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STRATEGIC PLANNING AND CREATIVITY SKILLS AS PREDICTORS OF SMES PERFORMANCE

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Abstract

The study examined strategic planning and creativity skills as predictors for SMEs performance. Four research questions guided the study. A descriptive research design of survey was used. The population of this study comprised all SMEs in Sagamu and Ijebu-Ode local government areas of Ogun State, Nigeria. A total of 80 SMEs were selected as sample size of the study. Multistage sampling technique was used for selecting sample. After that, purposive sampling technique was adopted in selecting the sample size of the sample. Researcher developed instrument tagged: Strategic Planning, Creativity Skills and SMEs Performance Questionnaire (SPCSSMESPQ) was used for data collection with reliability 0.92. Research questions 1 and 2 were analysis using mean and standard deviation. Research questions 3 and 4 answered using Pearson Product Moment Correlation (PPMC). The findings of the study revealed that capability to develop a business concept, effective decision making, innovative business ideas, novel business products and services, and inspirational skills were among creativity skills needed for SMEs performance. Business review, marketing and sales plans, effective collaboration between people – leadership, training and development, operations – premises, production, it and financials – cash flow, requirements for finance, planned investments were among the level are strategic planning needed for SMEs performance. There was relationship between strategic planning and SMEs performance ($r = 0.495$, $p < .05$). There was positive relationship between creativity skills and SMEs performance ($r = 0.557$, $p < .05$). It was recommended, among others, that government through its agencies should endeavour to organize capacity building workshop for managers from time to time in order to understand the salient roles and impacts of strategic planning and creativity skills on SMEs performance.

Keywords: Strategic planning, creativity skills, SMEs Performance

Introduction

Small and Medium Enterprises (SMEs) have been recognized as one of the tools for economic growth, sustainability, and industrial development of a nation because they constitute a significant part of GDP characterized as the backbone of all economies. The SMEs subsector has become a good source of job creation, aids in the development of local technology, and source of development to indigenous entrepreneurs and has contributed enormously to nation-building (Adejare & Norhilmi, 2022). SMEs are critical to economy sector of any country; they are significant to the economic growth of many societies. Small and medium scale enterprises are sub-sectors of the industrial sector which play crucial role in industrial development. Their great roles in other sectors of the economy towards nation building cannot be underrated. SMEs have contributed employment generation, growth in Gross Domestic Product, wealth creation, poverty reduction, skill acquisition, infrastructural development and empowerment to the people.

The very first objective of SMEs is to survive. It means that the business should earn profit at least equal to its cost of capital. SMEs that are more efficient will realize more profit as a percentage of its expenses than a less-efficient organization, which must spend more to generate the same profit. Profit is the ratio between a business's income and its expenses. Profit is the accounting-metrics that are used to analyze the financial success of a company. Companies can determine this through a number of factors, such as expenses, demand, productivity, and competition. Also, profitability level is a measurement of efficiency. It is a metric that is used to determine the scope of a company's profit in relation to the size of the business and ultimately its success or failure. It can further be used to describe a business's ability to produce a return on an investment based on its resources in comparison with an alternative investment.

Atawodi and Ojeka (2021) see SMEs as a source of employment, competition, economic dynamism, and innovation which stimulate the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution. Olorunshola (2018) defined small-scale enterprises as enterprises whose annual turnover was not more than N500, 000. The Federal Government of Nigeria defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not exceeding N500,000, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of N 5 million. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at N10 million. Section 37b(2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with an annual turnover of not more than N 2 million and net asset value of not more than 1 million naira.

Over the years, small and medium enterprises have been an avenue for job creation and the empowerment of Nigeria's citizens providing about 50% of all jobs in Nigeria and also for local capital formation. Being highly innovative, they lead to the utilization of our natural resources which in turn translates to increasing the country's wealth through higher productivity. Small and medium scale enterprises have undoubtedly improved the standard of living of so many people especially those in the rural areas. However, the mortality rate of these small firms is very high. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Nigeria, 80% of SMEs die before their 5th anniversary. Among the factors responsible for these untimely close-ups are tax-related issues ranging from multiple taxation to enormous tax burdens (Atawodi & Ojeka, 2021). These SMEs cover a spectrum of economic sectors and are found in both developed and developing countries. Globally, SMEs produce around 70% of jobs and account for 35% of GDP in developing countries, while 55% of GDP in developed countries and the growth of SMEs has attracted attention from both researchers and governments in developing countries, because of SMEs' potential to address unemployment, stimulate innovation and contribute to local development to promote economic growth (Anim, Awotwe, Nyarku & Kusi, 2020).

Small and medium enterprises have been generally acknowledged as the bedrock of the industrial development of Nigeria and other countries. The enterprises have a big potential to bring about social and economic development, by contributing significantly in employment generation, income generation and catalyzing development in urban and rural areas. Improving the performance and sustainability of local entrepreneurs and Small and Medium Enterprises (SMEs), which represent the backbone of global economic activity can help achieve this type of growth. However, with respect to the present Nigerian economic environment, market structure imperfections play a major role in the inability of many prospective entrepreneurs finding avenues to utilize their opportunities and skills. Skill imperfection and poor planning call for aggressive but articulate determination of business decision on the part of the prospective entrepreneur. Olagunju (2024) explained planning as a set of managerial activities designed to prepare the organization for the future and ensure that decisions regarding the use of people and resources to achieve organizational objectives are taken. Planning is particularly critical in small firms because of its extensive resources. A plan establishes the basic objective of the firm, determines how these objectives can be attained, puts into consideration various aspects of the environment and determines the amount of resources necessary for successful implementation (Olagunju, 2024).

Studies have reported several factors that could cause the collapse of SMEs in Nigeria and the likely missing that gap prompted the recurrent of the ugly circumstances (Ibrahim, 2019 and Olubisi & Olalekan, 2017). For instance, Ibrahim (2019) stated that failure of SME managers in adopting strategic planning in operation of the businesses could be among the responsible factors causing the failure. Olubisi and Olalekan (2017) reiterated that enterprises that adopt strategic planning in managing business affairs might enhance long term performance. Strategic planning is the process of SMEs adopted towards effective decisions making in distributing its scare resources for goals achievement. It also relates to the methods set in action for implementation of enterprise goals. According to Barbosa and Romero (2016), strategic planning of an enterprise refers to the strategy put in place to achieve long term goals coupled with effective decisions on provision of the needed human

and materials resources for the attainment of identified organizational objectives. The ability of the SMEs to possess futuristic thinking, effective control of resources, appropriate and integrated decisions at the right time coupled with the standard procedures could be termed as strategic planning. The implications of this definition are that SMEs that adopted strategic planning during the implementations of decisions could lead to improved productive activities and attainment of long-term performance. Strategic planning must focus on goals achievement in short and long term and how to evaluate them by the managers of the enterprises; that is, it comprised the capacity of the manager to formulate enterprise decisions into objectives, workout the needed material resources that can better enhance the stated objectives (Clement, Ajibade & Awe, 2024).

Apart of strategic planning, creativity skills are also playing prominent role in SMEs performance (Dahlan & Rahmawati, 2023). Creativity generates new ideas, concepts, or solutions that add value to customers or solve existing problems. Creativity is an essential ingredient for the growth and success of entrepreneurship. Creativity has played a significant role in developing micro, small, and medium enterprises (SMEs). Creativity has helped SMEs to create new products and services that meet customers' changing needs. Creative SMEs tend to be more innovative, adaptive, and agile, which helps them remain competitive in the market. Creativity can lead to developing new ideas, products, and services that meet changing customer needs and demands, increasing sales and profits. According to Dahlan and Rahmawati (2023), creativity can also lead to increased employee motivation, which positively impacts SME performance. In addition, creative SMEs tend to have higher customer loyalty, which can result in increased repeat business and higher customer satisfaction

Statement of the Problem

The contribution of SMEs to the economic prosperity have been identified in developed and developing countries. For instance, in Nigeria and other African countries, SMEs have contributed larger proportions to their economic development in terms of employment creation. Despite their significant role and benefits in economic growth and development in Nigeria, their rate of poor performance that might lead to collapse have been a major source of concern to the government, stakeholders in the economy, business men/women and the general public. One may begin to wonder the causes of poor performance of SMEs in Nigeria and the strategic approach that can be adopted towards salvage the current precarious situation. However, observations and public opinions in Nigeria have suggested that most of the SMEs in the country only implement their strategic planning on paper and poor maintenance of cost effectiveness. It is against this backdrop that this study seeks to examine strategic planning and creativity skills as predictors for SMEs performance.

Research Questions

The following research questions guided this study:

1. What are the creativity skills needed for SMEs performance?
2. To what level are strategic planning needed for SMEs performance?
3. Is there any relationship between strategic planning and SMEs performance?
4. Could there be any relationship between creativity skills and SMEs performance

Methodology

The study used a descriptive research design of survey was used. The population of this study comprised all SMEs in Sagamu and Ijebu-Ode local government areas of Ogun State, Nigeria. A total of 80 SMEs were selected as sample size of the study. Multistage sampling technique will be used for selecting sample size. After that, purposive sampling technique was adopted in selecting the sample size of the sample. Researcher developed instrument tagged: Strategic Planning, Creativity Skills and SMEs Performance Questionnaire (SPCSSMESPQ). The questionnaire (SPCSSMESPQ) requested responses on a four (4) – point scale format which was a modification of 5-point Likert scale. The questionnaire was divided into 2 sections vis-a-vis sections A and B. Section A focused on demographic characteristics of the respondents while sections B examined items regarding creativity

skills, level of strategic planning needed and SMEs performance. Face and content validity of the instrument were done by the experts on the instrument. Reliability of the instrument was done using the Cronbach alpha. In this case, copies of the instrument were administered on 10 SMEs in Abeokuta South local government. The data that were collected subjected to Cronbach alpha formula and a reliability coefficient 0.92 was reported. Research questions 1 and 2 were analysis using mean and standard deviation. Research questions 3 and 4 answered using Pearson Product Moment Correlation (PPMC). Decisions were taken at 0.05 level of significance.

Results

Research Question 1: What are the creativity skills needed for SMEs performance?

Table 1: Descriptive statistics on the creativity skills needed for SMEs performance

Items	Mean	SD
Capability to develop a business concept	3.01	.782
Effective decision making	2.99	.903
Innovative business ideas	2.94	.972
Novel business products and services	2.84	.946
Inspirational skills	2.79	.999
Cluster Mean	2.91	

Source: Field Survey, 2025

Table 1 indicated that cluster mean was 2.91 which greater than the bench mark mean value 2.50. The implications of this result were that capability to develop a business concept, effective decision making, innovative business ideas, novel business products and services, and inspirational skills were among creativity skills needed for SMEs performance.

Research Question 2: To what level are strategic planning needed for SMEs performance?

Table 2: Descriptive statistics on the level of strategic planning needed for SMEs performance

Items	Mean	SD
Frequent business review	3.30	.722
Marketing and sales plans	3.11	.703
Effective collaboration between people – leadership, training and development	3.07	.699
Operations – premises, production, IT	3.17	.773
Financials – cash flow, requirements for finance, planned investments.	2.99	.901
Cluster Mean	3.13	

Source: Field Survey, 2025

Table 2 revealed that cluster mean was 3.13 which greater than the bench mark mean value 2.50. This implied that frequent business review, marketing and sales plans, effective collaboration between people – leadership, training and development, operations – premises, production, it and financials – cash flow, requirements for finance, planned investments were among the level are strategic planning needed for SMEs performance.

Research Question 3: Is there any relationship between strategic planning and SMEs performance?

Table 3: Relationship between strategic planning and SMEs performance

Variables	Mean	SD	df	r-value	p-value
SMEs performance	112.62	29.05			
Strategic planning	67.53	13.45	78	.495	.002

Source: Field Survey, 2025

Table 3, showed that there was significant relationship between the independent variable and the dependent variable in the order of ($r = 0.495$, $p < .05$). On this premise, the researcher concluded that there was relationship between strategic planning and SMEs performance.

Research Question 4: Could there be any relationship between creativity skills and SMEs performance.

Table 4: Relationship between creativity skills and SMEs performance

Variables	Mean	SD	df	r-value	p-value
SMEs performance	112.62	29.05			
Creativity skills	55.94	10.84	78	.557	.002

Source: Field Survey, 2025

Table 4.4, showed that there was significant relationship between the independent variable and the dependent variable in the order of ($r = 0.557$, $p < .05$). On this premise, the researcher concluded that there was positive relationship between creativity skills and SMEs performance.

Discussion

The findings of the study revealed that capability to develop a business concept, effective decision making, innovative business ideas, novel business products and services, and inspirational skills were among creativity skills needed for SMEs performance. Frequent business review, marketing and sales plans, effective collaboration between people – leadership, training and development, operations – premises, production, it and financials – cash flow, requirements for finance, planned investments were among the level are strategic planning needed for SMEs performance. There was relationship between strategic planning and SMEs performance as well as there was positive relationship between creativity skills and SMEs performance. The findings also showed that there was significant joint and relative contribution of the strategic planning and creativity skills on SMEs performance. The above findings corroborate with Clement, Ajibade, and Awe (2024) revealed that SMEs performance in terms of sales growth, market share growth, employment creation, profit margin and net profitability on green level, drastic reduction in debt accumulation and expansion of plant in Ogun State, maintained average level of performance within the year under study. SMEs performance increases with adoption of strategic planning. SMEs performance increases with consistent cost effectiveness. There was significant joint contribution of independent variables (strategic planning and cost effectiveness) on dependent variable (SMEs performance). About 20% of the variance in SMEs performance was determined by the linear combination of strategic planning and cost effectiveness. The regression analysis further showed that there was significant influence of the independent variables on dependent variables. Egbuna and Agali (2013) showed that most entrepreneurs find out the demand of the market more than setting goals and objectives. Also results showed that economic instability and access to source of finance are major challenges facing SME's; and proper planning can increase the productivity and profitability of small and medium scale Enterprises in Nigeria. The study concluded that effective planning has a significant effect on the performance of small and medium enterprises in Nigeria.

The study findings were also in agreement with Chukwuka and Imide (2022) investigated the connection between success in the SME sector and the adoption of strategic findings of the study include the fact that market share growth in Delta state was significantly and favorably impacted by the implementation of strategic plans. In Delta State, there was a substantial and favorable correlation between the development of the strategic plan and the profitability of small and medium-sized enterprises. Abodunde (2020) results reveal that the majority of SMEs operators do not aware of the strategic planning process in their respective business organizations and their enterprises did not prepare enough for the formulation and implementation of the strategic plan. Furthermore, results also reveal that organizational complexities, scarce firm resources, new technology and environment dynamics in business operations influenced their adoption to strategic planning, while the presence of an effective strategic plan could facilitate good performance of SMEs via better decisions, customer satisfaction, increased capacity, and identification of problems, chance of success, better solutions, competitive advantage, and market recognition. Adamu, Ahmad and Hauwa (2024) SMES significantly contribute to the growth and expansion of the worldwide economies, most importantly the developing nations. SME performance will be the dependent variable, while the innovation will serve as the independent variable of the study. Oyebanji, Oduguwa, Soares and Ogunyemii (2022)

findings revealed that all the entrepreneurs were agreed upon creative skills help in establishing small and medium scale enterprises. The results also found out that a possible change in the employment generation of the small and medium scale enterprises (SMEs) can be explained by the creative skills. Thus, creative skills influence the employment generation of small and medium scale enterprises. Given the critical role small and medium scale enterprises play in employment generation.

Conclusion

The study examined strategic planning and creativity skills as predictors for SMEs performance, the following conclusions were drawn based on the findings there was a positive relationship between strategic planning and SMEs performance and there was positive relationship between creativity skills and SMEs performance.

Recommendations

Based on the findings of the study, the following recommendations are provided:

1. It was recommended, among others, that government through its agencies should endeavour to organize capacity building workshop for managers from time to time in order to understand the salient roles and impacts of strategic planning on SMEs performance.
2. It is also recommended that specialised government sponsored institutions should be set up to help small firms by providing planning packages to entrepreneurs tailored to customised needs.

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