

## STRATEGIC PLANNING AND SMES INNOVATION PERFORMANCE AMIDST FORMAL INSTITUTIONAL VOID: ORGANIZATIONAL RESILIENCE COMPETENCY AS AN INTERVENOR

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### Abstract

Amidst the rising global economic, social and health shocks that are obviously taking their toll of the way and manner businesses coordinate their activities, there is a need for ensuring more proactive capabilities of the firms' performance. While the literature on strategic planning and firm resilience are separately identified as organizational practices that enhance firm adaptability and performance, there is no known empirical evidence that reflects their combine interventions on the firm's existence. Therefore, this research aims to investigate the relationships between firm resilience, strategic planning and the performance of SMEs in the informal market of a developing economy. We utilized a descriptive research method that involved data gathering from 314 SMEs in the informal economy in Nigeria. The research analysis was implemented using SMART-PLS version 3.3.9. Structural equation modelling. The result reflected that firm resilience mediated the relationship between strategic planning and performance, and thus suggests that firms must consider firm resilience capabilities as a critical component in the planning of strategic planning activities. Theoretical and managerial implications are discussed.

**Keywords:** Firm resilience, Strategic planning, Performance, Informal economy, Developing economy

### 1.0. INTRODUCTION

Over the past four decades strategic planning has stimulated the interest of many researchers and it is now generally accepted as a significant factor in achieving higher firm performance (Globocnik, Faullant, & Parastuty, 2020). Strategic planning is at the core of decision-making since it considers the type of goal that a company wants to achieve and its sustenance over the long-term (Glaister & Falshaw, 1999). Due to the emergence of unpredictability in the business environment, strategic planning has been increasingly crucial in recent years to advancing business operations (Yusuf & Saffu, 2005; Divesh, Pankaj, & Sri, 2020).

Organizations must come up with strategic plans that will guide them towards the achievement to their goals. Strategic planning is a process for establishing, adopting, and regulating strategy, and officially recording business objectives, based on methodical principles and extensive research (Higgins and Vincze, 1993). Firms adopt strategic planning to imagine the future and design the procedures and operations

required to impact and accomplish such future directions. SMEs that are intentional about strategic planning demonstrate higher tendencies to be creative, adopt sophisticated operational procedures and achieve higher levels of performance (Donkor, Donkor, & Kwarteng, 2018).

This research work is focused on examining the mediating role of firm resilience on the relationship between strategic planning and the performance of Small and Medium-sized Enterprises (SMEs) in Nigeria. Nigeria's business economy, like many developing global economies is characterised by intense levels of institutional void and rapid mortality rate of SMEs (Ibidunni, Ogundana, & Okonkwo, 2021). The role of formal institutions in supporting SMEs growth is identified as a critical problem that hampers innovation among SMEs in developing countries, including Nigeria (North, 1991). The situation is made more complex by the increasing interregional conflicts and trade wars, diverse global health crisis, and intensified digitalization across economies of the world. Thus, the criticality of revisiting the role of strategic planning as an inevitable capability for business operations (Divesh, Pankaj, Sri, 2020). Despite the elaborations of the role of strategic planning on performance (for example, Batra, Sharma, Dixit, M, & Vohra, 2018; Dibrell, Craig, & Neubaum, 2014), the recent global developments impedes the possibilities of generalizing existing studies' implications to the context of SMEs operating in the informal economies of developing nations.

Being the most populous African country and the second largest economy in the continent, the challenges caused by institutional absence leads to high levels self-reliance for entrepreneurs and SME operators (Ibidunni, Esho, Adeola, & Farai, 2023). The self-reliance perspective establishes the notion that firms must resort to identifying their performance by developing internally grown resources (Mhando, 2018). Similarly, within the purview of the resource based view (RBV), firms develop competitive capabilities through the identification of internally identified and cultivated resources that have potentials to position their competitively over a period of adaptive utilization (Barney, 1991). We point out that it may be more useful to think of RBV and a self-reliance perspective of SMEs as a way of better understanding their adaption in the informal economy. The complementary nature of these two approaches is important because neither perspective in its own right has the capacity to fully explain the mechanisms that enhance informal economy SMEs. SMEs in many developing economies, like Nigeria, are poised to sustaining their existence and exploiting and exploring environmental opportunities from a self-reliant perspective through the identification and cultivation of internally cultured firm resources (Debrah, 2007; Gao, Zuzul, Jones, & Khanna, 2017; Lal, 2012). In order to ensure the strategic fit between the firm and its environment, strategic management scholar emphasise the role of strategic planning (Donkor, Donkor, Kankam-Kwarteng, & Aidoo, 2018). Through organizational activities including environmental scanning, resource identification and mobilization and an envisioned planning scope, firms engage strategic planning practices to achieve significant performance in their industry (Gomera, Chinyamurindi, & Mishi, 2018). Yet, the interconnectedness of strategic planning and innovation performance as a self-reliance and resource-based approach of the firm still remains largely unexplained in the literature.

Additionally, there is a vital role of firm resilience amidst the highly volatile and stiffly competitive business environment in which SMEs operate (DiBella, Forrest, Burch, Rao-Williams, Ninomiya, Hermelingmeier, & Chisholm, 2023). Organizational resilience is the capability or competence that firms have to anticipate, respond to/prepare for, and adapt to disruptions in their operating environment (Iftikhar, Purvis, &

Giannoccaro, 2021). Firm resilience remain a critical managerial capability that SMEs operators must leverage for performance of their firms (Santoro, Messeni-Petruzzelli, & Del Giudice, 2021). Despite that firm resilience plays an important role in sustaining SMEs, the theoretical assertion is not established about the relational role of firm resilience as a mediator in sustaining SMEs strategic planning activities and their performance.

Our study is poised on addressing preceding established research gaps by investigating the moderating role of firm resilience on the relationship between strategic planning and SMEs' performance. Our study makes two main contributions. First, we conceptualize and empirically examine the relationship between strategic planning and SMEs performance to give explanations to the adaptiveness of informal economy SMEs in the adverse business economy. Second, we test the mediating effects of two dimensions of firm resilience, namely planned and adaptive the relationship between strategic planning and SMEs performance.

## **2. THEORETICAL BASE AND HYPOTHESIS DEVELOPMENT**

The study relies on the self-reliance and RBV theoretical perspectives to argue about our research hypotheses.

### **2.1. Self-Reliance Theory**

Grounded in the philosophy of self-reliance, which underscores individualism and independence, the theory emphasizes the crucial role of relying on internal capabilities. Applied to SMEs facing formal institutional voids, this perspective suggests that these businesses strategically navigate challenges by trusting their internal strengths. The entrepreneurial spirit to innovate and plan resilience becomes pivotal, aligning with the self-reliance perspective. Katsois (2023) emphasizes the significance of certain characteristics and values such as reliability, integrity, and work ethics in building resilience. Identified gaps in communication, risk management, and financial competence justify the integration of self-reliance theory into our study. This underscores SMEs' independent cultivation of skills and values, aligning with self-reliance principles. Asare-Kyire *et al* (2023) highlights the central role of organizational resilience in fostering innovation and firm performance. The emphasis on developing resilience capabilities aligns with self-reliance principles, emphasizing the internal strengths crucial for navigating industry uncertainties. As supported by Arshad *et al* (2023), Self-Reliance theory helps in exploring how SMEs can independently foster innovation and intellectual capital for enhanced performance.

### **2.2. Resource Based View**

According to RBV, a firm's sustained competitive advantage originates from unique and valuable internal resources. By strategically leveraging internal capabilities and dynamic resources, SMEs can amplify their performance. The RBV lens directs our exploration of how SMEs, facing institutional voids, can adeptly utilize their internal strengths to propel innovation and fortify resilience. Björndahl and Nilsson (2019) underscore the RBV principles, contending that SMEs strategically deploy internal resources and dynamic capabilities to enhance resilience and performance. Their findings support a direct relationship between strategic planning, identified as an essential internal resource, and both firm resilience and SME performance. RBV principles, which focus on physical, human, and organizational capital, contribute significantly to the sustainability of microbusiness entrepreneurs. This aligns with empirical evidence from Adam *et al.* (2022), indicating the positive impact of systematic strategic planning (SSP) and strategic business innovation (SBI) on the sustainable performance of SMEs. Empirical support is further

strengthened by Dwikat et al. (2022), showcasing the relevance of RBV in SMEs confronting political and economic uncertainty.

In summary, these empirical insights collectively affirm the pertinence of Self Reliance and RBV to our investigation. The framework effectively elucidates the strategic choices and internal dynamics of SMEs, providing a solid theoretical foundation for our exploration of strategic planning, performance, and resilience in the context of institutional voids.

## 2.3. Hypothesis Development

### 2.3.1. Strategic Planning and SMEs Performance

Literature highlights strategic planning's crucial role in SMEs' performance, offering a framework for opportunity identification, challenge anticipation, and resource alignment. This approach supports adaptability to dynamic markets, enhancing competitiveness and fostering growth across various performance dimensions. In agreement with this perspective, Henriquez-Calvo and Díaz-Martínez's (2023) underscores a positive association between strategic thinking and the implementation of enhanced production methods, providing empirical evidence for the link between strategic planning and SMEs' performance capabilities. Furthermore, the empirical findings of Donkor et al. (2018) contribute to this understanding, identifying the persistent implementation of strategic planning methodologies as a significant factor contributing to the enhancement of SME performance.

This leads to the Hypothesis:

*H<sub>1</sub>: Strategic Planning related directly with SMEs Performance*

### 2.3.2. Strategic Planning and SMEs Resilience

Existing literature firmly establishes a robust and multifaceted connection between strategic planning and planned resilience, underlining critical aspects such as risk assessment and goal alignment. Theoretical discussions elucidate the pivotal role of strategic planning in nurturing adaptive capabilities, a notion substantiated by empirical evidence showcasing that organizations endowed with mature strategic planning processes inherently manifest heightened adaptability. This adaptability is facilitated by a combination of factors including swift decision-making, flexible resource allocation, and strategic pivoting, as revealed by studies such as Ohja et al. (2023). Furthermore, strategic planning processes are instrumental in anticipating disruptions and formulating effective business continuity plans. In the context of SMEs facing challenges, Zuhtsi et al (2021) accentuates the imperative for adaptive resilience. It emphasizes the pivotal role of adaptive strategies in navigating uncertainties, thereby broadening the perspective on the strategic planning-resilience relationship.

These insights give rise to the following hypotheses:

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*H<sub>2a</sub>: Strategic Planning related directly with SMEs Planned Resilience*

*H<sub>2b</sub>: Strategic Planning related directly with SMEs Adaptive Innovation*

### 2.2.3. Resilience and SMEs performance

Existing literature underscores a robust and intricate correlation between planned resilience, adaptive resilience, and the overall performance of small and medium-sized enterprises (SMEs). Critical variables such as risk assessment and goal alignment are identified as key contributors to bolstering planned resilience, thereby positively influencing SME performance. In the realm of adaptive resilience, the synergy of swift decision-making and strategic pivoting, underpinned by robust strategic planning, emerges as a catalyst for improved performance outcomes. Comparative studies consistently draw connections between the maturity of both resilience types and the subsequent advantages in adaptability, translating into positive performance outcomes for SMEs. Noteworthy studies by Ohja et al. (2023) and Zuhtsi et al. (2021) underscore the significance of this intricate relationship. Additionally, Pertheban et al (2023) aligns with these findings, emphasizing the substantial influence of proactive resilience strategies on the organizational performance of SMEs.

These nuanced insights collectively serve as the foundation for the following hypotheses:

*H<sub>3a</sub>: SMEs Planned Resilience related directly with SMEs Performance*

*H<sub>3b</sub>: SMEs Adaptive Innovation related directly with SMEs Performance*

#### *2.3.4. Resilience as a mediator between Strategic Planning and SMEs performance*

Resilience, encompassing both planned and adaptive dimensions, assumes a pivotal role as a mediator in shaping the intricate relationship between strategic planning and SME performance. Iborra et al. (2020) stress the imperative for SMEs to adeptly navigate dynamic environments, laying the groundwork for the hypothesis that strategic planning, in tandem with ambidexterity, molds SME resilience and consequently influences overall performance. Pertheban et al. (2023) reinforce this narrative by underscoring the significance of proactive resilience strategies, further solidifying resilience's mediating role. The study by Vasi et al. (2024) introduces the Dynamic Open Innovation Funnel, shedding light on effective crisis strategies for SMEs and indicating the mediating role of resilience. Ali et al. (2023) contributes by presenting an integrated framework that highlights the evolving awareness among SMEs regarding resilience's pivotal role in organizational performance. Rojas et al. (2023) showcase the positive impact of social media on SMEs' entrepreneurial capabilities, with organizational resilience serving as a potent mediator. Khurana et al. (2022) reveal how SMEs, during crises, pivot focus and develop resilience, emphasizing the dual role of both planned and adaptive resilience. The crisis prompts SMEs to embrace digital technologies, giving rise to resilience capability as a second-order dynamic capability. Consequently, the hypotheses derived from these insights are:

*H<sub>4a</sub>: SMEs Planned Resilience mediates the relationship between Strategic Planning and SMEs Performance*

*H<sub>4b</sub>: SMEs Adaptive Resilience mediates the relationship between Strategic Planning and SMEs Performance*

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graph LR; SP((Strategic Planning)) -- H2a --> PR((Planned Resilience)); SP -- H2b --> AR((Adaptive Resilience)); SP -- H1 --> P((SMEs Performance)); PR -- H3a --> P; PR -. H4a .-> P; AR -- H3b --> P; AR -. H4b .-> P;
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### 3. METHODOLOGY

We tested the research hypotheses by selecting SME owners and operators in Lagos State, Nigeria. The SMEs deal in the importation and sales of fabrics and jewelleries from foreign business partners based in other countries spread across European, North America, and Asian countries. The SMEs operators in this line of business are clustered in an ample market space, which is popularly referred to as Idumota Market.

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**Table 1: Demographic Characteristics of Respondents**

| <b>Demographic Characteristics</b> | <b>Frequency</b> | <b>%</b> |
|------------------------------------|------------------|----------|
| <b>Gender</b>                      |                  |          |
| Male                               | 110              | 35.0     |
| Female                             | 204              | 65.0     |
| Total                              | 314              | 100.0    |
| <b>Age</b>                         |                  |          |
| 18 - 30                            | 233              | 74.2     |
| 31 - 40                            | 60               | 19.1     |
| 41 and above                       | 21               | 6.7      |
| Total                              | 314              | 100.0    |
| <b>Firm Size</b>                   |                  |          |
| 2-5 staff                          | 217              | 69.1     |
| 6-8 staff                          | 93               | 29.6     |
| 9+ staff                           | 4                | 1.3      |
| Total                              | 314              | 100.0    |
| <b>Firm Age</b>                    |                  |          |
| 1-5 years                          | 186              | 59.2     |
| 6-11 years                         | 119              | 37.9     |
| 12 years+                          | 9                | 2.9      |
| Total                              | 314              | 100.0    |

Table 1 shows the demographic characteristics of the respondents. Of the 363 copies of questionnaire that were distributed 314 respondents, 110 (35.0%) are male operators, while 204 (65.0%) are female. Also, 233 (74.2%) respondents are of the age bracket 18-30 years, while only 60 (19.1%) respondents are of the age bracket 31 – 40 years, and 21 (6.7%) respondents are of the ages 41 years and above. Moreover, 217 (69.1%) of the respondents firm of a size of 2-5 staff, 93 (29.6%) of the respondents have a staff strength of 6-10 staff, and only 4 (1.3%) have a staff size of 11 staff and above. 186 (59.2%) of the respondents' firms have operated for 1-5 years, 119 (37.9%) of the respondents' firms have operated for 6-11 years, and 9 (2.9%) of the respondents' firms have operated for 12 years and above.

### 3.2. Measurements

The dependent variable for this study, SMEs performance, measures the extent to which the SMEs seek to establish market dominance in their operational domain. Performance of the SMEs in included three-items derived from Donkor, Donkor, and Kwarteng (2018). Our study conceived strategic planning as a unidimensional scale. The items that were included in the questionnaire derives from Batra, Sharma, Dixit, and Vohra (2018) to reflect the cross-functionality of strategic planning across the operational areas of the firm. Firm resilience items includes dimensions of planned resilience, which is the strategy of a firm to survive disasters/disruptions, and adaptive resilience, which is the firm's strategy to recover from disruptions (Prayag & Dassanayake, 2022).

### 3.3. Analysis

We adopted the Structural equation modelling (SEM) with SMART-PLS to test our hypotheses. We used SEM over the regression analysis for the following reasons. First, SEM can be used to model latent constructs along with multiple indicators (Kline, 2015). Second, it is possible to test the entire hypothesized model simultaneously with SEM (Byrne, 1998). Third, the use of SEM is useful in testing the psychometric properties of measurements and for identifying measurement errors that might influence theoretical testing (Davvetas et al., 2020).

## 4. RESULTS

We assessed the discriminant validity (table 2) of the research variables. The mean values ranged from 1.33 to 4.32. Table 3 shows the assessment of the construct validity (table 3) of the research variables. The results reveal that all the variables are within the range of acceptable reliability values (Hair et al. (1998). Similarly, all the values of the composite reliability and average variance extracted (AVE) were within the threshold limits recommended by Fornell and Larker (1981) indicating the reliability of our data

**Table 2. Discriminant Validity of the Variables**

|             | Mean | S.D. | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8 |
|-------------|------|------|-------|-------|-------|-------|-------|-------|-------|---|
| Adapt_Resil | 4.32 | 0.30 | 1     |       |       |       |       |       |       |   |
| Age         | 1.32 | 0.60 | 0.117 | 1     |       |       |       |       |       |   |
| Firm Age    | 1.44 | 0.55 | 0.100 | 0.129 | 1     |       |       |       |       |   |
| Firm Size   | 1.33 | 0.52 | 0.146 | 0.072 | 0.179 | 1     |       |       |       |   |
| Gender      | 1.65 | 0.48 | 0.120 | 0.300 | 0.177 | 0.275 | 1     |       |       |   |
| Perf        | 4.31 | 0.51 | 0.993 | 0.112 | 0.164 | 0.208 | 0.158 | 1     |       |   |
| Planned_Res | 4.30 | 0.30 | 0.856 | 0.193 | 0.060 | 0.119 | 0.126 | 0.467 | 1     |   |
| Strat_Plan  | 4.30 | 0.30 | 0.873 | 0.235 | 0.165 | 0.182 | 0.195 | 0.506 | 1.359 | 1 |

*N* = 314

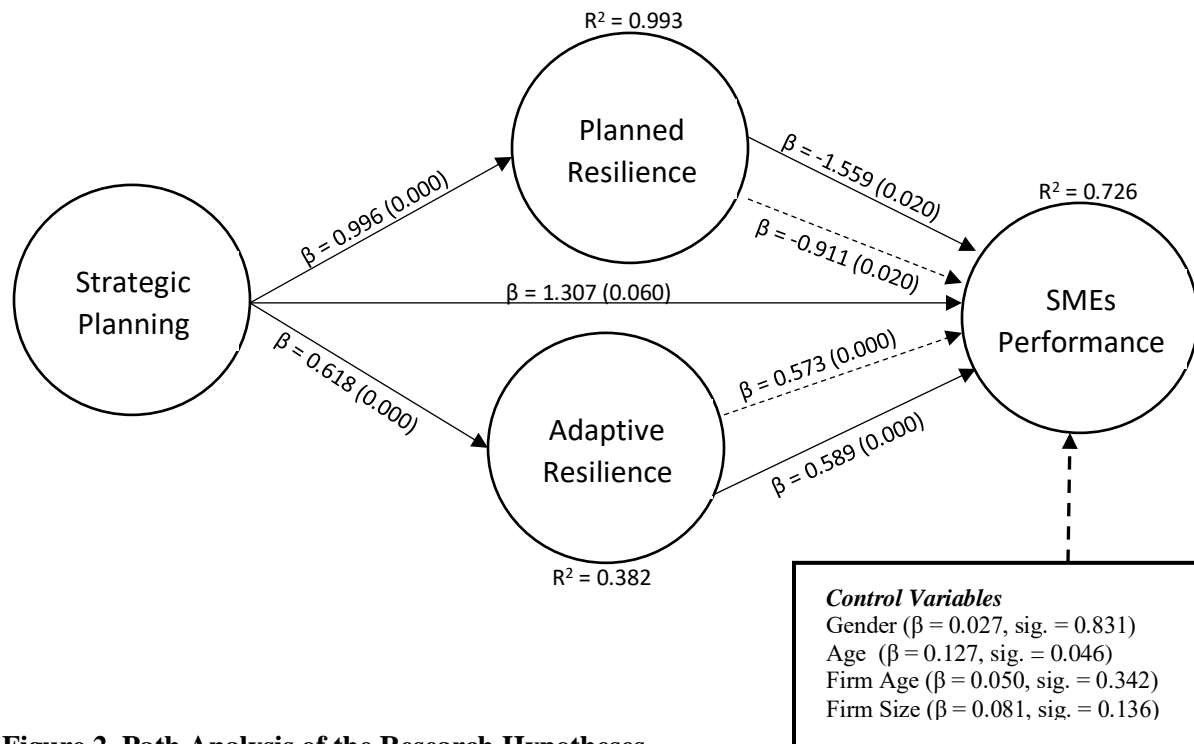
**Table 3. Construct Reliability of the Variables**

|                     | Cronbach Alpha | Composite Reliability | AVE   |
|---------------------|----------------|-----------------------|-------|
| Adaptive Resilience | 0.715          | 0.816                 | 0.528 |
| Performance         | 0.687          | 0.827                 | 0.615 |
| Planned Resilience  | 0.746          | 0.841                 | 0.571 |
| Strategic Planning  | 0.712          | 0.789                 | 0.227 |

We adopted the SEM-PLS to test all hypothesized relationships. H<sub>1</sub> hypothesised that there is a direct relationship between strategic planning and SMEs performance. The analysis reveals that the relationship



( $\beta = 1.307$ ,  $p > 0.05$ ) is not significant, and thus hypothesis 1 is rejected. The analysis also showed that the relationships between strategic planning and planned resilience ( $\beta = 0.996$ ,  $p < 0.000$ ) and adaptive resilience ( $\beta = 0.618$ ,  $p < 0.000$ ) are respectively significant, and thus,  $H_{2a}$  and  $H_{2b}$  are accepted.  $H_{3a}$  and  $H_{3b}$  respectively hypothesised that planned resilience and adaptive resilience respectively directly relates with SMEs performance. The results shows that the relationships between planned resilience ( $\beta = -1.559$ ,  $p < 0.05$ ) and adaptive resilience ( $\beta = 0.936$ ,  $p < 0.000$ ) are respectively significant; therefore, supporting hypothesis 3a and hypothesis 3b. Finally,  $H_{4a}$  and  $H_{4b}$  respectively hypothesised that planned resilience and adaptive resilience respectively mediate the relationship between strategic planning SMEs performance. The results shows that planned resilience ( $\beta = -0.911$ ,  $p < 0.05$ ) and adaptive resilience ( $\beta = 0.589$ ,  $p < 0.000$ ) respectively mediate the relationship between strategic planning and SMEs performance; therefore, supporting hypothesis 4a and hypothesis 4b. The analysis also includes the results for the control variables including Gender ( $\beta = 0.027$ ,  $p > 0.05$ ), Age ( $\beta = 0.127$ ,  $p < 0.05$ ), Firm Age ( $\beta = 0.050$ ,  $p > 0.05$ ), and Firm Size ( $\beta = 0.081$ ,  $p > 0.05$ ).



**Figure 2. Path Analysis of the Research Hypotheses**

## 5. DISCUSSION AND CONCLUSIONS

This study adopted the RBV and self-reliance perspective to investigate the mediating role of firm resilience on the relationship between strategic planning and performance of SMEs operating in the informal economy of Nigeria. The findings of our study extend the existing theorization by explaining how SMEs that are self-reliant incorporate resilient strategies to their strategic planning and for improved performance. We further discuss the theoretical and practical contributions of the study below.

### 5.1. Theoretical Implications

The first hypothesis investigated the direct relationship between strategic planning and SMEs performance. We found the relationship to be not significant. This permits a stronger need for the adoption of a mediating effect of an intervening firm-specific variable to further elaborate the relationship between strategic planning and SMEs performance. While existing studies have found relationship between strategic planning and performance (for example Divesh, Pankaj, & Sri, 2020), our study findings suggest that SMEs need to develop more adaptive firm capabilities that connects the firm's strategic planning with its operating environment.

In the second hypothesis, we tested the relationships between strategic planning and each respective dimension of firm resilience, namely planned and adaptive resilience. We found the relationship to be significant in the two hypotheses. Thus implying that strategic planning in SMEs is adaptive to firm resilience capabilities. This also means that SMEs should cultivate resilience as a firm-level attribute and design their strategic planning taking into account present and future capabilities that supports the firm's ability to withstand and overcome crisis situations.

Meanwhile, the respective relationships between planned resilience and adaptive resilience to SMEs performance were hypothesised in the third set of hypothesis. The results reveal that the relationships are significant. Our result is consistent with existing studies, for example Li, Wu, Holsapple, and Goldsby (2017) in establishing that SMEs are better positioned to improve their firm's outcomes by planning for crisis and developing capabilities that support their adaptation for disruptive situations when they arise.

The fourth hypothesis investigated the mediating effects of firm resilience on the relationship between strategic planning and SMEs performance. The established relationship in the analysis indicates that the interactions of strategic planning with firm resilience capabilities enhance a high position of SMEs performance. Our study's findings are consistent with previous assertion, for example, Dibrell et al., 2014; Ojha et al., 2020 that suggested that while strategic planning, may not exhibit a significant association with financial performance, its impact becomes significantly positive when mediated by firm specific capabilities like resilience.

### 5.2. Managerial and Policy implications

The study also highlights the need for managers to match strategic planning actions and capabilities with environmental uncertainties through the firm resilient component. Firm resilience must consist of a holistic set of actions, competencies and resources that support the firm's adaptability to crisis and disruptive situations. Policy actions from responsive institutional organs are encouraged to support SMEs capacity building for developing strategic roadmaps and developing resilient actions that can secure firm sustenance and growth.

## 6. LIMITATIONS AND FUTURE RESEARCH

While the research findings are valuable to the areas and scope of the research focus, future research is required to investigate a longitudinal scope of applying strategic planning and firm resilience to improving SMEs performance.

## AUTHOR DECLARATIONS

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