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## AN INVESTIGATION INTO THE EFFECTS OF STRATEGIC PLANNING ON BUSINESS GROWTH OF SELECTED SMES IN MAKENI, LUSAKA

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**\*Orient Hamooya**

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Student, MBA in Strategy Management, IDE, University of Zambia.

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**\*Corresponding Author: Orient Hamooya**

Student, MBA in Strategy Management, IDE, University of Zambia.

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### ABSTRACT

Small and medium-sized enterprises (SMEs) contribute meaningfully to local employment and income generation, yet many operate with limited planning capability and face weak performance in competitive urban markets. This study examined the prevalence of strategic planning and its effects on business growth among selected SMEs in Makeni, Lusaka. A quantitative, cross-sectional survey design was adopted, using structured questionnaires administered to 100 SME owners and managers. Data were analysed in SPSS using descriptive statistics, paired-sample t-tests and repeated measures ANOVA at a 1% significance level. Only 17% of SMEs reported formal strategic planning, 49% relied on informal planning, and 34% reported no planning. Paired comparisons indicated statistically significant improvements after adopting strategic planning: mean sales growth rose from 5.47% to 7.84%, customer retention increased from 71.34% to 79.41%, and profit margin improved from 9.81% to 13.17% (all  $p < .001$ ). Repeated measures ANOVA further confirmed significant effects of time, performance metric and their interaction ( $p < .001$ ). The findings imply that even basic strategic planning practices can yield measurable performance gains for SMEs, suggesting the value of targeted capacity-building and simple monitoring tools that help owners translate plans into execution.

**KEYWORDS:** strategic planning; SMEs; business growth; sales growth; customer retention; profitability.

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## **1. INTRODUCTION**

Small and medium-sized enterprises (SMEs) are widely recognised as critical engines of employment creation, innovation and household income generation in developing economies (Abor & Quartey, 2010; Agyapong, 2010). In Zambia's urban and peri-urban markets, SMEs also serve as a key pathway for youth and household livelihoods, often operating under tight capital constraints and intense competition.

Despite their importance, many SMEs struggle to sustain growth. Common constraints include limited access to finance, weak managerial capability, inconsistent market information and the absence of structured planning practices (Chikozho et al., 2020; Gibbons & O'Connor, 2019). Strategic planning, defined as the systematic process of setting long-term goals, analysing the environment, choosing strategic actions and allocating resources to achieve desired outcomes, is frequently presented as a practical tool for addressing these constraints (Bryson, 2018; David, 2017).

In the SME context, strategic planning can be simplified and adapted, but the evidence base remains uneven, especially in sub-Saharan Africa where many studies are descriptive and offer limited quantitative assessment of performance change (Dansoh, 2005; Kiggundu, 2020). Within Zambia, empirical work has often focused on broader SME challenges or specific functional strategies (for example, marketing), leaving a gap in locally grounded evidence on whether planning practices are associated with measurable business performance improvements in local trading areas such as Makeni, Lusaka (Chirwa & Daka, 2018; Manda & Nkhata, 2020).

This study addresses that gap by estimating the prevalence of strategic planning and testing whether performance metrics differ before and after strategic planning adoption among selected SMEs in Makeni.

The study pursued four objectives: (i) to determine the prevalence of formal strategic business planning among SMEs in Makeni, (ii) to assess the effect of strategic planning on sales growth, (iii) to examine the relationship between strategic planning and customer retention, and (iv) to evaluate the effect of strategic planning on profitability.

The remainder of this paper is organised as follows. Section 2 reviews the literature and identifies key gaps. Section 3 presents the conceptual and theoretical framework. Section 4 outlines the methodology. Section 5 presents the findings. Section 6 discusses the implications in relation to theory and prior studies. Section 7 concludes with contributions, recommendations, limitations and areas for future research.

## **2. Literature Review**

Strategic planning has long been treated as a core component of strategic management, with classical perspectives emphasising deliberate planning, goal clarity and alignment of resources to competitive environments (Lamb, 1984; David, 2017). In contrast, emergent strategy perspectives caution that strategy often forms through learning and adaptation, especially in turbulent contexts where planning assumptions may quickly become outdated (Mintzberg et al., 2015). For SMEs, the practical question is not whether planning is perfect, but whether a fit-for-purpose approach can improve decision quality and resource allocation.

From a performance perspective, SMEs typically pursue outcomes such as revenue growth, customer acquisition and retention, and profitability. Marketing and customer management are particularly salient in small firms because customer concentration risk is often high and switching costs are low in informal markets (Baker & Baker, 2019; Kotler & Keller, 2016). Evidence from business practice further indicates that customer retention can be a high-leverage driver of profitability, particularly when firms learn to deliver consistent value and manage service quality (Harvard Business Review, 2019).

Empirical research suggests that planning is associated with improved performance in many contexts, but the strength of the relationship varies with firm size, planning sophistication and environmental dynamism. Studies in emerging markets indicate that SMEs that engage in structured planning tend to report improved growth, although causal inference is often weak due to cross-sectional designs and self-reported measures (Gibbons & O'Connor, 2019; Huang, 2006).

In sub-Saharan Africa, the evidence is mixed but points towards planning as a capability that helps SMEs coordinate activities, respond to competition and exploit market opportunities (Dansoh, 2005; Kiggundu, 2020). Zambian evidence, although limited, similarly suggests that strategic planning can positively influence sales growth and overall competitiveness, but localised evidence on multiple growth indicators and before-and-after comparisons remains scarce (Chirwa & Daka, 2018; Manda & Nkhata, 2020).

Two limitations recur in the existing literature. First, many studies focus on whether SMEs plan, rather than how planning translates into execution and measurement. Second, the majority examine a single outcome indicator rather than a balanced set of performance metrics. These limitations motivate a multi-metric assessment of performance change associated with strategic planning adoption, guided by relevant strategy and performance theories.

### 3. Conceptual and Theoretical Framework

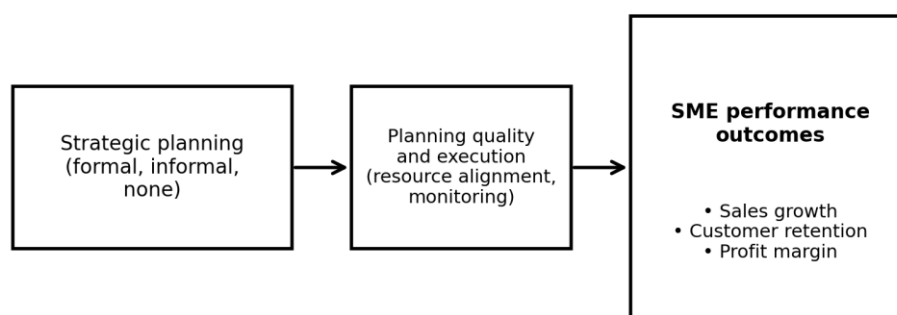
This study is underpinned by three complementary perspectives that explain why planning may matter for SME growth: Ansoff's Strategic Success Paradigm, the Dynamic Capabilities Framework and the Balanced Scorecard.

Ansoff's Strategic Success Paradigm argues that superior performance depends on the alignment between an organisation's strategic aggressiveness and its internal capabilities. Firms that plan proactively are better positioned to allocate resources and respond to competition, particularly under environmental turbulence (Ansoff, 2011).

The Dynamic Capabilities Framework emphasises a firm's ability to sense changes, seize opportunities and transform resources and processes as markets evolve. In this view, strategic planning functions as an organisational capability that supports learning and rapid reconfiguration (Teece, 2011).

Finally, the Balanced Scorecard provides an approach for translating strategy into measurable objectives across financial and non-financial dimensions, supporting the use of multiple indicators when assessing performance (Kaplan & Norton, 2016).

Figure 1 summarises the conceptual model used in this study, linking strategic planning adoption to SME performance outcomes.



Theoretical anchors: Ansoff's Strategic Success Paradigm; Dynamic Capabilities; Balanced Scorecard

*Figure 1. Conceptual model linking strategic planning to SME performance outcomes.*

### 4. METHODOLOGY

4.1 Research design. The study adopted a quantitative, descriptive survey design. A cross-sectional approach was used to collect numerical data from SME owners and managers using a structured questionnaire (Bryman, 2016; Creswell, 2014).

4.2 Study setting and participants. The study focused on SMEs operating in Makeni, Lusaka. The unit of analysis was the SME. A total of 100 SMEs participated, with representation across agribusiness, retail, services and other business types.

4.3 Data collection instrument. The questionnaire captured (i) the prevalence and type of strategic planning (formal, informal or none), and (ii) business performance indicators including sales revenue growth rate, customer retention rate and profit margin. Performance indicators were measured as self-reported before-and-after estimates corresponding to the period prior to and following strategic planning adoption.

4.4 Data analysis. Data were coded and analysed in SPSS. Descriptive statistics (frequencies and percentages) summarised prevalence. Paired-sample t-tests tested mean differences in sales growth, customer retention and profit margin between the pre- and post-planning periods. A repeated measures ANOVA examined whether changes were consistent across performance metrics over time. Statistical significance was evaluated at the 1% level to reduce the likelihood of false-positive findings.

4.5 Ethical considerations. Participation was voluntary and based on informed consent. Data were anonymised to protect both individual respondents and business-level sensitive information. Respondents were free to skip questions they considered uncomfortable, and data were stored securely with restricted access.

## **5. FINDINGS AND RESULTS**

5.1 Sample profile. Table 1 summarises the demographic characteristics of the participating SMEs (N = 100).

*Table 1. Demographic characteristics of respondents (Source: Fieldwork, 2024).*

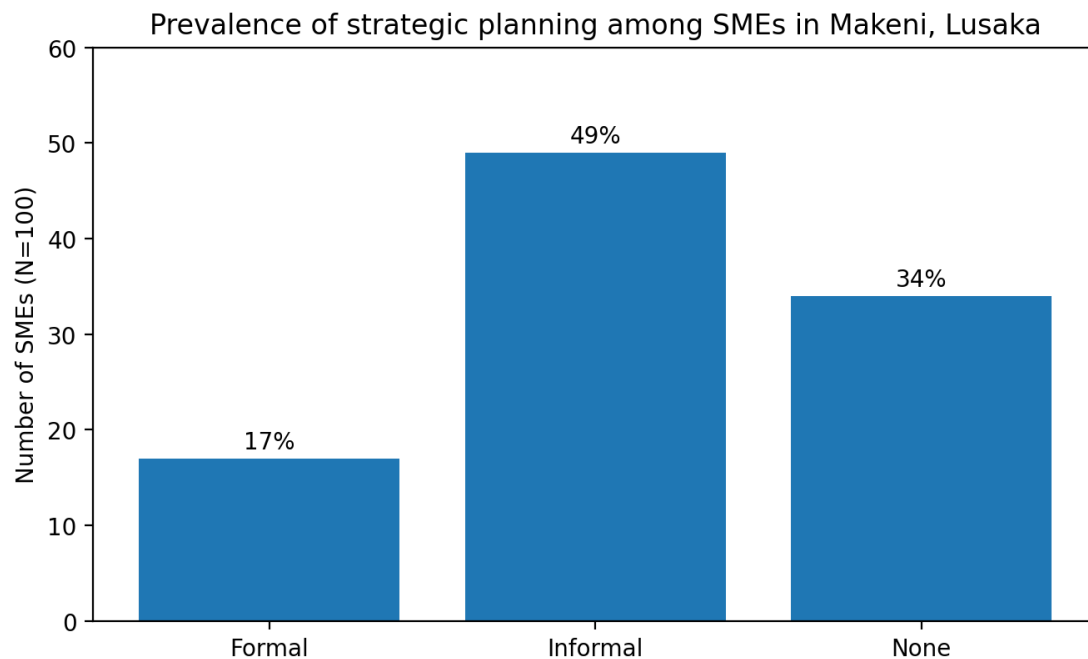
<b>Variable</b>	<b>Category</b>	<b>Frequency (N)</b>	<b>Percentage (%)</b>
Type of business	Agribusiness	17	17
	Retail	37	37
	Services	29	29
	Other	17	17
Business size	Micro (1-10 employees)	23	23
	Small (11-50 employees)	49	49
	Medium (51-250 employees)	28	28

Years of operation	Start-up (0-2 years)	19	19
	Established (3-5 years)	27	27
	Mature (5+ years)	54	54
Ownership type	Individual	35	35
	Partnership	25	25
	Family-owned	21	21
	Corporate-owned	19	19

5.2 Prevalence of strategic planning. As shown in Table 2 and Figure 2, only 17% of SMEs reported using formal strategic planning, while almost half relied on informal planning and over a third reported no strategic planning practice.

**Table 2. Prevalence of strategic planning among SMEs (N = 100).**

Planning approach	Frequency (N)	Percentage (%)
Formal strategic planning	17	17
Informal planning	49	49
No strategic planning	34	34

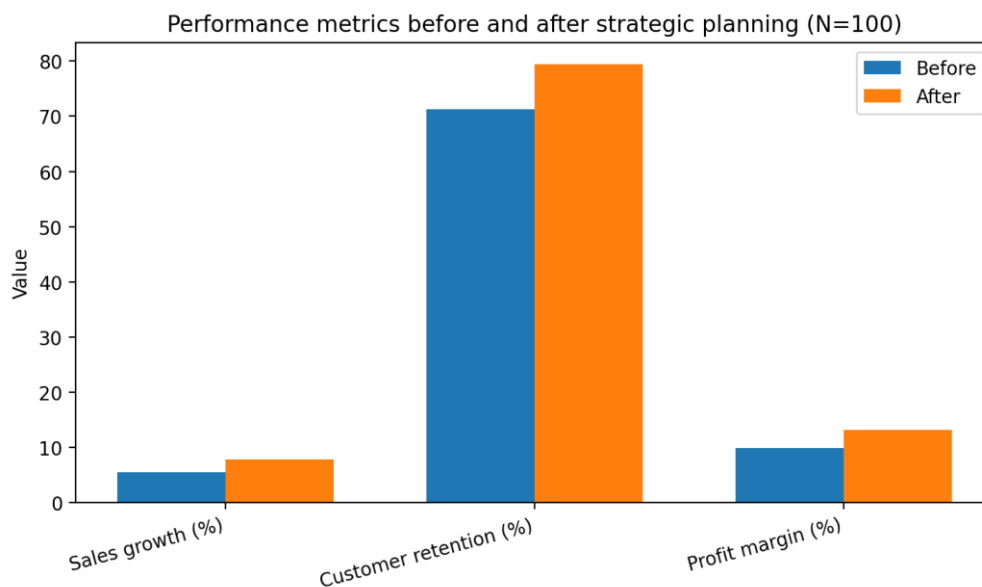


**Figure 2. Distribution of strategic planning practices among SMEs (N = 100).**

5.3 Performance changes associated with strategic planning. Paired-sample t-tests were used to compare performance indicators before and after strategic planning adoption. Table 3 summarises the results for sales growth, customer retention and profit margin.

**Table 3. Paired-sample t-test summary (N = 100).**

Performance indicator	Mean (Before)	Mean (After)	Mean difference	t-value	p-value
Sales revenue growth rate (%)	5.47	7.84	-2.37	-11.167	< .001
Customer retention rate (%)	71.34	79.41	-8.07	-9.832	< .001
Profit margin (%)	9.81	13.17	-3.36	-11.155	< .001



**Figure 3. Performance indicators before and after strategic planning adoption (N = 100).**

5.4 Repeated measures ANOVA. To test whether the improvement patterns were statistically significant across performance indicators over time, a repeated measures ANOVA was conducted. Table 4 reports the main effects and interaction effects.

**Table 4. Repeated measures ANOVA results (N = 100).**

Effect	F-value	Significance (p)
Metric	1081.254	< .001

Time (before vs after)	756.113	< .001
Metric $\times$ Time	539.881	< .001

## 6. DISCUSSION

The study provides evidence that strategic planning is not widely institutionalised among SMEs in Makeni. Only 17% of sampled SMEs reported formal strategic planning, while informal planning dominated. This pattern is consistent with the view that SMEs in emerging markets often face capability and resource constraints that make formal planning difficult to sustain (Gibbons & O'Connor, 2019; Kiggundu, 2020).

Despite low prevalence of formal planning, the inferential results suggest that planning adoption is associated with statistically significant improvements in key performance indicators. Sales growth, customer retention and profit margin all improved after strategic planning adoption, with strong statistical evidence ( $p < .001$ ). This aligns with the argument that planning improves resource allocation and strategic clarity, thereby strengthening responsiveness and competitiveness (Ansoff, 2011; Bryson, 2018).

The improvements in customer retention are particularly meaningful for SMEs operating in competitive trading environments. Retention effects can be interpreted through a marketing strategy lens, where clearer positioning, consistent service delivery and targeted customer management help stabilise demand and reduce volatility (Baker & Baker, 2019; Kotler & Keller, 2016). In addition, the Balanced Scorecard perspective supports assessing performance beyond purely financial outcomes, as improvements in customer outcomes can precede and reinforce profitability improvements (Kaplan & Norton, 2016).

The repeated measures ANOVA results indicate that performance improvements were not uniform across indicators, reflected in the significant metric-by-time interaction. This suggests that different performance dimensions may respond differently to planning, potentially due to varied implementation effort and time lags. The dynamic capabilities view provides a plausible explanation: SMEs benefit most when planning is translated into routines for sensing market shifts, adjusting offerings and transforming internal processes (Teece, 2011).

Practically, the findings imply that SME support programmes should emphasise executable planning routines rather than complex documents. Low-cost tools such as simple goal-setting templates, quarterly reviews, basic budgeting, and customer tracking can institutionalise planning and provide feedback for learning. Policymakers and business associations can



support this through targeted training, mentoring and simplified planning toolkits tailored to informal market realities.

## **7. CONCLUSION**

This study examined the prevalence of strategic planning and its association with SME growth among selected SMEs in Makeni, Lusaka. The evidence indicates low adoption of formal strategic planning, yet statistically significant improvements in sales growth, customer retention and profit margin after planning adoption.

Contribution to knowledge. By combining prevalence estimates with before-and-after statistical tests across multiple growth indicators, the study provides locally grounded evidence that strategic planning can yield measurable benefits for SMEs in an urban trading area.

Practical recommendations. SME owners and managers should institutionalise simple planning routines that translate goals into budgets, customer actions and monitoring indicators. SME support organisations should provide practical training and templates that prioritise execution and regular review. Local chambers and development agencies can support SMEs with basic monitoring and evaluation tools aligned to business growth indicators.

Limitations. The study relied on a cross-sectional survey and self-reported performance estimates, which may be affected by recall and social desirability bias. The sample was geographically limited to Makeni, Lusaka, which constrains generalisability to other settings.

Future research. Longitudinal designs, larger samples and mixed-method approaches could strengthen causal inference, explore how planning quality shapes outcomes, and examine sectoral and rural-urban differences in planning effectiveness.

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