to national development at large.

Problem Statement

One of the major indicators of the success of governance around the world and especially in developing countries is the extent of poverty reduction through the creation of employment opportunities for the people. Since it’s virtually impossible for the government to create all the jobs, it is imperative for it to create an enabling environment for entrepreneurs and other investors to establish businesses. These businesses could be large, micro or small and medium scale businesses/enterprises (SMEs). Increasingly, attention is being drawn to Small and medium Scale enterprise as a result of propositions such as: its recognition as a seed-bed for indigenous entrepreneurs, labour intensiveness and employment of more labour per unit of capital than large enterprises, ability to compete, use of local resources and flexible specialisation (i.e. adapt to customer requirements) (Mead 1994).

It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels 1999; Daniels 2003; Fisseha 1991; McPherson 1996; McPherson and Liedholm 1996; McPherson 1995; Robson and Gallagher 1993; Robson, Gallagher, and Daly 1993). The sector which employs about 15.5% of the labour force in Ghana (Parker, Riopelle, and Steel 1995) has experienced higher employment growth than micro and large scale enterprises (5% in Ghana).
In Ghana, the sector’s output as a percentage of GDP accounted for 6% of GDP in 1998 (The Budget Statement and Economic Policy of The Government of Ghana for the Financial Year). It is worth noting that there is an uneven distribution of SMEs across the ten political regions of Ghana.

In Tamale, the capital city of one of the poorest regions in Ghana (www.ruralpovertyportal.org), development could be triggered and accelerated if the spotlight is put on ways of starting, enhancing and developing SMEs. Knowledge of the pragmatic and significant role SMEs play in enhancing the economic stability of the city and the region as a whole: ideas, interventions, policies and extensive plan of action that will ensure its growth cannot be overemphasized. With the spotlight on SMEs, government policies and interventions, many financial institutions are willing to provide credit to promising SMEs. However, creditors would always want to have substantial proof of business viability and sustainability before rendering any financial assistance. Information about any business including business concept, financial features, sales highlights, profits, cash flow, return on investment financial requirements, capital needed for start-up or expanding and how capital will be used. This information among others is fundamental to every good business plan.

It is clichéd that he who fails to plan, plans to fail. The essence of this study is to examine the relevance of a business planning document (which is document containing specific information about a business, and its future) in the success of identified SMEs in the Tamale metropolis. The Northern region being one of the poorest regions in Ghana is consequently home to a few sustained businesses with less employment opportunities and the eventual poverty rate. Sustainability of small businesses leads to poverty reduction, and proper planning is crucial to sustainability and growth of these businesses. If SMEs in the metropolis will have a very good business planning document, it would guide the businesses to growth and ultimately poverty reduction. Since properly documented business plan with systemic measures, will ensure general
business growth and even facilitate access to credit, there is the need to examine the significant impact of identified SMEs within the metropolis and study the relevance of business plan to SMEs in the Tamale Metropolis. The study sought to answer the following questions: What are the concepts in SMEs business planning document? What is effect of SMEs within the metropolis on the socioeconomic well-being of the people? What is the role of a business planning document in the sourcing and securing of financial support for business development? To what extent does a proper business plan the start-up, success or otherwise of SMEs in the Tamale metropolis?

OVERVIEW OF SMEs

Definition and Characteristics of Small and Medium Enterprises (SMEs)

(Nwankwo and Gbadamosi 2010) stated that, the abbreviation SME occurs commonly in the European Union (EU) and international organisations such as the World Bank, the United Nations and the World Trade Organization. In the USA, the term Small and Medium Businesses (SMBs) is predominantly used. Others are Micro and Small Enterprise (MSE) in India; Small, Medium and Micro Enterprises (SMMEs) in South Africa; and in Ghana and Nigeria, the term SME is used to refer to Small and Medium Enterprises.

As stated by Gore et al. (1992; cited in Nwankwo and Gbadamosi, 2010, pg. 131), “like the proverbial elephant, the small firm is one of those things that is recognized when seen but difficult to define”. (Storey 1994) summarizes that there is no single, uniformly accepted definition of a small firm.

According to the International Labour Organisation (ILO, 1997), no single definition can capture all the dimensions of ‘small’ or ‘medium’ business size’, nor can it expect to reflect the differences between firms, sectors or countries at different levels of development.
Buhalis (1994); cited in (Tassiopoulos and Haydam 2008), posits that the classification of Small and Medium-Scale Enterprises (SMEs) is not an easy task, but that of a complex undertaking.

However, researchers such as (Leopoulos, Kirytopoulos, and Malandrakis 2006); (Smith Jr. and Watts 1992), posits that the definition of SME varies depending on (i) geographical placement of SMEs, (ii) the level of development of the country, (iii) the country-specific legislation inter alia. Some define them in terms of their total revenue, while others use the number of employees as an indicator.

Other researchers provided a quantitative/objective and qualitative/subjective approach for classifying SMEs (Tassiopoulos and Haydam 2008). With regards to quantitative approach, three criteria are used viz. number of employees, annual turnover and number of bed (peculiarly for accommodation establishments). The qualitative approach uses a wide range of criteria such as organizational structure, turnover, responsibility distribution in decision making, financial strength, operation procedures, recruitment and training practices, decision-making process, entrepreneurial involvement and control, integration level, family domination in running the property, internationalization of operation, marketing functions and managerial experience inter alia.

(Storey 1994), notes that the definitions that relate to ‘objective’ measures of size, such as number of employees, sales turnover, profitability, net worth, etc., are problematic. For instance, all firms may be regarded as small in some sectors while there may be possibly no firms which are small in other sectors.

The ILO (1997) asserts that most size classifications are based on measures such as number of employees, balance-sheet total or annual turnover. However, (Clarke and Kalani 2011) suggested that, the number of employees has emerged as the most popular criterion.
In general, (Berry, Seiders, and Grewal 2002), observed that SMEs embrace a broad range of organizational entities, from family businesses employing over a hundred employees (termed medium enterprises), to survivalist, self-employed entities (termed informal microenterprises).

(Regasa and Deribe 2015; Andualem and Gebre-Mariam 2005; Andualem 1997), assert that SMEs with regards to Ghana comprise activities that are independently owned and operated; managed by the owner; have a small share of the market; and employ 6-49 employees.

Micro-enterprises on the other hand are independently owned and managed by the owner; have a small share of the market and employs five or less employees (Andualem, 1997). (Regasa and Deribe 2015), in affirmation to Andualem (1997) defined micro-enterprise as referring to a business involving one to five persons (typically a sole trader). Its character would be such that its activities are simple enough to be managed directly on a person-to-person basis, and the scale of the operations means it is unlikely to need or be able to afford to devote significant staff time to accounting.

Overall, the Bolton Committee (Bolton, 1971; cited in Nwankwo and Gbadamosi, 2010, pg. 131) provided the most widely accepted definition where three important characteristics that are likely to have a strong effect on management and decision making within a small firm were identified. The committee formulated what they called an ‘economic’ definition and ‘statistical’ definition.

The economic definition suggests that small firms meet the following criteria:

- They have a relatively small share of their marketplace
- They are managed by owners or part-owners in a personalized way, and not through the medium of a formalized management structure
- They are independent, in the sense of not forming part of a larger enterprise

The statistical definition suggests three main areas for classifying small firms:
✓ Quantifying the size of the small firm sector and its contribution to GDP, employment, exports etc.;
✓ Comparing the extent to which the small firm sector’s economic contribution has changed over time;
✓ Applying the statistical definition in a cross country comparison of the small firms’ economic contribution.

Largely, the definitions used by the Bolton Committee are shown in Table 1. This illustrates the use of different definitions of a small firm in different sectors. It also reveals that the criteria upon which the judgment of ‘smallness’ was made also varied sectorally (Tagoe, Nyarko, and Anuwa-Amarh 2005).

Table 1: Definitions of a Small Firm ($ 1.00 = GH¢ 3.00)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>200 employees or less</td>
</tr>
<tr>
<td>Construction</td>
<td>25 employees or less</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>25 employees or less</td>
</tr>
<tr>
<td>Retailing</td>
<td>Turnover of $50,000 or less</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Turnover of $50,000 or less</td>
</tr>
<tr>
<td>Services</td>
<td>Turnover of $50,000 or less</td>
</tr>
<tr>
<td>Motor trades</td>
<td>Turnover of $100,000 or less</td>
</tr>
<tr>
<td>Wholesale trades</td>
<td>Turnover of £200,000 or less</td>
</tr>
<tr>
<td>Road transport</td>
<td>Five vehicles or less</td>
</tr>
<tr>
<td>Catering</td>
<td>All excluding multiples and brewery-managed houses</td>
</tr>
</tbody>
</table>

Source: Bolton (1971; cited in Blackburn, 2002)

Thus, in two groups of sectors – manufacturing and construction, and mining and quarrying – the criterion was unemployment. In the three service sectors, the criterion was sales turnover, and in one sector – catering – it was based upon ownership (Blackburn 2002).
Impact of SMEs of Economic Growth and Development

The dynamic role of Small and Medium Enterprises (SMEs) in developing countries as engines through which the growth and development objectives of developing countries can be achieved has long been recognized. According to (Onugu 2005), a review of historical experience of economic growth and development in various countries is replete with success stories of the salutary effect and positive impact and contributions of SMEs in industrial developments, technological innovations and export promotion. (Wilson and Gorb 1983; Nwankwo and Gbadamosi 2010; Adobi 2012); among others observe that globally, SMEs account for 99% of business numbers and 40-50% of GDP. Similarly, (Fingleton, Paci, and Eraydin 2003) observed that, economies with higher shares of SMEs have higher estimated rates of growth, which enable them to improve their relativities in terms of per capita income.

Onugu (2005) iterates that the role of SMEs is even more important in developing countries, since SMEs often offer the only realistic prospects for creating additional employment and consequently reducing poverty and enhancing the quality of lives. A healthy SME sub-sector is therefore a sine qua non for inclusive and socially sustainable development.

Elsewhere, (Beck, Demirguc-Kunt, and Levine 2005) failed to reject the hypothesis that SMEs do not exert a causal impact on growth and poverty. Thus, their research on cross-country evidence of the impact of SMEs, on Growth and Poverty assert that, although fast growing economies tend to have large SME sectors, their analysis do not support the view that SMEs exert a causal impact on growth and poverty.

In Nigeria for instance, SMEs are known as cornerstones responsible for Nigeria's economic growth and stability (Ojukwu, 2006; as cited in (Grant 1996). Generally, the advantages claimed for Small and Medium Enterprises (SMEs) are countless (table 2).
### Table 2: Summary Effects of SMEs on Economic Growth & Development

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Key Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safiriyu &amp; Njogo (2012); Ayozie &amp; Latinwo (2010); Ayesha (2007)</td>
<td>SMEs encourage entrepreneurship</td>
</tr>
<tr>
<td>Salami (2003); Muritala et al (2012); Ayozie and Latinwo, (2010); Udechukwu (2003); Ogujiuba et. al. (2004); Henriques and Klock (1999)</td>
<td>SMEs have immediate impact on employment generation by utilizing labor intensive technologies</td>
</tr>
<tr>
<td>Ogujiuba et al. (2004)</td>
<td>SMEs development encourages the process of both inter- and intra-regional decentralization</td>
</tr>
<tr>
<td>Salami (2003)</td>
<td>SMEs often become a countervailing force against the economic power of larger enterprises</td>
</tr>
<tr>
<td>Safiriyu and Njogo (2012); Ayozie and Latinwo (2010); Udechukwu (2003).</td>
<td>SMEs accelerate the achievement of wider economic and socio-economic objectives, including poverty alleviation.</td>
</tr>
</tbody>
</table>

Source: Adapted from (Green, Kirkpatrick, and Murinde 2006)

**Defining Business Planning**

(Castrogiovanni 1996), defines business planning as, those efforts by firm founders to gather information about a business opportunity and to specify how that information will be used to create a new organization to exploit the opportunity (as cited in (Delmar and Shane 2006)). (Axel Volkery and Klaus Jacob 2004), also defined business planning as testing the viability of a project or organization by predicting income and expenditure over a period of time.

(Nordström, Vaughan, and others 1999) support that business planning encompasses all the goals, strategies and actions that you envision taking to ensure your business’s survival and growth.

Research by Delmar and Shane (2003) concludes that the processes of gathering and analyzing information, evaluating required tasks, identifying risks and strategy,
projecting financial developments, and documenting these things in a written plan essentially defines business planning. The best known example of this type of business planning is the business plan.

Most authors however make very little distinction about business planning for small and medium scale enterprises (SMEs) and large companies. The peculiarity of a small business elicits a unique approach to business planning in order to offset the cost benefit implications and enhance relevance and reliability of the document to such. (Zoltan Acs 2006) confirms that not all businesses go through all the levels of business planning and that the larger companies are certain to go through all the stages of planning while small businesses will not necessarily do the same.

(Longenecker et al. 2013), also iterate that the extent and structure of a business plan is influenced by the complexity of the environment of the organization in question. Thus the more complex environments will elicit a business plan that is more adaptable and with room for changes than the traditional business plan.

*Business Planning Document*

(Ven, Hudson, and Schroeder 1984), assert that a business planning document represents “a nuts-and-bolts document” that clearly demonstrates that the business operator prepared to operate the business from day one.

However, the generic definition from various prolific authors emerge that a business planning document is a formal statement of economic intent detailing goals, objectives, identified limitations and chosen strategies to mitigate those challenges in order to achieve the set goals (Rhonda and Abrams 2003).

According to (Nordström, Vaughan, and others 1999), profit-making business planning is all the general business planning that must be done to start and run a successful business. The best known example of this type of business planning is the business plan. According to (Longenecker et al. 2006), there’s no singular definition for a business plan as no single plan works for all situations. In that context, they define business plan as a
document that outlines the basic idea underlying a business. The business plan should be able to tell where the business is at the present, where you want to be, and how you intend to get there.

The business plan isn’t a do-it-and-forget-it business planning exercise but a living document that needs to be updated throughout the lifecycle of your business (Nordström, 1999).

The business plan as a layout of intention and strategy is no different from any other plan. The main distinction between the business plan and other plan is the business focus. The business plan therefore becomes a formal statement of intent of economic activity (Kuratko 2013).

In general, a business plan is a document that outlines the basic idea underlying a business and describes related start-up considerations (Rhonda and Abrams 2003). This definition implies that a business plan is a planning documents hence a business planning document.

(McPherson 1996), in his definition confirms business plan a document which shows how the business is going to be managed detailing financial commitments and returns with a timeline. (Levinson 1989), also describes business plan whilst focusing on how it should lead to action as “a document that convincingly demonstrates that the business can sell enough of its products or services to make satisfactory profit and to be attractive to potential backers.

(Ven, Hudson, and Schroeder 1984), posit that business plans define the directions set by management for each business area including catalysts such as the mission statement and relevant policies, key performance indicators, goals, objectives, strategies and tactics. A business plan is also defined by Nordström (1999) as a formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals.
While most writers agree that a business plan is a document, a few contend that though a business plan may be communicated or presented through a document, in its basic form, it is not a document but about management decisions. (Van Auken and Sexton 1985) for instance, contends that the business plan itself is not a document but the set of decision-making tools that answers the question of where, what, why and how the organization is going to order its business.

A business planning document such as a business plan practically tells what the business operators or entrepreneurs think about the future and how they have prepared to deal with it rather than a mere rollover of previous year’s plan (Honig and Karlsson 2004). Thus, the business plan is the entrepreneur’s game plan which helps to crystallize the dreams and hopes that motivate him/her to take the start-up plunge (Mason and Stark 2004).

To (Chang, Chen, and Wang 1997), business plans indicate the business information that is needed to measure achievement of goals and objectives within defined policy boundaries. These plans also indicate the business processes that implement the strategies and tactics to implement those plans.

Strategic plans, investment plans, expansion plans, operational plans, annual plans, internal plans, growth plans, product plans, feasibility plans, and many other names are used synonymously for business plans (Berry 2013).

According to (Der Foo, Kam Wong, and Ong 2005), a good business plan lays out the basic idea for the venture and includes descriptions of where the business is now, where the business wants to go, and how it intends to get there.

Different types of business plans are possible according to Nordström (199):

- strategic business plans for evaluating a strategy: Aid for making internal decisions for the whole company (strategic guidelines at the national level, all markets)
✓ tactical business plans for specific projects: Aid for making internal decisions for a particular area, or a market segment

✓ short term business plans for management control: Aid for monitoring the implementation of projects and Preparation and follow-up of budgets (Nordström, 1999).

Irrespective of the types of business planning documents, (Mason and Stark 2004), assert that a business plan can be used primarily in two ways viz. (i) to provide a statement of goals and strategies for use by individuals within the firm and (ii) to aid in the development of relationships with outsiders who could help the company achieve its goals.

Contents of a Generic Business Plan

Identifying the audience of the business plan enables the identification of the purpose and content of the business plan. As revealed by Pinson 2008, it is necessary to ask what creditors and lenders will be looking out for in the business plan – a record of credit history, prove that you will be able to pay the loan with interest in the set time, the available collateral etc., while an investor on the other hand will seek an exit strategy.

The content of a business plan is similar only in structure. Most books on the discourse agree that though no standard template is suitable for all business plan writings, they ought to cover major areas as background information, a marketing plan, an operational plan and a financial plan.

There are variations on the content of the business plan existing within both the scholarly and professional world. This is evidenced by (Subhash 1993) who identified three main focal areas; the strategic plan, the financial plan and marketing plan. In this sense, the strategic plan involves the corporate level strategy, the business unit strategy and the operational level strategy. The financial plan on the other hand elicits the current assets and resources available, the target area of sourcing, the targeted returns on investment, the projected financial income at specific times. The marketing plan
involves the marketing research, the target market, and the entry and expansion strategies. Other writers also expose that a business plan composites a detailed background of the owners of the business, the staff, the industry in which the business operates and economic and statistical data on which projections have been made (Pinson 2008b). Either way some vital areas cannot be traded away. Available writings come to conclusions on certain areas as inevitable. Among these include the need to identify the persons behind the company, staff capacity etc. also known as Background Information, then the purpose of the business; products it intends to trade in, the expected financial returns etc. As (Noah 2015), outlines, description of business, competition, product or service, marketing plan, target market, management plan, sales plan, operations plan, personnel plan and financial plan as the content of a business plan.

According to business analyst such as Pinson (2008), there are no fixed contents for business plans rather the structure that appears defined. Areas that the various writings find non-negotiable in writing up a business plan include: The Executive Summary, The Background Information, The Financial Plan and The marketing plan. The Executive Summary is the last part of the document to be prepared and yet the first to be seen by prospective investors, creditors or other outsiders (Covello and Hazelgren 2006). The Executive Summary therefore becomes a very important section if not the most important of the business plan. It tells the background of the owners, the mission, objectives and goals; including product lines, strategies implemented and the vision of the business. It serves as a comprehensive summary of the whole business plan (Lloyd-Reason and Mughan 2002).

The Background Information is as important as any other aspect of the business plan(Covello and Hazelgren 2006). The credit worthiness of the individuals, the exposure and competency levels give personality to the business. For investors they would want to know that they are giving their investments to competent people to
handle; for banks whether collateral is available, whether individuals have a history with taking loans and repayment faithfulness etc. (Pinson 2008a).

The Financial Plan on the other hand details both the expected expenditure and forecasted revenue. As revealed by (Mancuso 2006), sometimes the financial plan contains details of financing avenues, the rate of return on investments, expected cash flow, and exit strategy. This part is also important in that it gives credibility to the business owners that they are conscious of what they are doing. The marketing Plan consists of the employed strategy to sell products enough to gain profits sustainable for business success.

In writing a business plan as stipulated by (Moore 2003), there are two ways either to go for a summary style or a comprehensive style.

*Impact of Business Planning on SMEs*

Most of the scholarly writings available come to an agreement that a business plan is necessary for the entrepreneur in organizing his business. There is a contention however on whether the business plan is a prerequisite to successful business.

Many researchers (Baron and Markman 2003; Bhide 2000; Carter, Gartner, and Reynolds 1996) have also criticized business planning as a distraction, arguing that it interferes with the efforts of time-constrained firm founders to undertake more valuable actions to develop their fledgling enterprises (as cited in Delmar and Shane, 2003). (Osiyevskyy et al. 2013) also iterates that the impact of business planning on performance (survival, growth, profit) of Small and Medium Enterprises (SMEs) has been debated in strategic management and entrepreneurship.

According to (Rhonda and Abrams 2003), the central motivation for designing a business plan is to have a successful business. However, Moore et al. (2006) contend that business plan in itself is not a prerequisite to success and that major companies like Apple, Calvin Klein started without a business plan. Other arguments post that it is possible to write up an elaborate business plan without following through during
business execution (Fullen and Podmoroff 2006). The business plan therefore becomes meaningful and useful if it is applied or implemented.

According to (Mancuso 2006), a business plan has both external and internal functions. Internal functions being the shaping of performance by identifying the strengths and weaknesses of the SME.

Nevertheless, (Delmar and Shane 2006) proposed that business planning would enhance founders’ product development and venture organizing activities and would reduce the hazard of venture disbanding. They examined 223 new ventures initiated in Sweden in the first 9 months of 1998 by a random sample of Swedish firm founders over their first 30 months and found support for their arguments.

Empirical investigations of business planning within small and medium firms found a prevalence of amplifying mechanisms, with overall positive association between aspects of planning and specific dimensions of organizational performance (Osiyevskyy et al. 2013). Thus, they observed that business planning has a positive impact on SMEs performance. Similarly, empirical evidence from Delmar and Shane (2003) has supported positive link between business planning and organizational performance in survival, growth and profit.

Delmar and Shane (2003) again argue that business planning helps firm founders to make decisions more quickly than with trial-and-error learning; to manage resource supply and demand in ways that minimize time-consuming bottlenecks; and to turn abstract goals into concrete operational activities more efficiently.

Strategic management scholars have developed a set of conceptual arguments in favor of formal strategic planning benefiting firm performance. This is illustrated in the table 3.
Table 3: Conceptual Arguments In Favor Of Business Planning

<table>
<thead>
<tr>
<th>Argument #</th>
<th>Argument description</th>
<th>Researchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Planning improves organizational decision making by helping managers to find gaps and missing information. It also helps to make optimal, rational decisions, by systematically examining manager’s assumptions and evaluating ‘thought experiments’ before resources are committed to implement change.</td>
<td>Gruber (2007) &amp; Boyd (1991)</td>
</tr>
<tr>
<td>Second</td>
<td>Planning stimulates generation, collection and analysis of crucial information regarding external and internal environments, expanding the number of feasible options that receive attention and evaluation.</td>
<td>Powell (1992)</td>
</tr>
<tr>
<td>Third</td>
<td>Planning facilitates the process of attaining organizational goals, in a systematic way, with concrete action steps.</td>
<td>Locke &amp; Latham (1980)</td>
</tr>
<tr>
<td>Fourth</td>
<td>Formal strategy development induces intra-organizational communications and interactions, and improves employee commitment and motivation.</td>
<td>Powell (1992)</td>
</tr>
<tr>
<td>Fifth</td>
<td>The final argument is that planning has a crucial, symbolic meaning to an organization’s stakeholders.</td>
<td>Powell (1992)</td>
</tr>
</tbody>
</table>

Source: Adapted from Osiyevskyy et al. (2013)

Thus, generally, research results show that business planning is a valuable activity, even in uncertain and ambiguous situations like firm formation (Delmar and Shane, 2003).

The Role of a Business Planning Document on SME Growth and Survival

The role of a business planning document in the commencement, growth and survival of an SME cannot be overemphasized. The weight of it is carried by an age-long adage that says “Having lost sight of our objectives, we redoubled our efforts” (adapted from the George Santayana quote, "Fanaticism consists in redoubling your effort when you have forgotten your aim").
(Reinhart and Rogoff 2008), gives a scenario where an entrepreneur wants to start his/her venture but a competitor enters the market first and subsequently financing fails to materialize whilst the economy weakens. Despite such unavoidable dangers, an entrepreneur can actually reduce risk and increase the probability of success by creating a strong business plan before setting up the venture.

Generally, the importance of business planning documents in the literature have been categorized as follows; (i) in the sourcing and securing of financial support for business development, and (ii) in the start-up, success or otherwise of businesses.

✓ In the sourcing and securing of financial support for business development.

According to Rogoff (2007), a persuasive business plan will attract investors and partners to share in the business risk aside establishing strategies to manage risks. To Pinson (2008), the business plan is a requirement when planning to seek financing. Thus the business plan details how the desired investment or credit will further the company’s goals and increase returns when seeking for capital.

Similarly, Gumpert (as cited in Moore et al, 2006) posit that the business plan is essentially a selling document used to convince key investors, both inside (e.g. management) and outside (e.g. customers, suppliers, investors) the firm, that the venture has real potential to succeed and thrive. Schermerhorn (2011) iterates that a business plan describes the direction for a new business and the financing needed to operate it. Hence, it plays a critical role in attracting investors and lenders.

Pinson (2008), rather posits that the need for a business plan arises from the need to access additional capital and that the two main derivatives of a business plan is to serve as a guide for the business and as a documentation for seeking financial assistance.

Rogoff (2007) argues that a proper business planning document makes an entrepreneurial concept more attractive to potential funders, which is termed a ‘bankable business plan’.

✓ In the start-up, success, survival or otherwise of SMEs
According to (Reinhart and Rogoff 2008), a business plan is a blueprint, or road map, that provides direction and increases your chances for business survival and success. SMEs are by their nature usually spontaneous, on a whim, exploiting an opportunity, and so have little motivation for the deliberate calculated writing up of a business plan. Scholarly writings on the subject have however focused on the purpose of the writing up without must specification on the smallness of the business. However, there is much attention on the focus of the business and the unique propensities of the external environment related to the business.

(Mancuso 2006), extends beyond the norm to reveal that the formal and informal structure of the sort of business goes a long way in determining both the content and purpose for drafting. The time range for business plans vary as the size and environment structure. For instance, a company may plot a five year range plan whiles others may look long term due to the sheer size and enormity of the project undertaken within the company. Thus a multinational construction company will have a much over extending business plan than a local construction company. The available resources, the market environment and goal will define the content of the business plan and so will the purpose be a little variant.

The objective of an Entrepreneur in for instance a start-up business will have a different purpose for drafting the business plan and according to Moore et al, (2006) it will be to find opportunities, explain the approach to exploiting the opportunity and to identify factors capable of influencing either positively or negatively the goal of doing business. (Pinson 2008b), argues that the most important reason for writing a business plan is to develop a guide that will be followed throughout the lifetime of the business. That is, the business plan is a blueprint or a guide for the business and will provide the essential tools to analyze the business and implement changes that will make it more profitable. (Clive 2004), also affirms that the purpose of the business plan is to give focus to the organization. In apposition to this, Wallace and Wallace (2001), emphasize that the need
for a business plan is to enhance the survival of the business. In the end the purpose of
drafting may vary in primary focus but extends to achieve all the above stated
objectives one way or another.
(Reinhart and Rogoff 2008), observes that a bankable business plan is a document with
a purpose as it can help test the feasibility of a business concept quickly and
inexpensively so you can reject untenable ideas and develop a venture with a greater
likelihood of success.
(Bhimani and Langfield-Smith 2007), paraphrases an old adage to reiterate the
importance of business plan: “how would you know where you are going if you do not
know how to get there?” Thus, the large majority of scholars observe that most business
entrepreneurs ought to go beyond the seeking of loan sourcing when preparing a
business plan document but rather seek that their goals, objectives and defined
strategies of reaching them are well laid out as reference for evaluating the extent to
which progress has been chalked.

Methods
Study settings
Tamale is the administrative capital of the Northern Region-Ghana, Tamale lies in the
savannah grassland and the tropical continental climate of West Africa. The area has
two distinct seasons: A prolonged dry season spanning from October to April and short
wet season from May to September. The metropolis is located between the latitudes 9°
18’N and 9° 26’N and between longitudes 1°15’E and 1° 23’W and covers a total area of
about 922km². Tamale metropolis has a population of 371,351 (Male= 185,995 and
Female=185,356) and an intercensal growth rate of 2.9% per annum between 2000 and
2010. The population 15 year and older who are engaged in economic activities is
133,570. The proportion in SMEs is 76.3% comprising sales and service (30.7%), skilled
agriculture forestry and fishing (19.1%), craft and related trade (21.7%), Plant and
Machine operation and Assembling (4.8%) (Statistical Service 2013).
Study design sampling and data collection

A cross sectional descriptive study was used to collect data from SMEs from January to June, 2013. The study tools were semi-structured question guides. It was only one set of question guide for the entire respondents.

With 133,570 being economically active and 76.3% in SMEs, the sample size was calculated using the mathematical formula as follows; Formula: \(N=\frac{4pq}{d^2}\) Where \(N=\) Sample size, \(p=\) Sample population proportion (Population proportion in SME in tamale Metropolis), \(q=(1-p)\) and \(d^2=\) represented the margin of error which is 0.05 with confidence level of 95%. By substituting 76.3% (0.763) and 0.05 into the formula, \(n=289\) approximately. Due to resource constraints, the study purposively contacted and held meetings with 150 respondents, comprising either the directors/operators and employees of surviving/existing SMEs with the view to gain an in-depth knowledge on their activities.

Data analysis

Data entry and analysis was done using Stata 12. We also employed frequencies and charts with the help of Microsoft Excel to make data presentation meaningful.

Limitations of the study

In undertaking the study there was unwillingness on the part of the respondents to answer questions asked them. The study was took place during the Muslim fasting month (Ramada) and since most of them were fasting they initially did not want to cooperate. Some also saw it as a waste of time. Nonetheless, the study received 100% response as the tools were patiently self-administered by the data collectors.

Scope and limitation of study.

The research was conducted on Small Scale businesses within the Tamale Metropolis. The Project spanned a period of six (6) months. This included administering tools and receipt of questionnaires from business owners/managers as well as statistical analysis.
In reviewing the definitions of small scale enterprises, there was no single, universal, uniformly acceptable definition of small and medium scale enterprises. Several measures were used to define the small scale enterprise sector. The most commonly used was identified as the number of employees of the enterprise. However, in applying this definition, there was confusion in respect of the arbitrariness and cut off points used by various official sources. Some SMEs were therefore not selected based on the definition used in classifying the SMEs in the Metropolis.

Besides the limitation in scope vis-à-vis the definition of the major terminology around which the study is conducted, the researcher experienced the following constraints.

Some business owners/directors were not willing to volunteer information on the questionnaire for fear of intrusion by external tax bodies like IRS (now the Domestic Tax Unit – DTU), SSNIT, the Tamale Metropolitan taskforce, among others.

Most of the SMEs in the Metropolis lacked the appropriate financial records to give details about their operations.

Finally, most of the indigenous SME directors/owners were unable to communicate in English, hence significant time was spent with them during interviews. Thus the inability to reach the segment of SME operators within the Metropolis who could not communicate in English. In order to overcome this weakness, the researcher sought the assistance of a translator in most cases. This however affected the understanding of the questions since the translations were subject to selective communication and embellishment.

**Results and discussion**

All the 150 questionnaires administered were aptly completed and received. Thus the response rate was 100%. The socio-demographic characteristics considered in this study are gender, age and tenure of employment of the respondents who were predominantly the operators of the SMEs identified within the Tamale Metropolis of the Northern Region of Ghana. The results are shown in table 4.
Table 4: Socio-demographic characteristics of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency (N=150)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>87</td>
<td>58</td>
</tr>
<tr>
<td>Female</td>
<td>63</td>
<td>42</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age (Years)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>45</td>
<td>30</td>
</tr>
<tr>
<td>26-35</td>
<td>57</td>
<td>38</td>
</tr>
<tr>
<td>36-45</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>46-59</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>60+</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tenure of Employment (Years)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5</td>
<td>33</td>
<td>22</td>
</tr>
<tr>
<td>6-10</td>
<td>69</td>
<td>46</td>
</tr>
<tr>
<td>11-15</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>16-20</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>21-25</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>25+</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field Survey, July 2013

Gender

Table 4 reveals that 58% (n=87) of the participants of this study are male and 42% (n=63) are female. The implication is that, most of the SMEs within the target population (Tamale Metropolis) are operated by males. The statistic above also reveals the trend of business ownership within the study area meaning that more males own businesses than females.

Age of participants

Age of participants in the study shows that, 30% (n=45) of the respondents are below 25 years of age, 38% (n=57) fall within the age group 26-35, 18% (n=27) within 36-45 years, while 10% (n=15) fall within the group 46-59. Very few were above 60 years (4% ). By aggregation, only 14% (n=21) of the respondents are above 45 years of age whereas about 86% (n=129) are below 45 years of age. This implies that the segment of the population that operates Small Scale Businesses (SMEs) is within the active workforce of 21 to 45 years.
Tenure of Employment

From the analysis, (46%, n=69) respondents spent between 6 to 10 years in SMEs operation, followed by 22% (n=33) who had between 1 to 5 years operating their small/medium size enterprises. 14% (n=21) spent between 11 and 15 years, while 10% (n=15) were in operation between 16 and 20 years, only 6% (n=9) were between 21 and 25 years. We had 2% (3 respondents) operating their SMEs for over 25 years. In aggregate terms, most of the SMEs (82%, n=123) have lived or being in operational for about 15 years whereas the remaining 18% (n=27) existed between 16 and 25 years. This implies that, “all things being equal”, most SMEs are still in their youthful and mature stages of operation within the Tamale Metropolis.

Company Life Cycle

Figure 1: Company Life Cycle

Source: Field Survey, July 2013

Of the One hundred and fifty (150) SME operators covered, about half (50%) are in the Growth stage of the company life cycle (CLC) whereas 30% were in the start-up or introductory state. Also, about 10% have reached the maturity stage of the CLC,
followed by 8% for the seed (development) stage and an insignificant proportion (2%) are found within the exit (decline) stage. In aggregate terms, about 38% of the SMEs are in the youthful stage (introduction stage) of the company life cycle, 12% are at the Old age stage and are near the verge of decline or exit whereas half of them are now full-fledge ventures (Zenith).

Nature of Business

The nature of the SME businesses within the target population was diverse. However, most of them were found within the following categories: Farming (crops and animals), Textile (such as tailoring and dress making), Leather works (such as shoe, bag and belt makers/repairers), Woodworking (small scale carpenters, etc.), Metal works (fitters, welders, steal benders etc.), Food and beverage retailers (catering services), Motor/auto repair services and other handicrafts. Figure 2 illustrates the responses of the SME operators.

Figure 2: Nature of SMEs

Source: Field Survey, July 2013
As shown in figure 2, the largest proportion of the respondents were operators of small scale motor/auto repair ventures representing 32% of the sample size followed by small scale farmers (including crop and animal farms) representing 18% of the sample. Catering services (food and beverage retailers) followed with 14% of the respondents and then metalworks (fitters, welders, steal benders etc.) as well as woodworks (small scale carpenters, etc.) following with 12% and 10% of the respondents respectively. About 8% of the respondents were into textiles whereas the least proportion of the sample size, representing 6% were in the category of others comprising leather works such as shoe, bag and belt makers/repairers, and other handicrafts.

The statistics above thus imply that most Small and Medium Scale Enterprises (SMEs) within the Tamale Metropolis are into vehicle, motor and bicycle repairs. This can be attributed to the fact that the major medium of transportation in the metropolis is by motorcycle or bicycle hence the need to have ventures that sell motors/bicycles and their spare parts or engage in overhaul services.

Role of SMEs on Socioeconomic Growth and Development

This section represents the level of agreement of respondents on the assertion that SMEs have direct positive impact on the Socioeconomic Growth and Development of the Tamale Metropolis and then the macro economy as a whole. Respondents used the scale of 1=strongly disagree to 5=strongly agree to affirm, reject or stay neutral on various aspects of the impact of SMEs.
Table 5: Role of SMEs

<table>
<thead>
<tr>
<th>Role Of SMEs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree (%)</td>
<td>Disagree (%)</td>
<td>Neutral (%)</td>
<td>Agree (%)</td>
<td>Strongly Agree (%)</td>
<td></td>
</tr>
<tr>
<td>Poverty alleviation</td>
<td>7</td>
<td>20</td>
<td>27</td>
<td>33</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Improve per capita income</td>
<td>8</td>
<td>20</td>
<td>28</td>
<td>31</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Enhance the quality of lives</td>
<td>7</td>
<td>15</td>
<td>27</td>
<td>33</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Technological innovations</td>
<td>5</td>
<td>18</td>
<td>21</td>
<td>45</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Export promotion</td>
<td>13</td>
<td>19</td>
<td>35</td>
<td>24</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Enhance GDP growth</td>
<td>6</td>
<td>14</td>
<td>20</td>
<td>50</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Encourage entrepreneurship etc.</td>
<td>7</td>
<td>13</td>
<td>18</td>
<td>50</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Employment generation</td>
<td>5</td>
<td>12</td>
<td>16</td>
<td>39</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Inter-regional decentralization</td>
<td>9</td>
<td>14</td>
<td>27</td>
<td>33</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>A countervailing force against the economic power of larger firms</td>
<td>10</td>
<td>9</td>
<td>20</td>
<td>33</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Accelerate the achievement of wider socio-economic objectives</td>
<td>3</td>
<td>5</td>
<td>17</td>
<td>42</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Cornerstone for socioeconomic growth and stability</td>
<td>5</td>
<td>25</td>
<td>28</td>
<td>22</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td><strong>AVERAGE (%)</strong></td>
<td>6</td>
<td>12</td>
<td>20</td>
<td>41</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Field Survey, July 2013)

Poverty alleviation: As shown in table 5, 33% of the respondents affirmed (“Agree”) whilst 13% strongly agreed that SMEs exert a causal impact on poverty alleviation within the metropolis and the economy at large. About 27% remained “Neutral”, one-fifth (20%) disagreed and 7% strongly disagreed to the assertion that SMEs enhance poverty alleviation. Thus in aggregate, majority of the respondents representing 46% (33% + 13%) affirmed the assertion whereas 27% (20% + 7%) rejected the assertion. The rest of the respondents were indifferent. We can thus say that, SMEs play a role in poverty alleviation.
**Improve per capita income:** with regards this assertion, 31% agree, another 13% strongly agreed whereas 28% were neutral. Similarly, 20% disagreed and 8% strongly disagreed. In aggregate terms, the proportion of respondents who affirmed the assertion was 44% whereas 28% rejected. This implies that SMEs improve per capita income.

**Enhance the quality of lives:** 33% and 18% of the respondents respectively agreed and strongly agreed to this statement. Whereas 15% and 7% disagreed and strongly disagreed to the assertion, the remaining 27% neither agreed nor disagreed. This also implies that by aggregating, more respondents (51%) affirmed the assertion than rejected it.

**Technological innovations:** with regards SMEs improving technological innovations, 11% strongly agreed, 45% agreed, 21% were neutral, 18% disagreed and 5% strongly disagreed. In aggregate, the largest proportion of the respondents representing 56% accepted whereas 23% rejected the assertion that SMEs improve technological innovations.

**Export promotion:** the largest proportion of respondents (representing 35%) where indifferent regarding the assertion that SMEs enhance export promotion. In aggregate, 33% affirmed the assertion (comprising 24% for ‘agree’ and 9% for “strongly agree’) whereas 32% (comprising 19% for ‘disagree’ and 13% for “strongly disagree’) rejected the assertion. This is attributable to the view of the researcher that majority of the SMEs under study are in the auto/motor repair services which does not enhance promotion. Thus only SMEs who engage in farming, traditional woodworking and other handicrafts (making up 34% of the respondents in aggregate) will accept the assertion that their activities promote export.

**Enhance GDP growth:** the 6th assertion holds that SMEs are significant in GDP growth to which three-fifths (60%) affirmed in aggregate and one-fifth (20%) rejected. Distinctively, 10% strongly agreed, 50% agreed, 20% were neutral, 14% disagreed and a
paltry 6% strongly disagreed. This implies that SMEs have leaps and bounce effect on GDP growth.

**Encourage entrepreneurship:** out of the 50 respondents, 7% strongly disagreed, 13% disagreed, 18% were neutral, 50% agreed and 12% strongly agreed to the assertion that SMEs encourage entrepreneurship as well as industrial developments. In aggregate, 62% accepted the assertion whereas 20% rejected it. This indicates that SMEs encourage entrepreneurship and industrial developments.

**Employment generation:** about 5%, 12%, 16%, 39% and 28% selected ‘Strongly disagree’, ‘Disagree’, ‘Neutral’, ‘Agree’ and ‘Strongly agree’ respectively to the assertion that SMEs have immediate impact on employment generation by utilizing labor intensive technologies. In aggregate, about 67% accepted the assertion whereas 17% rejected it. This clearly reveals that SMEs have immediate impact on employment generation through the utilization of labor intensive system of production.

**Inter- and intra-regional decentralization:** vis-à-vis the assertion that SME development encourages the process of both inter- and intra-regional decentralization 9%, 14% , 27%, 33% and 17% strongly disagreed, disagreed, neither agreed nor disagreed, agreed and strongly agreed respectively. In summation, about half agreed to the assertion whereas about 23% disagreed implying that the development of SMEs encourages the process of both inter- and intra-regional decentralization within the economy.

**A countervailing force against the economic power of larger firms:** a larger proportion of the respondents representing 61% in aggregate (comprising 33% for ‘agree’ and 28% for “strongly agree”) affirmed that SMEs often become a countervailing force against the economic power of larger enterprises whereas about 19% (comprising 9% for ‘disagree’ and 10% for ‘strongly disagree’) rejected the assertion. The remaining 20% were indifferent implying that SMEs often become a countervailing force against the economic power of larger enterprises.
Accelerate the achievement of wider socio-economic objectives: it is evident from table 4.2 that SMEs accelerate the achievement of wider economic and socio-economic objectives as a remarkable special majority of the respondents (75%) in aggregate affirmed this assertion whereas a paltry 8% disagreed in aggregate. Particularly, 3%, 5%, 17%, 42% and 33% selected ‘strongly disagree’, ‘disagree’, ‘neutral’, ‘agree’ and ‘strongly agree’ respectively.

Cornerstone for socioeconomic growth and stability: about 30% (made up of 5% for strongly disagree and 25% for disagree) opposed the statement that SMEs are known as cornerstones responsible for socioeconomic growth and stability, 28% of them were neutral whereas about 42% in aggregate (made up of 22% for agree and 20% for strongly agree).

Overall Effect of SMEs

Figure 3: Overall role of SMEs on socioeconomic growth and development

<table>
<thead>
<tr>
<th>% Frequency</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.0%</td>
<td>12.0%</td>
<td>18.0%</td>
<td>46.0%</td>
<td>22.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey, July 2013
From figure 3, 2% selected ‘strongly disagree’, 12% selected ‘disagree’, 18% were ‘neutral’, 46% selected ‘agree’ and 22% selected ‘strongly agree’. The results is a reflection of the figures in table 5 where on the average, 6% of the respondents strongly disagree with all the twelve assertions regarding the role of SMEs, 12% disagreed, 20% neither agreed nor disagreed, 41% agreed and 22% agreed strongly. Thus, on the average, more respondents agreed than disagreed that SMEs have direct impact on the economy. The statistics presented thus affirm the research of Green, Kirkpatrick and Murinde (2005) regarding the position of numerous authors on the effects of SMEs on economic growth and development as pointed out in the literature review.

Existence and Importance Business Planning Document

This section presents results on the responses of the SME operators with respect to question as to whether they had business plans as well as the importance of the business plan in general. Eight questions were asked in all viz.:

1. Do you have a business plan?
2. If no, do you feel you need a business plan?
3. Have you ever sought finance from the Bank or from a Micro Finance Institution?
4. If yes, did the bank request for a Business plan document?
5. Do you think that a business plan contributes to the success of a business?
6. Does a business plan document help to gain investor support or win loan from Bank?
7. Is a business plan suitable for your kind of business?
8. Can you prepare the business plan on your own?

The respondents were required to answer “Yes” or “No” to each of the questions posed. The results collected from 150 respondents are shown in figure 3. 92% do not have business plan whereas only 8 had; 70% do not see the need for a business plan whereas
30% found it necessary to have a business plan; 40% have never sought for finance from the Bank or from a Micro Finance Institution whereas a larger proportion of 60% have sought for finance from the Bank or from a Micro Finance Institution; 64% of those who have ever sought for finance from a financial institution stated that the bank did not request for a business plan document whereas 36% affirmed that the financial institution requested for a business plan document.

Also, close to three-fourths of the respondents (i.e. 74%) refuted the assertion that a business plan contributes to the success of a business whereas 26% responded in the affirmative; 58% responded in the negative whereas the remaining 42% respondents in the positive to the statement that a business plan document helps to gain investor support or win loan from Bank; more than three-fourths (i.e. 78%) claimed that a business plan is not suitable for their kind of businesses whereas 22% confirm that a business plan is suitable for them; finally, 66% affirmed, they cannot prepare a business plan on their own whereas 34% claimed they can prepare a business plan on their own.

In sum, aside question 3 where majority of the SME operators responded in the affirmative meaning they ever sought for finance from the Bank or from a Micro Finance Institution, majority of the respondents responded in the negative to all the other questions.
Figure 4: Existence and Importance Business Plan

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>8%</td>
<td>30%</td>
<td>60%</td>
<td>36%</td>
<td>26%</td>
<td>42%</td>
<td>22%</td>
<td>34%</td>
</tr>
<tr>
<td>No</td>
<td>92%</td>
<td>70%</td>
<td>40%</td>
<td>64%</td>
<td>74%</td>
<td>58%</td>
<td>78%</td>
<td>66%</td>
</tr>
</tbody>
</table>

Source: Field Survey, July 201

**Role of Business Plan and the Success/Survival of SMEs**

This section presents information on SMEs operators views vis-à-vis the role of business plan on the success and survival of SMEs. The impacts of business plans on the SME will either be evident in (a) the start-up, success/survival or otherwise of the SME; or (b) the sourcing and securing of financial support for the development of the SME. Respondents were required to use a five-level Likert-type scale of 1 = ‘strongly disagree’ to 5 = ‘strongly agree’ to affirm, reject or stay neutral on various aspects of the impact of business planning (see table 6).
Table 6: Link between business planning and SME survival

<table>
<thead>
<tr>
<th>Impact Of Business Plan</th>
<th>1</th>
<th>2</th>
<th>4</th>
<th>5</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Disagree (%)</td>
<td>Disagree (%)</td>
<td>Neutral (%)</td>
<td>Agree (%)</td>
<td>Strongly Agree (%)</td>
</tr>
<tr>
<td>A) In the sourcing and securing of financial support for business development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attracts investors to share in the business risk</td>
<td>4</td>
<td>8</td>
<td>18</td>
<td>46</td>
<td>24</td>
</tr>
<tr>
<td>Furthers the company’s goals and increase returns</td>
<td>10</td>
<td>16</td>
<td>18</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td>Makes an entrepreneurial concept more attractive to funders</td>
<td>12</td>
<td>14</td>
<td>22</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>Sells the business and convinces investors on the She’s potentials</td>
<td>2</td>
<td>8</td>
<td>12</td>
<td>62</td>
<td>16</td>
</tr>
<tr>
<td>B) In the start-up, success/survival or otherwise of SMEs</td>
<td></td>
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<tr>
<td>Business plans give focus to SMEs</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>74</td>
<td>18</td>
</tr>
<tr>
<td>Enhances the survival and going concern of the SME</td>
<td>6</td>
<td>8</td>
<td>16</td>
<td>46</td>
<td>24</td>
</tr>
<tr>
<td>Helps to find opportunities for business start-up</td>
<td>8</td>
<td>12</td>
<td>14</td>
<td>42</td>
<td>24</td>
</tr>
<tr>
<td>Serves as the road map that provides direction to the SME</td>
<td>2</td>
<td>4</td>
<td>10</td>
<td>48</td>
<td>6</td>
</tr>
<tr>
<td>Tests the feasibility and profitability of the SME</td>
<td>6</td>
<td>4</td>
<td>10</td>
<td>54</td>
<td>26</td>
</tr>
<tr>
<td>Increases the chances for the SME’s success or otherwise failure</td>
<td>14</td>
<td>22</td>
<td>24</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Field Survey, July 201

**Attracts investors to share in the business risk:** as shown in table 6, of the 150 respondents; 4%, 8%, 18%, 46% and 24% of them selected ‘strongly disagree’, ‘disagree’, ‘neutral’, ‘agree’ and ‘strongly agree’ to the assertion that business plan attracts
investors and partners to share in the business risk. In aggregate, 12% of the respondents disagreed whereas 70% agreed. This indicates that business plan attracts investors and partners to share in the business risk.

**Furthers the company’s goals and increase returns:** Also, business plan furthers the company’s goals and increases returns when seeking for capital. 26% in aggregate refuted whereas 56% affirmed. Distinctively, a tenth of the respondents (i.e. 10%) strongly disagreed, 16% disagreed, 18% were neutral, 42% agreed and 14% strongly agreed. Thus, in all majority of the respondents accepted the assertion that business plan furthers the company’s goals and increase returns when seeking for capital.

**Makes an entrepreneurial concept more attractive to funders:** A greater proportion of the respondents (52%) in aggregate confirm a business plan makes the entrepreneurial concept more attractive to potential funders (this comprised 8% for ‘agree’ and ‘strongly agree’). About 26% rejected the claim (consisting of 12% for ‘strongly disagree’ and 14% for ‘disagree’) whereas the remaining 22% were neutral.

**Sells the business and convinces investors on the SME’s potentials:** another relevant assertion in determining the link between business planning and SME survival was that business plan sells the enterprise as well as convinces key investors that the venture has real potential to thrive and increase their returns. 2% of the respondents strongly disagreed, 8% disagreed, 12% neither agreed nor disagreed, 62% agreed and 16% strongly agreed. This shows that, by aggregation, close to 4/5th of the respondents (i.e. 78% precisely) affirmed the claim that business plan sells the enterprise as well as convinces key investors that the venture has real potential to thrive.

**Business plans give focus to SMEs:** As regards to the view that, a business plan gives focus to SMEs, a remarkable 92% of the respondents responded in the affirmative whereas no respondent refuted the claim. Only 8% remained undecided revealing that business plans really give focus to SMEs.
Enhancing the survival and going concern of SMEs: with business plan enhancing the survival of the SME, 6%, 8%, 16%, 46% and 24% of the respondents strongly disagreed, disagreed, neither agreed nor disagreed, agreed and strongly agreed correspondingly. In sum, 70% were in agreement whereas only 14% disagreed with the claim that a business plan enhances the survival of the SME. Thus, the statistics reveals that business planning is inevitable in defining the going concern of a Small and Medium Scale Enterprise.

Helps to find opportunities for business start-up: as revealed by table 4. above, majority of the SME operators (about 66%) affirmed that business planning helps to find opportunities for business start-up as against 1/5th (20%) who rejected the claim. Specifically, 8% strongly disagreed, 12% disagreed, 14% were neutral, 42% agreed and 24% strongly agreed to the pre-antepenultimate assertion.

Serves as the road map that provides direction to the SME: regarding the claim that business plans serve as the blueprint or road map that provide direction to SMEs, a remarkable cumulative proportion of 84% were in agreement whereas a paltry 6% disagreed in aggregate. Specifically, 2% strongly disagreed, 4% disagreed, 10% neither agreed nor disagreed, 48% agreed and then 36% strongly agreed to the antepenultimate assertion.

Tests the feasibility and profitability of SMEs: the penultimate assertion is that, business plans test the feasibility/viability and profitability of SMEs. To this assertion, an aggregate proportion of 4/5th of the respondents (80%) responded in the affirmative whereas a tenth (10%) disagreed. Another 1/10th were indifferent of the assertion indicating that a business plan tests the feasibility and profitability of an SME.

Increases the chances of the SME’s success or otherwise failure: the ultimate assertion relates to the ability of business plans to increase the chances of the success or demise of SMEs. About 36% rejected this assertion whereas 40% accepted it. On the other hand, 24% were indifferent. Thus, although the statistics reveal that the majority accept the
claim in aggregate, the proportion of indifferent respondents plus those who respondents in the negative far outweigh the positive. Thus most of them are not convinced conspicuously that a business plan to determine the chance of the enterprise either surviving or winding up.

Figure 5: Impact of business planning – overall assessment

<table>
<thead>
<tr>
<th>% Frequency</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP/SME</td>
<td>0.0%</td>
<td>6.0%</td>
<td>10.0%</td>
<td>52.0%</td>
<td>32.0%</td>
</tr>
</tbody>
</table>

Source: Field Survey, July 2013

Overall, none of the respondents disagreed strongly to the claim that business planning impacts on the success or survival of SMEs, 6% disagreed, 10% were neutral, 52% agreed and 32% strongly agreed. In sum, 6% disagreed whereas 84% agreed. This reveals that business planning is a sine qua non or critical factor in evaluating the success or survival of Small and Medium Scale Enterprises. Thus, any SME that aims to survive into the foreseeable future must hold fast to proper business planning.

**Summary, conclusions and recommendations**

*Summary of Findings*

The overriding purpose of this research is to evaluate the impact of a business planning document on the growth of small scale businesses in Ghana with evidence from the Tamale Metropolis. Specifically, the study sought to define and establish the concept of SMEs business planning document, assess the impact of SMEs on the livelihood or the socioeconomic well-being of the people, examine the role of a business planning document in the sourcing and securing of financial support for business development, as well as examine the role of a proper business plan in the start-up, success or otherwise of SMEs in the Tamale metropolis.

The results indicated that majority of the respondents who were male, fell in the age category of 26-35 years old and have been in their current employment from 6-10 years. The results also revealed that most of the SMEs within the metropolis engaged in motor/auto repair services as well as farming, and that most of them have been in operation from the 1st year to the 15th year (with majority chalking between 6 to 10 years of operational existence). Also, majority of the SMEs within sample size were at the growth stage of the Company Life Cycle (CLC) whereas a fewer (8%) were at the seed stage and the fewest (2%) were on the verge of decline.

With regards to the impact of SMEs on socioeconomic growth and development, the SME operators affirmed in separate statements that SMEs Enhance poverty alleviation; Improve per capita income; Enhance the quality of lives; Encourage technological innovations; Enhance export promotion; Enhance GDP growth; Encourage entrepreneurship etc.; Accelerate employment generation, Ensure inter- and intra-
regional decentralization; Serve as a countervailing force against the economic power of larger firms; Accelerate the achievement of wider socio-economic objectives; as well as Serve as cornerstone for socioeconomic growth and stability.

Overall, a paltry 2% selected ‘strongly disagree’, 12% selected ‘disagree’, 18% were ‘neutral’, 46% selected ‘agree’ and 22% selected ‘strongly agree’. Thus, SMEs are essential in improving and sustaining the socioeconomic growth and development of the economy. The results confirmed the research of Green, Kirkpatrick and Murinde (2005) who collated the works numerous authors on the effects of SMEs on economic growth and development as pointed out in the literature review.

Results on the responses of the SME operators regarding whether they had business plans as well as the importance of the business plan in general revealed that, except for the fact that most of the SMEs have ever sought for finance from a Bank or from a Micro Finance Institution, most of them responded in the negative to the questions: Do you have a business plan?; Do you feel you need a business plan?; Do you think that a business plan contributes to the success of a business?; Does a business plan document help to gain investor support or win loan from Bank?; Is a business plan suitable for your kind of business?; and Can you prepare the business plan on your own?

In addition, regarding the overall assessment of the impact of business planning on SME survival and success, none of the respondents disagreed strongly to the claim that business planning impacts on the success or survival of SMEs, 6% disagreed, 10% were neutral, 52% agreed and 32% strongly agreed. In sum, 6% disagreed whereas 84% agreed. The statistics confirmed the position of Rogoff (2007) among other researchers that business planning is a critical factor in evaluating the success or survival of Small and Medium Scale Enterprises.

Conclusion

In conclusion, it is evident from the statistics that only few SME operators engage in serious planning prior to the start-up and even during the operation of their ventures.
Unfortunately, many do not see the need to plan and have a business plan document yet they have extensive knowledge on the impact of the business planning document on the survival or otherwise demise of their enterprises.

Notwithstanding, it has been revealed that business planning is a sine qua non in ensuring the going concern of any venture irrespective of the size. Gone were the days when writing up of business planning documents were relegated to the background in discussing SME growth and survival.

In a nutshell, SMEs have tremendous impact on the socioeconomic growth and development of the nation and efforts must be geared towards their development and survival.

**Recommendation**

It is recommended that, the National Board for Small Scale Industries (NBSSI) should be revamped and given enough resources from the state coffers to train entrepreneurs in writing up business plans and putting those plans into action to ensure the sustainability of the SME sector.

In addition, SME operators should be guided by experts from the NBSSI to keep proper books of accounts since past records are essential in planning. Most SMEs have no working business plans because they lack the yardstick to evaluate their outcomes in comparison to their plans whereas some of them have inadequate information on the health status (financial performance and financial position) of their businesses.

Finally, SME operators must be encouraged by the NBSSI to engage the services of experts (skilled human resources) in the running of their ventures and most essentially keep the business entity concept so as to ensure their continuity even after the demise of the proprietors.

**Proposal for Future Research**

The findings of this study, coupled with the constraints discussed have led to the following recommendations for future research:
1. Research needs to be explored into the impact of the financial regulations of the central bank on the prospects of SME’s sources of borrowings.

2. Future works should also focus more on in-depth assessment of the effects of the demise of SME proprietors on the going concern of the respective SMEs in Ghana.
References


