STRATEGIC PLANNING AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

A CASE STUDY OF:

CENTENARY BANK (JINJA BRANCH)

By

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DEDICATION

I dedicate this work to the entire family of Mr. & Mrs. Lubega Samuel of Kanyanya for supporting me in my studies in different ways both financially and spiritually. It's entirely because of my family that I have made it to this level. May the almighty bless my lovely parents, brothers and sisters for loving me dearly and supporting me to their best. I too dedicate this piece of work to my supervisor Moses Kibrai without whose continuous support I would not have produced this dissertation, may God bless you abundantly.

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To my dear classmates of Business Administration and Management 2011/2014, thank you so much for being there for me to ensure that we struggle and finish together, may the almighty Lord bless you and reward abundantly.

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LISTS OF ABBREVIATIONS/ACRONYMS

KCCA	KAMPALA CAPITAL CITY AUTHORITY
E-PAYMENT	ELECTRICAL PAYMENT
MTN	MOBILE TELECOMMUNICATION NETWORK
NSSF	NATIONAL SOCIAL SECURITY FUND
SME	SMALL AND MEDIUM ENTERPRISE
HRM	HUMAN RESOURCE MANAGEMENT
E.T.C	ANY OTHER
P	PAGE
ET AL	OTHER AUTHORS
PEST	POLITICAL, ECONOMICAL, SOCIAL AND TECHNICAL
SWOT	STRENGTH, WEAKNESS, OPPORTUNITY AND THREAT
UBOS	UGANDA BUREAU OF STATISTICS
SPSS	STATISTICAL PACKAGE FOR SOCIAL SCIENCES
ATM	AUTOMATED TELLER MACHINE
E-UMEME	ELECTRICAL-UGANDA
IT	INFORMATION TECHNOLOGY

ABSTRACT

The study was conducted to establish the role of Strategic planning on the performance of small and medium enterprises in reference to Centenary bank Jinja branch as the case study. The research objectives were; to examine the relationship between the current business situation and financial performance of Centenary Bank Limited, to investigate the role of vision and mission on the financial performance of Centenary Bank Limited and finally to find out the effect of business strategies on the financial performance of Centenary Bank Limited. The study was a case study using both qualitative and quantitative study approaches. The researcher used a sample size of 40 staff. The questionnaire method was used to collect data from the field. The data was analysed with the help of Statistical Package for Social Sciences (SPSS).

The findings made indicated that the respondents agreed that the organization is performing well as per its current status. The respondents agreed that the vision and mission statements play a positive role on the financial performance of the organization. It was also found out that the respondents agreed that business strategies have a positive impact on the financial performance of the bank.

In conclusion, it was established that there is a relationship between current business situation and financial performance. The study also found that the vision and mission statements play an important and positive role on the financial performance of an organization. It was also established that the business strategies have an important and positive effect on the financial performance of an organization. Therefore in general, Strategic planning was seen to play a very important and positive role towards the financial performance of SMEs

The researcher made recommendations that were based on the challenges faced in strategic planning and these were;

The bank should offer superior customer services, introduce new products for example Sente mobile and western union money transfer. The bank should also partner with other organizations to sponsor and provide affordable services to their customers for example KCCA and Danida, MTN and Airtel. The bank should embrace high technology in form of better and increased teller machines, E-banking products for example Automated Teller machines, E-payment services for utilities like water, electricity and NSSF. The management should also embark on staff motivation in form of rewards in order to increase staff morale so as to ensure increased productivity and sales.

There should be increased accessibility of the bank by opening up new branches, targeting the commercial segments and creating more accounts which suit the rural community for example agricultural loans, group saving accounts and other soft loans.

The management should also engage its employees in training services so as to improve on their skills in order to achieve increased turn over, asset base and profits. Ethical code of conduct should also be highly emphasized so as to ensure discipline among the employees of the organization.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

Strategic planning and financial Performance of Small and medium enterprises was the core of this study. The study sought to examine the role of strategic planning on the financial performance of small and medium enterprises. In this chapter, the researcher addressed a number of issues, which included introduction, background and problem statement, purpose of the study, research objectives, research questions, scope and justification of the study and definition of key terms and concepts.

1.1 Background to the study.

A lot has been said and written about the performance of SMEs in Uganda and the rest of the world. A lot of literature addresses some of the elements affecting the performance of SMEs in Uganda while the other gives the position of SMEs in general.

Sandberb et al 2002 defined the performance of small businesses as their capability to lead to the creation of employment and wealth by business start-ups, achieve business survival and sustainability as well.

According to Talaiaand (2011), effective entrepreneurship was identified as the determinant of performance of SMEs. The entrepreneurial team qualities such as high level of education and size of entrepreneurial team have a positive relationship in the determination of performance of SMEs. There is a negative relationship between ineffective entrepreneurship and performance of SMEs in the manufacturing industry in Malaysia.

Appropriate Human Resource Management was also identified to affect performance of SMEs. Islam and Siengthai (2010) found that most of the core processes of HRM, namely, recruitment and selection, performance appraisal, training and development, as well as compensations have a momentous and positive impact on firm performance. They also noted that there is a negative relationship between inappropriate HRM and performance of SMEs in the manufacturing industry.

Cacciolatti et al. (2011) had the view that the use of Marketing Information is another factor that shows the performance of SMEs. A research that was conducted indicated that SMEs that make good use of structured marketing information presented a higher probability of growth compared to those who do not. In support of Cacciolatti, the research of Mahmoud (2011) concluded that the higher the level of market orientation, the greater the level of performance in Ghanaian SMEs.

However, Krishnaswamy et al (2010) believed that the competitiveness of SMEs will be increased through adopting Information and Communication Technology. They argued that those SMEs that have technological innovation have a higher growth compared to the SMEs which are not creative in the sales turnover, investment and job. There is a positive relationship between application of information technology (IT) and performance of SMEs businesses.

The above authors seem to have discussed the factors that determine the performance of SMEs. However, these may not have been directly generalized to the SMEs in Uganda as the structure of industry, culture and norms in Uganda may be different from that in the foreign countries. Also, these studies neglected the role of strategic planning on performance of SMEs. Thus, similar studies were carried out by the researcher to enable her draw a fair and true conclusion about the performance of SMEs in Uganda.

In addition, the support provided to Ugandan entrepreneurs through Enterprise Uganda, Ministry of Tourism, Trade and Industry, in collaboration with the Private Sector Foundation Uganda, has put in place several initiatives to facilitate SME performance and promote their expansion. This encouraged the researcher to further investigate the performance of SMEs through establishing the role of strategic planning on their performance in terms of profits, sales and productivity in order to also contribute to the recommendations that should be adopted by these businesses.

1.2 Problem statement.

Despite the efforts of the Uganda Investment Authority to provide SMEs with affordable access to localized and customized business management information, business development services, and training in order to improve their performance in Uganda, most of these businesses especially the start- ups do not live to see their first birthday. According to the Global Entrepreneurship Monitor Report (2004), for almost every 35% of the SMEs businesses that close, about 37% start new businesses again. The director of the SME division under Uganda Investment Authority Mr Ouma, also cites the challenges that are currently affecting the SMEs and these include lack of entrepreneurial skills, access to machinery, access to finance, access to markets, lack of business records, access to business development services , low quality of products and services, deficient corporate governance, short term business outlook and a culture that disrespects business contracts. As a results of these findings, the report ranked Uganda as the second highest in terms of business start-ups and ranked Uganda as the country with the highest business failure rate in the world Indicators of this failure include very low productivity, sales, profits and even bankruptcy. The researcher suspected that this failure rate could be as a result of poor strategic planning performed by these businesses. It is therefore from this perspective that the researcher carried out the research in order to address this gap.

1.3 Objectives of the study.

1.3.1 Overall objective.

To find out the role of strategic planning on the performance of small and medium enterprises.

1.3.2 The specific objectives of this study were;

i. To examine the relationship between the current business situation and financial performance of Centenary Bank Limited

ii. To investigate the role of vision and mission on the financial performance of Centenary Bank Limited

iii. To find out the effect of business strategies on the financial performance of Centenary Bank Limited

1.4 Research questions.

i. What is the relationship between current business situation and financial performance of Centenary Bank Limited?

ii. What is the role of vision and mission on the financial performance of Centenary Bank Limited?

iii. What is the effect of business strategies on the financial performance of Centenary Bank Limited?

1.5 Scope of the study.

The study examined the role of strategic planning on performance of small and medium enterprises and the case study was Centenary bank Jinja branch.

1.5.1 Time scope.

The research was a single period study where data was collected, analysed and presented once.

1.5.2 Geographical scope.

The researcher investigated a medium scale company that is Centenary Bank Limited, Jinja Branch.

1.5.3 Content scope.

The independent variables are; current business situation, vision and mission, and business strategies.

The dependent variables are turn over, profits, and asset base.

However, the intervening variables will not be used in the researcher's study.

1.6 Purpose of the study.

The purpose of the study was to establish the role of strategic planning on the financial performance of small and medium enterprises.

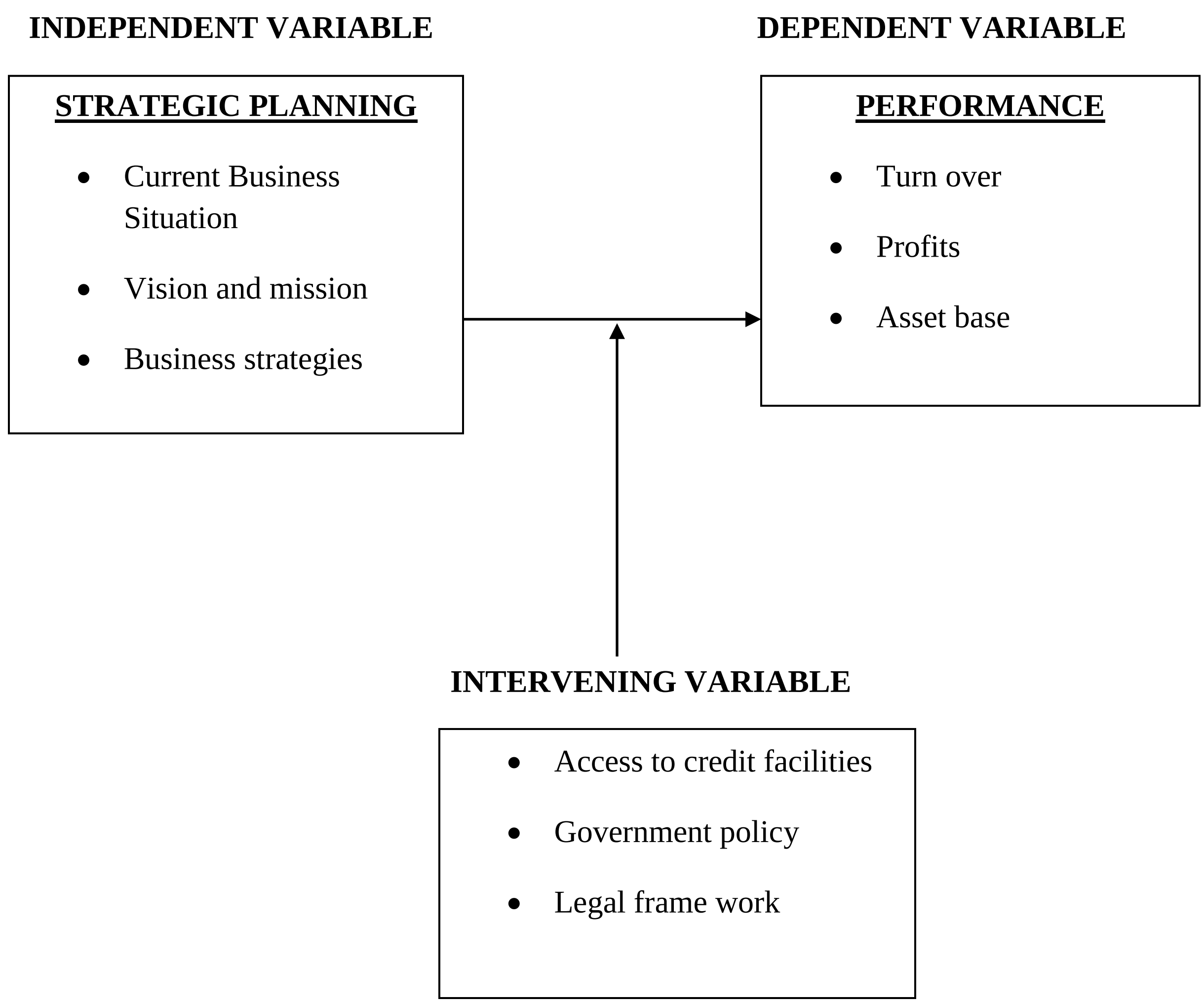
1.7 Justification of the study.

This study was carried out as a fulfilment of the requirement needed to graduate as per standards of attaining an undergraduate degree at Uganda Martyrs University.

This study was carried out in order to improve the performance of small and medium enterprises and to recommend methods that would help them to expand and sustain themselves in the ever changing economy through effective strategic planning.

The study sought to help not only the businesses under study but also other new investors to attain knowledge on the solutions suggested by the researcher for the attainment of efficient and effective management of the small and medium enterprises through strategic planning.

1.8 Figure 1 CONCEPTUAL FRAMEWORK.



Source; Meers, Robertson (2007), Young (2003)

Explanation: The performance of SMEs is determined by strategic planning. The intervening variables are those other factors that affect both strategic planning and performance of SMEs but the management has no control over them. Strategic planning variables are those factors that affect the financial performance of SMEs. In this case, current business situation, vision and mission statements and business strategies affect the rate of turnover, profits and asset base.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Over time strategic planning as concept has been embraced worldwide and across sectors because of its perceived contribution to organizational effectiveness. Today, many organizations both private and public have seriously taken the practice of strategic planning as that tool that can be utilized to fast track their performances. Strategic planning is arguably an important ingredient in the conduct of strategic management. Steiner (1979) observes that, the framework for formulating and implementing strategies is the formal strategic planning system. Porter (1985) also notes that despite the criticism leveled against strategic planning during the 1970s and 80s, it was still useful and it only needed to be improved and re-casted. Greenley (1986) noted that strategic planning has potential advantages and intrinsic values that eventually translate into improved firm performance. Greenley (1986) therefore argues that it is a vehicle that facilitates improved firm performance in an organization.

Although the studies within the African context by Woodburn (1984), Adegbite (1986) and Fubara (1986) noted that firms that practiced strategic planning recorded better performance compared to non-planners, their focus, however, was on the formality of planning rather than the link between planning and organizational performance. It can thus be noted that the past studies did not give attention to the individual steps that make up the strategic planning process.

This chapter will therefore focus on the role of strategic planning on the performance of small and medium enterprises.

2.2 An Over View

2.2.1 Business planning

Although some exceptions exist (see, for example, Matthews and Scott, 1995, McGrath and MacMillan, 2000) the prior literature generally contends that business planning offers little advantage to new venture founders (Bhide, 2000, Carter et al.1996). Arguing that planning interferes with the efforts of firm founders to undertake more valuable firm organizing actions to develop their fledgling enterprises, the extant literature views business planning as a form of 'administrative behavior' that is harmful to new venture creation as noted by Bhide (2000). Carter *et al*. (1996) argue that instead of engaging in business planning, the literature generally argues that firm founders should move directly to action; buying facilities and equipment, seeking external capital, and initiating marketing and promotion.

In challenging that opinion Galbraith (1967) considered the nature of industrial planning and concluded that because of the increasing requirements of time and capital to recover the development of industrial technology, the needs of the consumer must therefore be anticipated by months or years. Planning is the firm's response to see that what it provided would be purchased by the customer at a remunerative price, and that key inputs would be available at a cost consistent with that price. Galbraith goes on to define planning in the following way:

"Planning consists in foreseeing the actions required between the initiation of production and its completion and preparing for the accomplishment of these actions. And it consists also of foreseeing and having a design for meeting, any unscheduled developments, favorable or otherwise, that may occur along the way.

In addition, Castrogiovanni (1996) defines business planning as those efforts by firm founders to gather information about a business opportunity and to specify how that information can be used to create a new organization to exploit the opportunity.

Castrogiovanni, (1996) Sexton and Bowman-Upton, (1991) look at business planning as 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. This, several scholars (Ibrahim et al., 1993, Miller and Cardinal, 1994; Schwenk and Shrader, 1993) have contended to asserting that research on business planning for business organizations especially SMEs has shown over all that planning leads to better performance.

According to Ansoff (1991) and Locke and Latham (1980) business planning facilitates new venture development. They assert that in particular, planning provides three benefits to people engaged in new venture development: (a) planning facilitates faster decision making by identifying missing information without first requiring the commitment of resources; (b) planning provides tools for managing the supply and demand of resources in a manner that avoids time-consuming bottlenecks; and (c) planning identifies action steps to achieve broader goals in a timely manner.

Ansoff (1991) further asserts that, planning allows people to make faster decisions than they would with trial-and-error learning by facilitating the rapid discovery of missing information. This, Armstrong (1982) continues to note that by planning first and then acting second, people can test their assumptions without undertaking the time consuming process of first expending resources.

Armstrong (1982) further argues that planning helps people to manage the supply and demand of resources, minimizing bottlenecks that slow their activity. He asserts that, by helping people recognize the relationship between actions and resource flows, planning allows people to more accurately estimate the timing of resource needs and resource slack. In the same spirit Bracker et al. (1988) also note that by allowing people to better estimate the timing of resource flows in the activity in which they are engaged, planning minimizes the occurrence of bottlenecks that cause delays.

Brews and Hunt (1999) also note that by setting concrete objectives for the future, business planning helps people develop specific steps for the achievement of their goal, thereby facilitating the timely pursuit of their objectives. This, Shrader et al. (1989) contends to asserting that Business planning helps people approach their goals in a systematic way and keeps them from focusing on other activities that sidetrack their efforts. Robinson (1984) adds that when outcomes deviate from stated goals, planning facilitates the rapid correction of that deviation by allowing people to identify the source of deviation more quickly. Furthermore, planning allows people to make clear their preferences for timetables in ways that can be transmitted to others (Bird, 1992). It (business planning) also helps people communicate their goals to others (Locke and Latham, 1980) thereby enhancing the pace at which others can act on those goals.

2.2.2 Strategic Planning

In today's highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for a large corporation to survive and prosper. The firm must engage in strategic planning that clearly defines objectives and assesses both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track. (Ansoff, 1991). Boyd (1991) notes that strategic planning is one tool to manage environmental turbulence, which has been adopted by a wide range of organizations.

To this effect, Robinson and Pearce (1984) in a benchmark paper published a literature review and conceptual analysis of the nature of strategy and planning in SMEs. In this paper, they posed a series of research questions relating to the value and process of planning for the small firm, as well as the role of outsiders with the review raising the sometimes difficult nexus between strategies and planning. Since the mid-1980s the focus of the literature relating to entrepreneurship has tended to concentrate more on strategy and strategic decision making rather than planning.

Heracleous (1998) thus likened strategy to a “double-loop” and planning to a “single-loop” process, reflecting the long-term, more interactive nature of strategy formulation. By comparison therefore planning is generally short-term and focused on process. Strategic planning on the other hand requires a balance between long term vision and short-term process which thus derives the concept of strategic planning.

Several scholars (Higgins and Vincze, 1993, Mintzberg 1994, Pearce and Robinson, 1994) have over time written and explained Strategic planning in different but complementary ways. They look at strategic planning as the process of using systematic criteria and rigorous investigation to formulate, implement, and control strategy, and formally document organizational expectations. Drucker (1954) Strategic planning is management by plans, an analytical process and is focused in making optimal strategic decisions . He adds that the plan must be: simple, written, clear, based on the real current situation, and have enough time allowed to give it a time to settle. It should not be rushed. Rushing the plan will cause problems. The strategic plan needs to include a Mission Statement, Objectives, Goals, and an Action (or Implementation) Plan.

Other scholars have however expanded on Drucker's definition. Ansoff (1970) for example conceptualizes strategic planning as that process of seeking a better match between a firm's products or technology and its increasingly turbulent markets. He looks at it in terms of change from a familiar environment to an unfamiliar world of strange technologies, strange competitors, new consumer attitudes, new dimensions of social control and above all, a questioning of the firm's role in society. In agreement to that, Hofer and Schendel (1978) also define strategic planning as an evolution of managerial response to environmental change in a focus moving from internal structure and production efficiency, to the integration of strategy and structure and production innovation, multinational expansion and diversification.

In addition, George (1979) emphasizes that Strategic planning systems must be designed to fit the unique characteristics of each organization, if follows that the planning systems of organizations differ from one another. Nevertheless, there are common characteristics among planning systems of organizations with different characteristics. George also believes that strategic planning should be described from four points of view, each which is needed in the deep understanding of it:

- Futurity of current decisions; First, planning deals with the futurity of current decisions. This means that strategic planning looks at the chain of cause and effect consequences overtime of an actual or intended decision that a manager is going to make. It also looks at the alternative sources of action that are open in the future. The essence of strategic planning is the systematic identification of opportunities and threats that lay in the future, which in combination with other current data provide a basis for a company's making better current decisions to exploit the opportunities and to avoid the threats. Process.

- Strategic planning is a process. It is a process that begins with the setting of organizational aims, defines strategies and policies to achieve them, and develops detailed plans to make sure that the strategies are implemented so as to achieve the ends thought. It decides who, what, when and how to achieve the set goals of the organization.
- Philosophy; Strategic planning is an attitude, a way of life which necessitates dedication to acting on the basis of contemplation of the future and a determination to plan constantly and systematically as and integral part of management. For best results, managers and staff in an organization must believe strategic planning is worth doing and must want to do it as well as they can.
- Structure; A formal strategic planning system links three major types of plans; strategic plans, medium-range programs and short range budgets and operating plans.

Bateman and Zeithml (1993) view planning as a conscious, systematic process during which decisions are made about the goals and activities that an individual, group, work unit or organization will pursue in the future. It provides individuals and work units a map to follow in their future activities. Contending to that Hax and Majluf (1996) explain strategic planning as a disciplined and well-defined organizational effort aimed at the complete specification of a firm's strategy and the assignment of responsibilities for execution.

Other scholars (Higgins and Vincze, 1993, Mintzberg 1994, Pearce and Robinson, 1994) observe that strategic planning can be described as the process of using systematic criteria and rigorous investigation to formulate, implement, and control strategy, and formally document organizational expectations.

Similarly, Wendy (1997) explained strategic planning as the process of developing and maintaining consistency between the organization’s objectives and resources and its changing opportunities. Wendy further argues that strategic planning aims at defining and documenting an approach to doing business that will lead to satisfactory profits and growth.

Wendy further explains that strategic planning process comprises of three main elements which help turn an organization’s vision or mission into concrete achievable. These are the strategic analysis, strategic choice and strategic implementation. The strategic analysis thus encompasses setting the organization’s direction in terms of vision, mission and goals which entails articulating the company’s strategic intent and directing efforts towards understanding the business environment whereas strategic choice stage involves generating, evaluating and selecting the most appropriate strategy and strategy implementation stage consists of putting in place the relevant policies and formulating frameworks that will aid in translating chosen strategies into actionable forms.

Drucker (1980) argues that although every strategic planning process is uniquely designed to fit the specific needs of a particular organisation, every successful "model" includes most of these steps. The organisation begins by identifying its vision and mission. Once these are clearly defined, it moves on to a series of analyses, including external, internal, gap, and benchmarking, which provide a context for developing organization's strategic issues. Strategic programming follows and the organization develops specific strategies including strategic goals, action plans, and tactics. Emergent strategies evolve, challenging the intended tactics, and altering the realized strategy. Periodically, the organization evaluates its strategies and reviews its strategic plan, considering emergent strategies and evolving changes. It usually takes several years before strategic planning becomes institutionalized and organizations learn to think strategically.

Drucker further adds that the primary tasks of strategic management are to understand the environment, define organizational goals, identify options, make and implement decisions, and evaluate actual performance. Thus, strategic planning aims to exploit the new and different opportunities of tomorrow. Strategic planning is also aimed at assisting an organization in establishing priorities and to better serve the needs of its constituency. A strategic plan must be flexible and practical and yet serve as a guide to implementing programs, evaluating how these programs are doing, and making adjustments when necessary. Furthermore, a strategic plan must reflect the thoughts, feelings, ideas, and wants of the developers and mold them along with the organization's purpose, mission, and regulations into an integrated document. The development of a plan requires much probing, discussion, and examination of the views of the leaders who are responsible for the plan's preparation than is the implementation (Drucker 1980).

Past studies of manufacturing firms (Karger and Malik, 1975) have also indicated that strategic planning results in superior financial performance, measured in terms of ‘generally accepted’ financial measures. From these diverse views expressed above, strategic planning in its general and basic understanding can be said to be a process of selecting organizational goals and strategies, determining the necessary programs to achieve specific objectives enrooted to the goals, and establishing the methods necessary to ensure that the policies and programs are implemented.

2.2.3 Business performance

Business Performance was traditionally a topic that leaders of large companies paid a good deal of attention to, because it gives vital information about the state of the company, its success, development and future outlook (Gruber et al., 2010). Small and Medium Sized companies traditionally lack well-performed strategies in this Area.

All business processes eventually revolve around the target of contributing to the success of the company in one way or the other. While the term “success” describes the positive effective overall turnout of a company´s activities, the term Business Performance in itself is a neutral descriptive concept for the effectiveness and the efficiency of the company´s actions in general or of certain parts or processes of the company in particular.

Performance can be characterized with attributes, for example as “well” or “poor”, depending on the expectations of the individual analyzing the data he or she has chosen to examine in order to gain insight into the state the company is in at a given moment. Bititci et al. (1997) assert that a performance measurement system is the information system which is at the heart of the performance management process and it is of critical importance to the effective and efficient functioning of the performance management system while Forza & Salvador (2000) look at a performance measurement system as an information system that supports managers in the performance management process mainly fulfilling two primary functions: the first one consists of enabling and structuring communication between all the organizational units (individuals, teams, processes, functions, etc.) involved in the process of target setting and the second one is that of collecting, processing and delivering information on the performance of people, activities, processes, products, business units, etc.

According to Smith & Reece, (1999: p.153), Business performance is defined as the operational ability to satisfy the desires of the company's major shareholders and it must be assessed to measure an organization's accomplishment. Many studies therefore examine the relationship of organizational practice and processes to affect the "bottom line", and vice versa (Wall et al., 2004).

It is thus important to note that Business Performance is of key interest for the top management of a company. If Business Performance is weak, managers need to intervene in order to return to the path of growth. Especially in a market in which competition is increasing and globalization demands for better competition, business leaders need to pay close attention to Business Performance. Thus Bourne, Neely, Mills & Platts (2003) look at business performance measurement system as the use of a multi-dimensional set of performance measures for the planning and management of a business. Maisel (2001) adds that a business performance system enables an enterprise to plan, measure, and controls its performance and helps ensure that sales and marketing initiatives, operating practices, information technology resources, business decisions and people's activities are aligned with business strategies to achieve desired business results and create shareholder value.

As Nash (1983) notes, the importance of business performance therefore is too evident in many prescriptions offered for performance improvement. Hofer (1980) further notes that the increased volume in research on corporate turn around and organizational transitions attests to the interest in organizational performance, adaptation and survival. Hofer (1983) acknowledges that business performance which reflects the perspective of strategic management is a subset of the overall concept of organizational effectiveness. He argues that the narrowest conception of business performance centers on the use of simple outcomes based on financial indicators that are often assumed to reflect the fulfillment of the economic goals of the organization.

Managers are therefore often encouraged to evaluate business performance through general subjective measures that can reflect more-specific objective measures (Wall et al., 2004). Subjective measures can be an effective way to examine business performance, as they allow comparison across firms and contexts, such as industry type, time horizons, cultures or economic conditions (Song et al., 2005). When subjective measures are employed, managers can use the relative performance of their industry as a benchmark when providing a response (Dawes, 1999). Objective performance measures, in contrast, can vary based on industry and can obscure the relationship between independent variables and business performance (as a dependent variable) (Dawes, 1999).

2.2.4 Financial performance

Performance according to Laitinen (2002) can be defined as the ability of an object to produce results in a dimension determined, in relation to a target which is consistent with the suggestion by Ittner and Larcker (2003) that performance measurement is used to allocate resources and map progress towards the achievement of strategic goals. This suggests that performance must be linked to actions emanating from strategic planning.

To some scholars Hersey and Blanchard (1993), Chen and Silverthorne (2008) Performance is referred to as being about doing the work, as well as being about the results achieved. It can be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of an organization, customer satisfaction and economic contributions. They further assert that the term is sometimes used to refer to any integrated, systematic approach to improving organizational performance to achieve strategic aims and promote an organization’s mission and values. In that sense Organizational Performance is quite different than individual Performance which specifically targets the personal performance of an employee although the latter comprises an essential part of the overall organizational performance framework.

According to Keats and Bracker (1988) performance has a different set of meanings for small firms as opposed to large firms and it is represented as an undifferentiated, one dimensional concept which implies a number of interpretations and appropriate measurements.

This diverse nature of the performance construct is reflected in the variety of operational definitions and measurements used in past research studies in literature related to SMEs and performance. Earlier studies Keats and Bracker (1998) and Lumpkin and Dess (1995) emphasized traditional accounting measures for performance such as sales growth, market share, and profitability as well as with other indicators of stakeholder satisfaction. However, within this context, it can be seen in the literature, most of research considered the performance in the small firms and was limited to financial measures alone.

To date, many scholars like Dyson (2000), Hillman and Keim (2001), McAdam and Bailie (2002) tend to focus on financial related performance measures such as profitability yet the trend is moving from reliance on financial orientated measures towards a stronger emphasis on a more comprehensive performance measurement system that needs to comprise both financial and non-financial measures, intermittent and outcome measures.

This performance is often measured in terms of various financial measurements based on sales revenue, profits, return on investment/ equity etc. The applied financial performance measures are sales level, sales growth rate, cash flow, return on shareholder equity, gross profit margin, net profit from operations, profit to sales ratio, return on investment, and ability to fund business growth from profits.

Laitinen (2002) encapsulates the increasing emphasis on broader performance measurement concepts by stating that when financial and non-financial measures are incorporated in the same model, managers can survey performance in several areas simultaneously in order to enable efficient strategic decision making.

Different scholars therefore have had varying views on what financial performance ought to be.

According to Stoner (2003) performance refers to the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats. In agreement to this, Sollenberg & Anderson (1995) assert that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives or rather the measure of attainment achieved by an individual, team, organization or process.

Hitt et al. (1996) believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. According to Dixon et al. (1990) appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Kotey and Meredith (1997) contends that, performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Kent

(1994) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed. Little research however has been inclined to the status of the business, the organizational vision and mission of the organizations.

Ramanujam et al. (1986) and Reid and Smith (2000) however suggest that the effectiveness of performance must be measured according to what goals a firm has set, and then enquires into the extent to which these goals have been achieved.

Some studies however have attempted to assess performance on the basis of a general measure of effectiveness and Kotey and Meredith (1997) and Blackman (2003) used this similar approach including variables as high productivity, industry leadership, creating new jobs, business stability, high profit rates, and lower cost of production, community development and business growth.

2.3 Actual review based on objectives

2.3.1 Current Business Situation and Financial Performance of SMEs

According to Longenecker et al. (2011) the current business situation examines the economic trends which involve changes in the rate of inflation, interest rates and even currency exchange rates all of which promote or discourage business growth. The social currents that affect consumer demand along with the political and legal trend like tax laws and government regulations are also examined. The technological trends are also very important to SMEs since developments that grow out of these spawn or wipe out many ventures.

In order to assess the internal potentials of a business, it helps if the entrepreneur understands the difference between resources and capabilities. Resources refers to those available inputs that an entrepreneur can use to start a business and can include factors such as cash for investment, knowledge of important technologies, access to equipment and capable business partners. Capabilities are the integration of various resources in a way that boosts a firm's competitive advantage in order for the firm to provide products or services that its target market prefers, to those offered by competitors. Longenecker et al. (2011)

Curran (1996) asserts that a firm's size can affect the nature of external environmental impacts and the mechanisms through which they are transmitted, as well as the firm's ability to respond. Smallbone et al. (1999) add that, a more limited resource base of SMEs compared with larger firms, particularly in terms of finance and management can affect their ability to scan, analyze and respond to major environmental changes. Business size therefore shapes perceptions of external pressures, threats and opportunities, the business strategies adopted, and the levels of performance achieved.

Interestingly, some studies (Shama, 1993 and Latham, 2009) suggest that large companies have tended to have greater scope for strategic choice because of their superior resources to scan the environment for potential market opportunities, to develop a wider range of capabilities and also facilitate greater resilience to withstand difficult times. This particularly applies in the case of multinational firms, with operations spread across countries. Small businesses are perhaps more vulnerable to market shifts as they lack resources and usually operate with narrower product portfolios, rendering them at greater risk from industry-related downturns; yet some studies find that small businesses report more limited impacts than larger enterprises.

In addition to Shama (1993) and Ansoff (1991) explains that the environmental scan includes the following components:

- Internal analysis of the firm
- Analysis of the firm's industry (task environment)
- External macro environment (PEST analysis)

The internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threats. A profile of the strengths, weaknesses, opportunities, and threats is generated by means of a SWOT analysis. A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a SWOT analysis. Ansoff (1991) continues to explain the SWOT analysis below;

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage. Examples of such strengths include: Patents, strong brand names, good reputation among customers, cost advantages from proprietary know-how, exclusive access to high grade natural resources and favorable access to distribution networks. However, the absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses: lack of patent protection, a weak brand name, poor reputation among customers, high cost structure, lack of access to the best natural resources, lack of access to key distribution channels.

The external environmental analysis may also reveal certain new opportunities for profit and growth. Some examples of such opportunities include: an unfulfilled customer need, arrival of new technologies, loosening of regulations, and removal of international trade barriers. The changes in the external environmental also may present threats to the firm. Some examples of such threats include: shifts in consumer tastes away from the firm's products, emergence of substitute products, new regulations, and increased trade barriers.

In relation to the financial performance, the SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. Therefore, a firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity.

According to Shama (1993) and Ansoff (1991) an industry analysis can be performed using a framework developed by Michael Porter known as Porter's five forces. This framework evaluates entry barriers, suppliers, customers, substitute products, and industry rivalry. Michael Porter provided a framework that models an industry as being influenced by five forces. The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates.

Rivalry**.** In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences.

In pursuit of a strong financial position and advantage over its rivals, a firm can choose from several competitive moves;

- Changing prices - raising or lowering prices to gain a temporary advantage.
- Improving product differentiation - improving features, implementing innovations in the manufacturing process and in the product itself.
- Creatively using channels of distribution - using vertical integration or using a distribution channel that is novel to the industry.
- Exploiting relationships with suppliers –

Threat of Substitutes. In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices.

Buyer Power. The power of buyers is the impact that customers have on a producing industry. In general, when buyer power is strong, the relationship to the producing industry is near to what an economist terms a monopsony - a market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price. In reality few pure monopsonies exist, but frequently there is some asymmetry between a producing industry and buyers. The following tables outline some factors that determine buyer power.
Supplier power. A producing industry requires raw materials - labor, components, and other supplies. This requirement leads to buyer-supplier relationships between the industry and the

firms that provide it the raw materials used to create products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry's profits.

Threat of new entrants and entry barriers. It is not only incumbent rivals that pose a threat to firms in an industry; the possibility that new firms may enter the industry also affects competition. In theory, any firm should be able to enter and exit a market, and if free entry and exit exists, then profits always should be nominal. In reality, however, industries possess characteristics that protect the high profit levels of firms in the market and inhibit additional rivals from entering the market. These are barriers to entry. Barriers to entry are unique industry characteristics that define the industry. Barriers reduce the rate of entry of new firms, thus maintaining a level of profits for those already in the industry. From a strategic perspective, barriers can be created or exploited to enhance a firm's competitive advantage.

PEST Analysis

A scan of the external macro-environment in which the firm operates can be expressed in terms of the following factors: **P**olitical, **E**conomic, **S**ocial and **T**echnological factors. The acronym PEST is used to describe a framework for the analysis of these macro environmental factors. A PEST analysis fits into an overall environmental scan.

Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include: tax policy, employment laws, environmental regulations, trade restrictions and tariffs, political stability. Economic factors affect the purchasing power of potential customers and the firm's cost of capital.

The following are examples of factors in the macro economy: economic growth, interest rates, exchange rates, inflation rate. Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include: health consciousness, population growth rate, age distribution, career attitudes, emphasis on safety. Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include: Automation, technology incentives, rate of technological change.

Therefore Woods (1995) says that the situational analysis is a major component of strategic planning that can help clarify realistic goals and a recognition of the gaps between the current performance status and the desired goals.

Justine et al. (2011) further argues that once the resources and capabilities have been identified, the entrepreneurs may be able to identify core competences that can be created in order to distinguish a company competitively and reflect its personality. A solid foundation for competitive advantage requires a reasonable match between the strengths and weaknesses of a business and the opportunities and threats present in its relevant environments. This integration is best revealed through the SWOT analysis which provides a simple overview of a venture's strategic situation. Outside –in and inside-out approaches come together in the SWOT analysis to help identify potential business opportunities that match the entrepreneur and his/her planned venture. When potentials in the external environment (revealed through SWOT analysis) fit with the unique capabilities and core competences of the entrepreneur, and threats outside the business or weaknesses within it are manageable, the odds of success are greatly improved.

In the effort to determine the current business situation in Uganda, the Uganda Bureau of statistics report of 2012, revealed that there were 458,106 businesses in the country. The distributions of businesses by Industry showed that majority (61.1 percent) of the businesses were in the Trade sector, followed by Accommodation & Food Services with 14.1 percent and Recreation and Personal Services with 9.1 percent. Businesses in the Agriculture sector (including Fishing and Forestry) accounted for only 1.8 percent. The businesses in Information & Community Services, Finance & Insurance, Transport and Storage, Mining & Quarrying, Construction and Utilities accounted for just 2.2 percent of the total number of businesses.

The UBOS report also displayed the distribution of the businesses according to different regions and this showed that, that 30.0 percent of the businesses were in the Central region excluding Kampala while 29.2 percent were in Kampala region. Businesses in the Western region accounted for 18.0 percent while the North had the least proportion of businesses (8.2 percent).

Furthermore, the report showed the employment rate per sector and this was that, the 458,106 establishments in the 2011 Business Register employed about 1,074,000 persons, giving an increase of 142 percent in the number of persons employed. Out of these, 44.3 percent were female employees. Businesses in the Trade Sector employed the majority (41.5 percent) implying that with 4 out of every 10 persons were employed in this sector. Out of the total number of females employed, 44.1 percent 39 were in the Trade sector followed by 22.5 percent in the Accommodation and Food Services Sector. Further disaggregation showed that 52.9 percent of the employees in the Trade sector were male while 47.1 percent were female. The results also showed that male employees dominated nearly all the industry sectors except Accommodation & Food Services. Notably for the Education, Health & Social Work activities, female employees accounted for 69.7 percent and 52.3 percent of the total number of persons employed respectively.

Also the information obtained showed that on average 2 persons were employed per business. The highest average employment size was in the Construction sector where an average of 22 persons was employed per business. This was followed by the businesses in the Utility sector with an average employment size of 16 persons per business. The Food Processing sub sector employed an average of 9 persons per business. The Education and Health sectors, on the other hand, employed an average of 8 persons per business just like in the Finance & Insurance sub-sectors.

The legal ownership of businesses showed that 93.8 percent of the businesses were under Sole Proprietorship while 2.4 percent of the businesses were under Partnership and Private Limited Companies each. These findings were consistent with the 2001/02 data where the businesses under sole proprietorships were the majority. In terms of ownership, Statistics from the data collected revealed that 98.8 percent of the businesses were owned by Ugandans. The others combined owned only 1.2 percent. Therefore judging from the UBOS report, the Ugandan business sector is composed of mainly small and medium enterprises which are mainly owned by nationals.

In summary, conducting outside-in and inside –out analyses and integrating the results can help to build a solid foundation for competitive advantage. With that foundation, the business can begin to create a strategy for achieving superior financial performance.

2.3.2 Vision and Mission and Financial Performance

Drucker (1980) argues that identification of the organization's vision and mission is the first step of any strategic planning process. An organization’s vision sets out the reasons for organization's existence and the "ideal" state that the organization aims to achieve, the mission identifies major goals and performance objectives. Both are defined within the framework of organization’s philosophy, and are used as a context for development and evaluation of intended and emergent strategies. One cannot overemphasize the importance of a clear vision and mission; none of the subsequent steps will matter if the organization is not certain where it is headed.

However, many different organizations use different vocabularies to communicate strategy, some do so blatantly in an effort to portray uniqueness whilst others according to Sufi and Lyons (2003) confuse them unknowingly. There is no doubt in the strategic management literature about the distinctiveness of mission and vision statements. This notwithstanding it is not uncommon for organizations to capture their mission and vision statements in a single statement as noted by Sufi and Lyons (2003). Thompson and Strickland (1992) assert that mission statements are widely believed to be antecedents to any strategy formulation effort and so contend (Wheelen and Hunger, 1998).

According to (Bart and Baetz, 1998) Mission and vision both relate to an organization's purpose and are typically communicated in some written form. Mission and vision are statements from the organization that answer questions about what the organization is, what the organization values, and where it is going. A study by the consulting firm Bain and Company for example reports that 90% of the 500 firms surveyed issue some form of mission and vision statements and according to Bart et al. (2001), firms with clearly communicated, widely understood, and collectively shared mission and vision have been shown to perform better than those without them, with the caveat that they related to effectiveness only when strategy and goals and objectives were aligned with them as well.

A mission statement communicates the organization's reason for being, and how it aims to serve its key stakeholders, asserts Hamel and Prahalad (1993). Customers, employees, and investors are the stakeholders most often emphasized, but other stakeholders like government or communities (i.e., in the form of social or environmental impact) can also be discussed. Mission statements are often longer than vision statements.

In furtherance of these arguments, mission statements are said to do a good job in capturing corporate level strategy in terms of scope, boundaries and value creation (Johnson, 2008 and David, 1993). Mission statements have been reported as a broad overarching framework around which other strategic concerns like vision, strategic intent and capabilities, goals, objectives, core values, behavioral standards, business models etc evolve (Campbell and Tawadey, 1992, Lynch, 2000).

A study by Rigby (1994) rated mission statements second of all used tools particularly because they believe it is a useful ingredient in organizational integration which gets everyone focused on objectives and working together to pull in the same direction. Numerous studies have also delineated this type of contribution that mission and vision statements do (Klemm et al. 1991., Coulson-Thomas,1992 and Raynor, 1988). There seems to be an overwhelming consensus that mission and vision statements are communication tools for both internal and external stakeholders. They portray organizational image and uniqueness. Lynch (2000) made a strong case for mission and vision statements as tools for communicating organizations uniqueness in terms of ownership, resources or environmental circumstances. The managers of the most organisations believe that their mission statement contains elements that distinguish their organisations from others (Sufi and Lyons, 2003). According to Germain and Cooper (1990) these statements communicate public image of the firm to important stakeholders and groups in the firm’s task environment.

In addition, the mission statement describes the company's business vision, including the unchanging values and purpose of the firm and forward-looking visionary goals that guide the pursuit of future opportunities (Ansoff, 1991). He adds that guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation.

Internally mission and vision statements are believed to communicate desirable attitudes, work ethics, cultures, and values that employees can operationalize in their choice of actions and inactions. Karami (2001) suggests that a mission statement focused on customer values can lead to creation of a customer service culture and increased levels of customer satisfaction. According to Bartkus et al. (2004) the primary role of a mission statement is to communicate the strategic direction of the organization to stakeholders in order to guide strategic planning. In study of USA, Japanese and European businesses motivation and inspiration of employees strongly featured as the second most important objective for mission statements (Bartkus et al. 2004). Mission statements are deemed relevant to the extent that they deliver high levels of motivation and inspiration to employees. Some authors like Bartkus (2004) have studied and attempted to establish independent outcomes- satisfaction, behaviors, motivation, commitment, performance, and inspiration as impacts that mission and vision statements might have on employees (Mullane, 2002) and Forbes and Seena, 2006). The vast majority however have modeled a set of dependent relationships that should ultimately lead to improved performance. Bart et al. (2001) found that mission statements could positively affect employee behavior which had a direct effect on firm financial performance and this could only happen when internal policies are derived from the statement. Hussey (1998) explained the "interdependent theory" and posited that objectives are derived from vision, linked to the measurement of corporate progress, and cascaded down to personal performance. Majetka et al. (1993) suggested that mission statements could induce desirable behaviors if it is first clearly communicated and reinforced through the reward system. Another dependent relationship they stated was the need for the mission statement to be shared among employees before it could be effective as a behavioral guide. In the views of Peters and Waterman (1982) shared ideology is a source of motivation for employees primarily, which then drives behavior. From the above views, it can clearly be concluded that the mission and vision statements positively impact on the financial performance of the firm in terms of increasing the turn over, profit level and level of asset base.

It is on this note that the researcher brings to notice the vision and mission statements of her case study (Centenary bank). The vision statement of Centenary bank is '*To be the best provider of financial services especially in Uganda.'* The mission stamen of Centenary bank is '*To provide appropriate financial services especially microfinance to all people in Uganda, particularly in rural areas in sustainable manner in accordance to the law.'*

2.3.3 Business Strategies and Financial Performance

Pearce and Robinson (1985) assert that performance of an enterprise is determined by the business strategy it adopts. Many researchers Smith, (1967), Covin and Slevin (1986) and Covin (1991) have associated business strategies with performance, distinguishing between strategies associated with high and low performance.

According to Hambrick (1983) Strategies which result in high performance are identified with activities that generally lead to success in the industry; that is key success factors. These activities according to Miller and Friesen (1983) are associated with initiatives in industry.

Researchers have identified such initiatives to include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets (Robinson and Pearce, 1988). Activities associated with high performing strategies also include emphasis on customer service and support, extensive advertising, and use of external finance, asserts Covin (1991). Further, because high performing strategies involve initiative-taking, they are often referred to as proactive strategies. All the activities of a proactive strategy are well integrated observed Steiner et al. (1986)

To portray alternative corporate growth strategies, Ansoff (1980) presented a matrix that focused on the firm's present and potential products and markets or customers. By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations. Ansoff's matrix provides four different growth strategies:

- Market Penetration where the firm seeks to achieve growth with existing products in their current market segments, aiming to increase its market share.
- Market Development where the firm seeks growth by targeting its existing products to new market segments.
- Product Development where the firms develops new products targeted to its existing market segments.
- Diversification where the firm grows by diversifying into new businesses by developing new products for new markets.

These strategies provide a certain degree of assurance of positive financial performance in terms of increased sales, profitability and production for SMEs.

Strategy can be formulated on three levels that are corporate level, business unit level and departmental level. The business unit level is the primary context of industry rivalry. Michael Porter identified three generic strategies (cost leadership, differentiation, and focus) that can be implemented at the business unit level to create a competitive advantage. The proper generic strategy will position the firm to leverage its strengths and defend against the adverse effects of the five competitive forces.

Cost Leadership Strategy: This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market. Firms that succeed in cost leadership often have the following internal strengths:

- Access to the capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering.
- Efficient distribution channels.

Differentiation Strategy: A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. Firms that succeed in a differentiation strategy often have the following internal strengths:

- Access to leading scientific research.
- Highly skilled and creative product development team.
- Strong sales team with the ability to successfully communicate the perceived strengths of the product.
- Corporate reputation for quality and innovation.

Focus Strategy: The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.

On the other hand, Karagozoglu and Brown (1988) argue that firms which perform below average tend to follow others in the industry and to react to events in their environment. They assert that such firms are characterized by strategies which emphasize risk avoidance and involve little innovation. Strategies of low performing firms include limitations of more successful firms in the industry, but usually fall short in some important respect (Hambrick, 1983).

Hambrick (1983) further notes that the activities that comprise these strategies are often not well integrated and are mismatched with the demands of the environment to which Miller and Friesen (1983) add that they are often referred to as reactive strategies because they are characterized by reactions to events rather than by initiative-taking. In reality, the two strategies may not be so clearly distinguishable. Firms pursuing proactive strategies may sometimes conform to industry norms and adopt standardized strategies. However, they do this not out of tradition, as with low performing reactive strategies, but because that is the best strategy at the time. Strategies with varying degrees of proactivity and reactivity lie along the proactive-reactive continuum.

But focusing on business strategy items and performance, some studies (Zeithmal and Fry (1984), Robinson and Pearce (1988) have identified that there are some relationships between strategy activities and performance. The activities of improving existing products to meet changing customer needs, developing new products and emphasizing product quality are associated with market share increases by attracting new customers and retaining existing ones. In contrast, low performing firms are likely to ignore these innovative and risk taking activities. According to Vickery et al. (1993) high performing firms are implementing new production technologies, emphasizing cost effectiveness and concerned with employee productivity to compete with competitors within the industry more so than the low performing firms. Furthermore, Kotey and Meredith (1997) point out that when firms are advertising more, identifying brand names for products, greater emphasizing customer service and credit, exploring marketing techniques, it leads to an increase in high performance.

As far as financial strategic activities are concerned, Kotey and Meredith (1997) also assert that high performing firms use more debt financing and assessment of costs and benefits associated with alternative sources of external funding than the low performing firms arguing that SMEs are more labor intensive than the large firms.

As far as financial strategic activities are concerned, Kotey and Meredith (1997) also assert that high performing firms use more debt financing and assessment of costs and benefits associated with alternative sources of external funding than the low performing firms arguing that SMEs are more labor intensive than the large firms.

In considering the two groups of strategy orientation of proactive and reactive strategies, research which was done in the furniture industry related to business strategies and performance by Kotey and Meredith (1997) demonstrated that high performers pursue proactive strategies and low performers pursue reactive strategies. Average performing firms exhibit a combination of proactive and reactive strategies. Similar to this, they investigated four different strategy typologies and performances and concluded that prospector strategy (proactive strategy) influences the growth of the company (Miles and Snow, 1978). This idea is also supported by Matsuno and Mentzer (2000).

2.4 Conclusion

The literature review gives an over view of what strategic planning and financial performance is and goes on to discuss the connection between the different variables under the objectives; the current business status, the vision and mission and as well as the business strategies in line with the financial performance of the organization.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents approaches that helped the researcher to collect data. It lays the possible procedures that the researcher used in conducting the research. It was categorized into the research design, study area and population, sample size, sampling design, methods of data collection, data collection instruments and validity and reliability. It also included ethical considerations and limitations to the study.

3.1 Research Design

The study adopted a case study design and utilized both qualitative and quantitative study approaches. The qualitative approach was used to obtain non statistical information which was in form of narrations from the respondents. This approach was used to analyze each individual opinion from the respondents. The open ended questions aided this type of approach. The quantitative approach was used to obtain statistical data which involved giving a numerical rank to each question answered. This enabled the researcher to obtain majority opinions from this type of approach. This approach was aided by closed ended questions. This research design helped in the assessment of the current status of the problem like that of; to establish the role of strategic planning on the performance of small and medium enterprises in Uganda. Data was separately collected from the respondents because they had varying views regarding the study.

3.2 Population of the Study

The study population refers to the large groups of people or things (Ruane, 2005). The study population for the study comprised of 40 employees of Centenary Bank Limited and some who helped the researcher to obtain information concerning the study. Centenary bank Jinja branch is the source of 40 employees. The study population comprised of top management, middle management and low level management of Centenary bank Jinja branch.

3.3 Study area

The area of study was Centenary Bank Limited, Jinja Branch. The reason for the case study was that it is not only a financial institution but also a big part of its client base mainly comprises of SMEs which play a major role in the institution's performance. This was helpful in determining the role of strategic planning on the performance of small and medium enterprises.

3.4 No sample size

Since the population was considered small, there was no need for a sample. Therefore the whole population was considered and this was intended to increase the value of results and to minimize the level of error.

3.5 Sampling Techniques

Purposive sampling technique was used to create different strata in the study population, Purposive sampling is where the researcher consciously decides who to include in the sample. The main goal of purposive sampling was to focus on particular characteristics of a population that were of interest, which would best enable the researcher to answer her research questions. It was used because the study was targeting majorly the staff of the financial institution. It also ensured that only people with relevant information were sampled.

3.6 Methods of Data collection

The researcher employed the questionnaire method for data collection. Questionnaires containing both close ended and open ended questions constructed according to the study objectives were administered to the selected number of respondents. Close ended questions were used for collecting data for the quantitative analysis while the open ended questions helped and allowed respondents express their individual opinions thus expanding the researcher's information base.

3.4 Data Management and Analysis

Data from open-ended and close-ended questionnaires and interview was grouped and categorized under broad themes. The researcher used SPSS to analyze the quantitative data. The researcher then analyzed the data and presented it using frequency count/ percentages and mean/standard deviation tables. On the other hand the researcher graded qualitative responses in order to draw conclusions regarding objectives of the study. The qualitative data was analyzed through interpretation of individual opinions and presented to obtain meaningful conclusions from the field.

3.8 Quality control

3.8.1 Reliability

The researcher ensured reliability by making sure that the questionnaire was pretested in order to ensure that the results were constant throughout the research period. Pre-testing involved going to the field twice using the same questionnaires and the same respondents in order to determine whether the information given on the two occasions was similar. Pre-testing of the questionnaire was also conducted in order to establish how long it took to fill out this particular tool, confirmed that all study objectives were covered and created more clarity in the questions by weeding out ambiguous and vague questions.

3.8.2 Validity

This involved checking and double checking the sources of all the data, especially the documented material. The data was subjected to expert analysis where the researcher gave the supervisor her work in order to guide her through to get quality data. Lastly, all the data entry and analysis was performed by the researcher herself to reduce on clerical errors.

3.9 Ethical Consideration

Voluntary informed consent; verbal voluntary consent was sought from all respondents to grant the opportunity of making their decisions as to whether they are to participate in the research. In obtaining consent a number of techniques or stages were used. Confidentiality as a right of the respondents to have their personal information kept private was paramount. In this research protecting respondent's confidentiality involved carrying out interviews in a suitable environment where respondents felt safe to express themselves mainly in their homes.

3.10 Limitations to the study

The researcher encountered a number of challenges during her study and they are the following;

The researcher discovered that the case study design she used was insufficient to draw a general conclusion about the performance of all SMEs in Uganda. The researcher tried to minimize this by choosing a medium enterprise that is well known and holds a significant market share in the

Ugandan market. Also the time scope which was a single period study was not enough to ensure total reliability of the data obtained from the field. To minimize this, the researcher ensured reliability through pre-testing the results. Another limitation was the use of only one method of data collection which was the questionnaire method. To minimize this, the researcher designed a questionnaire that exhausted all the areas that were of interest to her thus enabling her to obtain all the necessary information.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents analysis of results and discuses them. The study addresses the role of strategic planning on the performance of Centenary bank. The results are obtained from both primary and secondary sources. The presentation is based on the study objectives which include;

i. To examine the relationship between the current business situation and financial performance of Centenary Bank Limited
ii. To investigate the role of vision and mission on the financial performance of Centenary Bank Limited
iii. To find out the effect of business strategies on the financial performance of Centenary Bank Limited

4.1 Demographics of respondents

The researcher seeks to present an analysis of the characteristics, position and duration of the respondents at Centenary bank.

Table 1 Gender of respondents

Gender	Frequency	Percent	Valid Percent
Male	19	59.4	59.4
Female	13	40.6	40.6
Total	32	100.0	100.0

Source: Primary data

The figure above shows that out of the study population, 59.4% were male while the remaining 40.6% were male. This thus indicates that the degree of responsiveness was higher among the male than the female respondents. It also indicates that the males are the dominant work force in centenary bank (Jinja branch). This is therefore helpful in meeting the daily targets of the organization because when an organization employs men, the chances of absenteeism due to maternity leave and other leaves are few as compared to the women.

Table 2: Age group of respondents

Age group	Frequency	Percent	Valid Percent
20-29	15	46.9	46.9
30-39	14	43.8	43.8
40-49	3	9.4	9.4
Total	32	100.0	100.0

Source: Primary data

The age indicates how long one has been in the bank. At the bank, 46.9% of the respondents are between ages 20-29 years, 43.8% are between 30-39 years, 9.4% are between 40-49 years, no employees are between 50-59 years and above 60 years. This thus shows that the biggest percentage of the workforce is young and energetic enough to carry out their duties in order to meet the objectives of the organization.

Table 3: Position of respondents in the organization

Management structure	Frequency	Percent	Valid Percent
top level manager	3	9.4	9.4
middle level manager	8	25.0	25.0
low level manager	21	65.6	65.6
Total	32	100.0	100.0

Source: Primary data

From Table 3 above, it can be seen that there are different levels of ranks who responded to the questions making the findings valid. The ranks of the various respondents had an impact on the kind of responses got. The researcher obtained information from all the 3 levels of management as seen above. From the research, 9.4% lay under top management, 25.0% under the middle level management, and 65.6% under the low level management. This therefore meant that the top level management had the least number of employees while the low level management level had the most number of employees. This implies that the major decision making process is done by the minority group of the top level managers while the implementation of decisions from top level is done by the middle and low level managers.

Table 4: Duration at Centenary bank

Length of service	Frequency	Percent	Valid Percent
1-5yrs	19	59.4	59.4
6-10yrs	10	31.2	31.2
more	3	9.4	9.4
Total	32	100.0	100.0

Source: Primary data

From the above table, we can ascertain that 56.2% of the respondents have worked within Centenary Bank for a period ranging between 1-5years, 37.5% of the respondents have worked in the Bank for a period of 6-10 years while the remaining 6.2% have worked with the organization for above 10 years. This therefore shows that the data collected herein is dependable since a reasonable number of the respondents have experience with the organization and thus their information is credible.

4.2 DESCRIPTIVE STATISTICS ON CURRENT BUSINESS SITUATION AND FINANCIAL PERFORMANCE

The study went to establish the relationship between current business situation and performance of small and medium enterprises

The research related the respondent's perceptions on current business situation to relate it to the performance of SMEs.

Table 5: Mean and Standard Deviation of current business situation

Statement	N	Minimum	Maximum	Mean	Std. Deviation
Meeting Targets	32	2	5	4.03	0.70
Well Placed in Market	32	2	5	4.31	0.74
Relatively high sales	32	3	5	4.09	0.64
We make profits	32	3	5	4.50	0.57
Over whelming customers	32	2	5	4.31	0.90
Highly experienced staff	32	1	5	4.16	0.81
Security and safety	32	1	5	4.22	0.98
Observe time management	32	2	5	4.09	0.93
Highly motivated staff	32	1	5	3.25	1.27
Measurable market share	32	3	5	4.34	0.60
High competition	32	1	5	4.44	0.80

Source: Primary data

In table 5 above are details of current business situation analyzed against key positive statements as obtained from the respondents. The statements have been ranked accordingly in accordance to their standard deviations and means so as to easily derive meaning out of the results of the assessment. The statements in the table are therefore assessed in detail in a thematic approach below their respective headings

4.2.1 Meeting organizational targets

The results of the survey as revealed by Table 5 suggest that the organization meets its daily targets. This is backed by the findings in the above table that show a mean of 4.03 that signifies that the respondents were in agreement with the statement. On the other contrary, a standard deviation of 0.70 is low which means that the response values tend to be close to the mean thus the variation in responses is low. In relation to financial performance, meeting daily targets is important for an organization in order to reap financial benefits. In order to do so, the SWOT analysis should be conducted in order for the organization to obtain beneficial targets. This is supported by Shama (1993) who says that the SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates thus improving its financial performance.

4.2.2 The organization is well placed in the market

According to table 5, the results from the respondents show that on average, the organization is well placed in the market. This is shown by the mean of 4.31 indicating that centenary bank staff members agree to the statement that the organization is well placed in the market. The standard deviation of 0.74 shows that the responses are averagely close to the mean and thus do not deviate from the mean and the variation is minimal. Therefore in order for the organization to remain well placed in the market and to obtain advantage over its rivals, a firm can choose from several competitive moves as those presented by Micheal Porter in his 5 competitive forces.

4.2.3 The sales are relatively high and meet the expectations of the organization

According to the survey as presented in table 5 above, most of the respondents were in agreement with the statement. This is reflected in the mean value of 4.10. A standard deviation of 0.64 shows that the employees' responses to this question were close to the mean thus implying that the variation and deviation of results from the mean was minimal. Therefore improving the current situation of the businesses enables the organization to achieve high sales and profits. This is supported by Shama (1993) who says that a firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage Opportunities. He continues that the external environmental analysis may reveal certain new opportunities for profit and growth.

4.2.4 The organization makes profits from its operations

The study as reflected in the table 5 above found that the respondents were highly in agreement that the organization makes profits from its operations. This is reflected by the mean of 4.50 that shows agreement with the statement. This is supplemented by a standard deviation of 0.57 which shows that the data values were very close to the mean and thus no variations. This is therefore an indication that the organization is performing well. In agreement with the respondents, Hillman and Keim (2001) add that performance is often measured in terms of various financial measurements based on sales revenue, profits, return on investment/ equity etc.

4.2.5 The organization has an overwhelming customer base

From the results in table 5 above, it was clearly evident that the respondents were in agreement to the above statement as seen with the mean of 4.31. This is supplemented by a standard deviation value of 0.90 which shows that there were variations in respondents' opinions. However the deviation from the mean was minimal as it was less than 1. This implies increased turn over and profits for the bank. This is consistent with Ansoff (1991) who argues that the external environmental analysis may reveal certain new opportunities for profit and growth.

4.2.6 The staff are highly experienced in providing the best services to its customers

Table 5 above indicates that the staff is highly experienced in providing the best services to its customers. This is evidenced by the mean of 4.16 which indicates that the employees of Centenary Bank generally agreed to the above statement. The results from the table further indicate a standard deviation of 0.81 which suggests that the responses varied from the mean slightly. In response to financial performance of the organization, providing the best services enables the bank to achieve a high turnover and profits. This is supported by Hambrick (1983) who argues that strategies which result in high performance are identified with activities that generally lead to success in the industry; that is key success factors.

4.2.7 The organization ensures security and safety of its customers

The results as reflected in table 5 show a mean of 4.22 which therefore shows that the respondents agreed to the above statement. This mean of 4.22 is backed by a standard deviation of 0.98 which shows variation in the responses of the respondents. This therefore shows that the respondents had varying responses to the assertion. This implies that there are increased sales due to the confidence that the customers get when they enter the bank to transact their businesses.

4.2.8 The staff observes time management during work

In table 5 above, the results from the respondents show that the staff surely observes time management during wok. This was evidenced by the mean of 4.09 that indicates agreement. The results here also show a standard deviation of 0.93 which shows some deviation from the mean. Therefore the responses varied from each other. This therefore implies that the organization is able to meet its objectives since the staff report early and utilize their time both effectively and efficiently.

4.2.9 The staff is highly motivated

The results as reflected in table 5 showed a mean of 3.25. This shows that the respondents were in agreement with this statement. This is because the mean exceeded 3. The standard deviation of 1.270 shows significant variation in the response values given in the field because they deviate from the mean. The implication of staff motivation is largely shown on the performance showcased by the staff in terms of productivity. This is supported by Greenburg (2008) who adds that improving employee engagement can increase productivity and profitability while also reducing employee absenteeism and turnover. He also claimed that positive hygiene factors such as work conditions and salary simply satisfy basic employee needs, whereas motivators such as achievement and recognition encourage employees to work above and beyond the minimum requirement.

4.2.10 The organization anticipates to have a measurable market share in the near future

According to table 5, the results from the respondents show that on average, a measurable market share is anticipated with evidence of a mean of 4.34 which shows agreement with the statement. The standard deviation of 0.60 shows no deviation of responses from the mean. Therefore this implies that the staff believes that their current strategies will enable them to achieve a measurable market share in the future.

4.2.11 The bank faces a threat of high competition from other service provides within the industry

Table 5 above indicates that indeed, Centenary bank agrees to the above statement with evidence of a mean of 4.44.The results from the table indicate a standard deviation of 0.80 which suggests that there are variations and slight deviation of results from the mean. In response to financial performance of the organization, the high competition affects the value of turnover, profits received and the asset base of the bank. Therefore the management should adopt the SWOT analysis alongside Micheal Porters five competitive forces in order to overcome the threatening **competition.**

4.3 DESCRIPTIVE STATISTICS ON VISION AND MISSION AND FINANCIAL PERFORMANCE

Table 6: Mean and Standard Deviation of vision and mission statements

Statement	N	Minimum	Maximum	Mean	Std. Deviation
Available vision	32	4	5	4.91	0.30
Available mission	32	4	5	4.87	0.34
Communicated vision and mission	32	4	5	4.66	0.48
Future direction	32	3	5	4.59	0.56
Mission shows purpose	32	2	5	4.59	0.67
Actions linked to the vision	32	2	5	4.25	0.84
Mission reflected through actions	32	2	5	4.22	0.79
Achievable vision	32	2	5	4.37	0.71
Objectives fit in the mission	32	2	5	4.31	0.82
Vision reflects the objective	32	2	5	4.31	0.82
Unique mission	32	2	5	4.31	0.78
Committed to achieving the mission	32	3	5	4.50	0.67

Source: Primary data

In the table: 6 above, the researcher investigates the role of vision and mission statements on the performance of centenary bank. The responses from the respondents were ranked accordingly and a mean and standard deviation derived so as to easily derive inferences from the data. The details of the analysis are discussed in detail under the subheadings below;

4.3.1 The bank has vision and mission statements in place

With a mean of 4.91, it was indeed the respondents agreed and confirmed that the bank has a vision statement in place. This mean was backed by a standard deviation of 0.296 which implies that there were no variations in the responses of the respondents and thus the expected results. The table above also reveals that the respondents are in agreement with the above statement. It is evidenced by a mean value of 4.87. In addition to this mean, a standard deviation of 0.336 also shows that the data values were very close to the mean implying no variations from the mean. This therefore shows that the bank recognizes the importance of both vision and mission as supported by Drucker (1980) who argues that identification of the organization's vision and mission is the first step of any strategic planning process.

4.3.2 The vision and mission are communicated to all the staff of the organization

Table 6 above reveals that on average, the respondents were in strong agreement with a mean of 4.66. In addition, the responses had a standard deviation of 0.48 which shows that the various responses were close to the mean and they did not deviate from the mean. This implies that the organization is able to meet its objectives and targets using the inspiration got when the vision and mission are communicated to the staff. This is supported by Bart and Baetz (1998) who argue that Mission and vision both relate to an organization’s purpose and is typically communicated in some written form. Mission and vision are statements from the organization that answer questions about what the organization is, what the organization values, and where it is going.

4.3.3 The vision provides future direction to the organization

The analysis from the table above indicates that the respondents agreed to the statement that the vision provides future direction to the bank. This is depicted by the mean value of 4.59 and is also supplemented by a standard deviation of 0.56 showing that the respondents' views did not deviate from the mean. From the mean, we can say that indeed the vision sets out the reasons for organization's existence and forms the "ideal" state that the organization aims to achieve as also believed by Drucker (1980). In trying to establish whether the vision can be achieved, the answer is positive following 30 out of 32 people who agreed to the statement. This was also evidenced by the mean of 4.37 and a standard deviation of 0.707 which shows that the results slightly deviated from the mean. It is therefore important to link the vision to the objectives of the organization.

4.3.4 The mission statement shows the purpose of the organization

The findings as shown in table 6 above show that the employees of Centenary bank agree to the above statement due to a mean value of 4.59. This analysis is backed by a standard deviation of 0.67 thus showing that the different staff answers do not deviate from the mean. This implies that the purpose shown by the mission provides motivation to the staff to perform to the best of their abilities in order to achieve the set objectives as also supported by Drucker (1980) who believes that the mission identifies major goals and performance objectives. In response to reflecting the overall objective of the organization, the respondents were generally in agreement that indeed the vision and mission reflect the overall objective of the organization.

4.3.5 Actions of the staff are linked to the vision statement

Table 6 above revealed that most of the respondents were in agreement with the above statement that. This is backed by analysis which depicts a mean value of 4.02 and a standard deviation of 0.70 which proves that the respondents' opinions did not deviate from the mean. Table 6 also revealed that the respondents were in agreement with the statement that the mission is reflected through the actions of the staff. This is evidenced by the mean of 4.22 and a standard deviation of 0.80 also shows no deviation of results from the mean. Therefore, when the vision and mission are in place and well communicated to the staff, the results are expected to be the best as they are reflected through the staff's efforts towards achieving positive financial performance results. This is backed by Bontis and Taggar (2001) who affirm that firms with clearly communicated, widely understood, and collectively shared mission and vision have been shown to perform better than those without them.

4.3.6 The mission of the organization is unique and we commit ourselves to achieving the mission

The analysis from table 6 above indicates that the respondents were in agreement with the above statements. This is revealed by the mean value of 4.31. A standard deviation of 0.78 shows that the respondents' views did not deviate from the mean but slightly varied from each other. Moving on to commitment towards achieving the mission the people agreed with the statement and this was shown by the mean of 4.50. The unique mission therefore provides identity to the business while the commitment of the staff enables the mission to be fulfilled thus greatly improving the financial performance of the organization through efficiency and effectiveness of labor. Rigby (1994) supports this argument because he believes that the mission is a useful ingredient in organizational integration which gets everyone focused on objectives and working together to pull in the same direction.

4.4 DESCRIPTIVE STATISTICS ON BUSINESS STRATEGIES AND FINANCIAL PERFORMANCE

Table 7: Mean and Standard Deviation of business strategies

Statement	N	Minimum	Maximum	Mean	Std. Deviation
Provide high quality services	32	3	5	4.62	0.55
Excellent customer care services	32	3	5	4.38	0.61
Extending our services to rural areas	32	4	5	4.53	0.51
Follow ethical code of conduct	32	3	5	4.53	0.57
Provide microfinance to our customers	32	3	5	4.47	0.57
Employee motivation emphasized	32	1	5	3.59	1.04
Customer friendly charges	32	2	5	3.97	0.90
Innovation and creativeness emphasized	32	3	5	4.25	0.57
Market research carried out	32	1	5	4.22	1.00
Diversified its activities	32	3	5	4.34	0.60
Enhance development through loans	32	3	5	4.34	0.75
Savings and salaries to alleviate poverty	32	1	5	4.16	0.92

Source: Primary data

In the table: 7 above, the researcher examines the effect of business strategies on the financial performance of Centenary bank. The table analyses dimensions under business strategies of an organization in form of positive statements to which respondents gave their opinions. The responses from the respondents were analyzed using mean and standard deviations so as to easily derive inferences from the findings of the researcher. Also frequency tables were used in some cases to explain further. The details of the analysis are discussed in detail under the subheadings as follows;

4.4.1 Our strategies are to provide high quality services and excellent customer care services to our customers

As seen in table 7 above, respondents generally agree to provide high quality services. This is evident in the mean mark of 4.62 which depicts agreement. A standard deviation of 0.554 shows that the respondent's views were very close to the mean hence showing no deviation from the mean. In table 7 above, it is seen that the respondents agreed with the statement that the organization provides excellent customer care services. The agreement is backed by the mean of 4.38 which is above the rank value of 4. A standard deviation of 0.61 shows that the respondent's views did not vary by much hence showing general agreement. These strategies are supported by Covin (1991) who argues that activities associated with high performing strategies also emphasis on customer service and support, extensive advertising, and use of external finance.

4.4.2 Innovation and creativeness are highly emphasized by management of the organization

Table 7 shows that the respondents agree with the statement that innovation and creativeness are highly emphasized by management. This is shown by the mean of 4.22. A standard deviation of

0.66 shows that the respondent's views did not vary by much hence showing no deviations from the mean. Therefore all these three strategic initiatives are vital in an organization in order to achieve competitive advantage of the organization over other firms. This is supported by Robinson and Pearce (1988) who have identified such initiatives to include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets.

4.4.3 We offer customer friendly charges during all financial transactions

The respondents were averagely in agreement with the above statement. This is backed by table 7 which shows mean of 3.94 that is above the average rank and tending towards 4(agreement rank). The standard deviation of 0.95 shows some degree of deviation from the mean.. The organization should therefore implement the cost Leadership Strategy: This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share.

4.4.4 Our organization carries out market research to improve its performance

Table 7 shows a mean of 4.22 which implies that on average, the people agree to the above statement. However the standard deviation of 0.941 shows some variation in the responses meaning that they slightly deviated from the mean. Organizations should therefore embrace market research because it is used for identifying the best strategy for obtaining competitive advantage. One of the strategies that can be obtained after this research is the product and market matrix presented by Ansoff (1980). It focused on the firm's present and potential products and markets or customers. By considering ways to grow via existing products and new products, and in existing markets and new markets, there are four possible product-market combinations. Ansoff's matrix provides four different growth strategies ie Market Penetration, Market Development, Product Development and Diversification.

4.4.5 Employee motivation is highly emphasized.

From table 7 above, the researcher assessed that the respondents were not sure about the statement that employee motivation is highly emphasized. This is evident in the mean value of 3.56 which is supplemented by a standard deviation of 1.076 which reflects that the respondents' opinions deviated from the mean. Employees should therefore be highly motivated in order to achieve the objectives of the organization. This is supported by Greenburg (2008) who adds that improving employee motivation and engagement can increase productivity and profitability while also reducing employee absenteeism and turnover.

4.4.6 The bank has diversified its activities to reduce business risks

From table 7 above, the researcher assessed that the respondents agreed to have diversified the activities of the bank in order to reduce business risks. This is evident in the mean value of 4.34 which is supplemented by a standard deviation of 0.60 which reflects that the respondents' opinions were related to the mean and did not deviate so much. Therefore a firm should diversify where the firm grows by developing new products for new markets (Ansoff 1980).

4.5 PRESENTATION AND INTERPRETATION OF QUALITATIVE DATA.

4.5.1 The respondents suggested other ways to improve the current situation of the business and among them were the following;

Market research by carrying out a feasibility study, aggressive marketing, developing new products that meet customer needs for example Sente mobile, providing excellent services to all customers ,customer sensitization, Client relationship management through providing necessary information to the clients for proper decision making and following up its clients. The bank should also invest in motivating the staff so that they can serve the customers better. The bank should improve on the technology of the banking system, Increase on the number of teller machines and staff. Adding corporate banking sections to main branches to attract high class customers and to promote the bank should also be considered. The bank should always aim to adjust to the market trends in the industry. It should reduce interest rates to attract more loans, increase the borrowing grace period especially for agriculture and reduce loan documentation. There should also be government regulation of new entrants into the market. Lastly the government should also encourage involvement in banking services at all levels of learning.

Therefore Woods(1995) says that the current situational analysis is a major component of strategic planning that can help clarify realistic goals and a recognition of the gaps between the current performance status and the desired goals. Justine et al. (2011) continues that when potentials in the external environment (revealed through SWOT analysis) fit with the unique capabilities and core competences of the entrepreneur, and threats outside the business or weaknesses within it are manageable, the odds of success are greatly improved.

4.5.2 The respondents cited the challenges that the organization is facing in trying to live up to the vision and mission statements and these are;

There are changes in the economy competition and it is difficult to adjust to market demands. Some clients are ignorant about the banking procedures and services, Few economic activities in Jinja thus limiting the number of people who embrace banking services, inflation which leads to increased cost of living and less desire for loans and low savings, a problem of loan defaulters, Jinja town is not on the main road thus limiting the would be customers who would use banking services, unqualified work force, disgruntled staff due to poor or no motivation schemes thus leading to poor performance. The rural areas are inaccessible due to poor infrastructure that is unable to properly support bank operations. There is remoteness of source plans leading to slow business, too much demand for services yet the bank capacity is still limited, high costs of expansion. Also, some places have many banks leading to high competition thus reduced profit base. Sustaining less profit branches, Opening unnecessary branches and limited resources are other challenges faced. Regulations and national policies, political challenges and fiscal variations, insecurity especially in north eastern Uganda are other challenges that are faced by the organization.

4.5.3 The respondents cited other strategies that they have in place to achieve competitive advantage and these include the following;

Aggressive marketing and new innovations, providing the best services and the best customer care, introduction of new products for example Sente mobile, expansion in terms of branches, offering superior customer services, concentrating on E-banking products ie ATM, Cente mobile, POS, Sms, E-payment services eg NSSF, water, E-UMEME, Increasing accessibility of the bank by opening new branches and providing more ATMs in the localities, rural diversification, increasing staff motivation strategies, Offering more training opportunities to staff, extending the working hours to include public holidays, partnering with other organizations to sponsor and provide affordable services eg Danida, KCCA, linkages with other service providers eg MTN, Airtel, corporate social responsibilies, targeting the commercial segments, maintenance of lower charges for customers, producing customer tailored products, continuous interaction with our clients, creating more accounts which suit the rural community eg agricultural loans, group saving accounts and other soft loans, embracing high technology, stabilization of the network to improve the internet and IT services, provision of spot on banking products and services that woo clients hence bigger profit margins and incorporating religious values to emphasize ethical values. The respondents therefore believe that with the above strategies in place, their organization will progress at a first rate and meet all its objectives effectively. This is seconded by Pearce and Robinson (1985) who assert that performance of an enterprise is determined by the business strategy it adopts.

4.5.4 The respondents also gave their views of where they see the organization in the next five years and these were the views;

The bank will be the best rural micro finance institution, top most company in east Africa, best financial institution in Uganda, the leading financial provider in Uganda, leading and dominant in the financial market, best financial institution in both rural and urban areas, number one bank in the country and among the best, affordable and trust worthy micro finance institution in the region. The organization will also be among the leading financial institutions with a large market share because it seeks more of the rural customers who are the majority. There is also hope for poverty alleviation and development, organization outreach to more communities, and rapid growth with more customers. The bank will be expected to be the dominant force in the market and controlling all other market niches in the market.

CHAPTER FIVE

SUMMARIES, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of the findings and conclusions arrived at from the study at Centenary Bank (Jinja branch). It also figures out certain recommendations to address the problems facing strategic planning in order to improve the financial performance of SMEs in Uganda. The findings are based on the objectives of the research study while the conclusions are derived from the findings of the study.

5.1 Summary of findings

The summaries of the findings are presented based on the objectives of the study, the research hypothesis, the conceptual framework and the theoretical framework.

5.1.1 Current business situation and financial performance of Centenary bank

The study established that there is a relationship between current business situation and financial performance. Based on the findings, the respondents agreed that the organization is performing well as per its current status. This was evidenced by the respondents who agreed with an average of 4.16 which was above the rank of 4. However, the respondents were concerned about motivation of employees and competition from other financial institutions as being major threats to the current business situation of the organization. The respondents suggested some ways to improve the current status of the business and these included the following; motivation of staff, product innovation, superior customer care, reduce interest rates to attract more loans and technology advancement. The researcher therefore discovered that the current business situation of an organization has a strong relationship with the financial performance of the SMEs.

5.1.2 Vision and mission statements and financial performance of Centenary bank

The study found that the vision and mission statements play an important and positive role on the financial performance of an organization. Based on the findings, the respondents agreed that the vision and mission statements play a positive role on the financial performance of SMEs. This was evidenced by an average of 4.49 which signified agreement from the respondents. However, some challenges that were identified by the respondents as facing the organization in trying to live up to the vision and mission are; unqualified workforce, inaccessible rural areas, high costs of expansion, disgruntled staff and political challenges. In conclusion, the vision and mission statements play an important and positive role on the financial performance of Centenary bank.

5.1.3 Business strategies and financial performance of Centenary bank

The study found that the business strategies have an important and positive effect on the financial performance of an organization. This was evidenced by the 25 out of 32 respondents who agreed and strongly agreed with an average of 4.49 which was above the rank of 4. The remaining 7 respondents were neutral and in disagreement. According to the respondents, other strategies in place are rural diversification, introduction of new products, E-banking, high technology and continuous interaction with their clients. The organization believes that in the next 5 years, it will be the best financial institution in both rural and urban areas in Uganda.

5.2 Conclusions

From the study, it was established that there is a relationship between current business situation and financial performance.

The study also found that the vision and mission statements play an important and positive role on the financial performance of an organization.

The study found that the business strategies have an important and positive effect on the financial performance of an organization.

Therefore, Strategic planning was seen to play a very important and positive role towards the financial performance of SMEs

5.3 Recommendations

Based on the challenges faced in strategic planning, and on the findings attained in Centenary bank, a number of recommendations have been made in order to address those challenges so that financial performance can improve. The recommendations are classified from the objectives themselves and from the general challenges. These recommendations are seen below:

The bank should offer superior customer services, introduce new products for example Sente mobile and western union money transfer. The bank should also partner with other organizations to sponsor and provide affordable services to their customers for example KCCA and Danida, MTN and Airtel.

The bank should embrace high technology inform of better and increased teller machines, E-banking products for example Automated Teller machines, E-payment services for utilities like water, electricity and NSSF. The management should also embark on staff motivation in form of rewards in order to increase staff morale so as to ensure increased productivity and sales.

There should be increased accessibility of the bank by opening up new branches, targeting the commercial segments and creating more accounts which suit the rural community for example agricultural loans, group saving accounts and other soft loans.

The management should also engage its employees in training services so as to improve on their skills in order to achieve increased turn over, asset base and profits. Ethical code of conduct should also be highly emphasized so as to ensure discipline among the employees of the organization.

5.4 Suggestions for further research

During the study, there were areas that were beyond the scope of the study that called for further investigation. An example is The impact of employee motivation on the performance of SMEs. Another is the effect of competition on the performance of SMEs. The researcher considered these topics because these areas were not looked at in depth yet they seemed to have a significant impact on SME performance. Therefore, these topics would aim at finding out if employees really respond to motivation and how the organization reacts to competition in the industry.

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UGANDA BUREAU OF STATISTICS., 2012. STATISTICAL ABSTRACT

QUESTIONNAIRE:

Dear respondent,

I am Namulindwa Christine, a student of Uganda Martyrs University offering Bachelor's degree in Business Administration and Management. I am humbly requesting you to answer the questionnaire provided which will enable me carry out my research which is partial requirement for the award of a Bachelor's degree in business Administration and Management of Uganda Martyrs University. These questions are intended "***To determine the role of strategic planning on the performance of Small and Medium Enterprises in Uganda".*** All information provided will remain confidential and will only be used for the intended purpose.

In this section, tick the box that applies to you.

1. Gender:

☐ Male ☐ Female

2. Age:

☐ 20-29 ☐ 30-39 ☐ 40-49 ☐ 50-59 ☐ Above 60

3. Management level:

☐ Top level manager ☐ Middle level manager ☐ Lower level manager

4. Duration at Centenary Bank Jinja Branch

☐ 1----------5 years

☐ 6---------10 years

☐ More

Under these sections, tick the appropriate box to indicate the extent of your level of agreement with the following statements.

5 Current Business Situations:

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

		1	2	3	4	5
1.	We are able to meet the daily targets of the organisation.					
2.	We are well placed in the market					
3.	Our sales are relatively high and meet the expectations of the organisation.					
4.	We are make profits from the operations of our business					
5.	We have an overwhelming customer base					
6.	Our staff are highly experienced in providing the best services to its customers					
7.	We ensure security and safety of our customers					
8.	Our staff observe time management during time of work					
9.	Our staff are highly motivated					
11	We anticipate to have a measurable market share in the near future(2-5yrs)					
12	The bank faces a threat of high competition from other service providers within the industry.					

6. Suggest other ways to improve the current status of the business.

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7. **Vision and Mission statements:**

1. Strongly disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

		1	2	3	4	5
1.	The organisation has a vision statement					
2.	The organisation has a mission statement					
3.	The vision and mission are communicated to all the staff of the organisation					
4.	The vision statement provides future direction to the organisation					
5.	The mission statement shows the purpose of the organisation					
6.	Actions of the staff are linked to the vision statement.					
7.	The mission of the organisation is reflected through the actions of the staff					
8.	The vision can be achieved.					
9.	All the objectives fit in the mission statement.					
10.	The vision reflects the overall objective of the organisation.					
11.	The mission of this organisation is unique					
12.	We commit ourselves to achieving the mission					

8. What challenges is the organisation facing in trying to live up to the vision and mission?

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9. Business strategies

1. Strongly disgree 2. Disagree 3. Neutral 4. Agree 5. Strongly agree

		1	2	3	4	5
1.	One of our strategies is to provide high quality services to our customers.					
2.	We provide excellent customer care services to our customers					
3.	We aim at extending our services to the rural areas					
4.	We follow an ethical code of conduct while performing our responsibilities					
5.	Our focus is to provide microfinance to our customers					
6.	Employee motivation is highly emphasised.					
7.	We offer customer friendly charges during all financial transactions					
8.	Innovation and creativeness are highly emphasised by the management.					
9.	Our organisation carries out market research to improve its performance					
10	The bank has diversified its activities to reduce business risks					
11	The main objective of the organisation is to enhance development through loans to SMEs					
12	Savings and salary loans are programmes aimed to alleviate poverty among its customers.					

10. What other strategies do you have in place to achieve competitive advantage?

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11. Where do you see the organisation in the next 5 years using the available strategies and the strategic plan?

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THANK YOU FOR YOUR COOPERATION