

Business Planning Practices Affecting Higher Level of Business Performance of Manufacturing SMEs in the Western Province of Sri Lanka

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ABSTRACT

This research was conducted to assess the impact of the business planning practices on business performance in Manufacturing Small and Medium Enterprises in Western Province, Sri Lanka. In present business environment, business plan is differently considered as an essential tool to initiate and manage an business successfully. In order to derive the expected results the availability and nature of the business plan on the performances of the businesses were evaluated in terms of financial and marketing performances perspectives. The relevant data were collected through primary and secondary sources which included journals, research papers and an questionnaire. The population of the study was the owners of the manufacturing SMEs in western province in Sri Lanka. Out of the population, 80 entrepreneurs have been selected through the western province as the sample. The sample is representing the manufacturing SMEs in Western Province. Primary data was gathered using a five point likert scale questionnaire. Collected data was analyzed by using the SPSS 23.0 computer

software. To measure the effect of the variables a scatter plot, correlation and regression analysis were used to analyze the collected data. Researcher has explored that manufacturing SME's consider about a moderately descriptive business plan instead of a comprehensive detail plan. The results suggested that there is a significant impact the nature of the business plan and the performance of the businesses. Further results exposed that there is a significant effect on only financial performances of enterprise.

Keywords: Business Plan, SMEs, Performances, Finance, Marketing

1. INTRODUCTION

At the heart of today's global economy are the Small and Medium Enterprises (SMEs) who demonstrate the willingness to assume the risks associated with creating new businesses and acting as the entrepreneurs. The recognition that entrepreneurship and entrepreneurs are vital and great drivers of economic growth through the employment, creativity and innovation, and productivity has been long understood by

researchers, analysts and economic theoreticians. Sri Lanka has moved from a lower-middle income country to an upper-middle income country³⁶. Nevertheless, there is much needs to be done in the postwar economy and there is a very large unfinished agenda²¹. Amidst the process of moving from a lower-middle income country to an upper-middle income country it is easy for Sri Lanka to get stuck in the middle income trap³⁹.

The modern view of scholars' is implementing a business plan in relating to all the business functions as a process rather than just producing a business plan as an indicator of entire corporate vision. Therefore, this study expects to study what the position of business plan is in relates of Sri Lankan Western Province manufacturing SMEs. A Business Plan is the articulation and explanation of why the chosen plan for building the company makes sense, what resources it will need to implement the vision, who the team will be that will have the skills and leadership to execute the vision, and what path they will follow to get there (Andrew et al, 2013).

As Andrew et al (2013) explains business plan of a particular business organization glues its all-organizational elements in achieving its organizational objectives. John (2013) stated that "...business evolve and adapt over time, and factoring future growth and direction into the business plan can be an effective way to plan for changes in the market. Although clarifying direction in the business plan lets people know where they are starting, future vision allows them to have future goals to reach for and gives them a roadmap to get there." Since businesses use their own business plans as the mode of attaining their business objectives as

well as to monitor and evaluate businesses' performances.

Research study explains how the business plan affects on earning high level of organizational performances in terms financial and marketing performances perspectives. Author has designed the structure of the study relying on the relative empirical studies, which are gone through by different intelligentsia in the field and all the variables and dimensions are defined in accordance with those scholastic studies.

Relating to this area of study, it is exposed that, no of academic and professional scholars, journals and institutes have investigated numerous systematic studies in different aspects of this discipline in the international level. Midst of them, studies done by George A. Steiner during the Strategic Planning era in 1960 about Strategic Planning, could be considered as a major milestone in the evolution process of business planning studies.

Afterward many scholars enriched the area of study by explaining that there is an essentiality of a business plan to harvest a higher level of performances in business organizations¹⁸. Meanwhile some scholars have argued that there is no any positive correlation between the having an effective business plan and the higher level of performance of business¹⁴.

Based on the literature there is an ongoing debate within the academic literature about the value of the business plan in the development of the business plan in the development of the small and medium scale firms. Further, it is expressed that, there are significant benefits of using a business plan as an output focused predominantly on convincing and acquiring resources from other organizations and individuals. It is very important to consider that, the business plan would be formal or informal and

it focused on understanding and responding to the context, which the business operates also.

Many scholars have done further studies in how to positioning the business plan within the organization¹⁴, how should be the nature of the business plan in terms of the scale of the business²⁷, nature of approach of planning the business²¹.

The problem of the Study is that how does the business planning practices effect on Sri Lankan, Western Province SME sector manufacturing businesses in earning higher level of performances? Research questions answered through this study and author of the study expects to concentrate identifying how the business planning practices effects on higher level of performances of SME sector manufacturing businesses in Western Province, Sri Lanka through this study as it is a general objective. Specific objectives such as identify the level of essentiality of a business plan for a SME sector manufacturing businesses firstly. Secondly, determine the nature of business plan that required for earning higher level of performances in terms of financial and marketing perspectives in SME sector manufacturing businesses. Thirdly, certain the nature of overall entrepreneurial orientation towards business planning to earn high level of business performances in terms of financial and marketing perspectives in SME sector manufacturing businesses.

2. LITERATURE REVIEW

2.1 Entrepreneurship and

Entrepreneurs

According to the Barringer (2009) Entrepreneurship is a process of identifying and starting a business venture, sourcing and organizing the required resources and taking

both the risks and rewards associated with the venture. Entrepreneurship may result in new organizations or revitalize mature organizations in response to a perceived business opportunity¹.

Entrepreneurship ranges in scale from solo projects, and even just part-time projects, to major undertakings that create many job opportunities²⁶. A new business started by an entrepreneur is referred to as a start-up company. In recent years, the term has been extended to include small business concept with the Entrepreneurship. Miller and Bromiley (1990) say, the concept of entrepreneurship has a wide range of meanings. On the one extreme, an entrepreneur is a person of very high aptitude who pioneers change, possessing characteristics found in only a very small fraction of the population². On the other extreme of definitions, anyone who wants to work for him or herself is considered to be an entrepreneur. According to the Ahl (2006) an entrepreneur is defined as an individual who organizes or operates a business or businesses. Entrepreneur is the term as a person who pays a certain price for a product and resells it at an uncertain price making decisions about obtaining and using the resources while consequently admitting the risk of enterprise. An entrepreneur is an economic agent who unites all means of production- land of One, the labor of another and the capital of yet another and thus produces a product⁴. By selling the product in the market he pays rent of land, wages to labor, interest on capital and what remains is his profit (Singh et al, 2008). The entrepreneur shifts economic resources out of an area of lower and into an area of higher

productivity and greater yield⁵. Entrepreneurs are innovators who use a process of shattering the status quo of the existing products and services, to set up new products, new services. Mahmood & Hanafi, (2013) explain an entrepreneur is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship employs what Schumpeter called "the gale of creative destruction" to replace in whole or in part inferior offerings across markets and industries, simultaneously creating new products and new business models³². Thus, creative destruction is largely responsible for the dynamism of industry and long-term economic growth⁶.

2.2 Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) play an increasingly important role in the more growth of most nations. In accordance with the National Human Resource and Employment Policy Report- (2012), SMEs mark up a great part of Sri Lanka's economy responsible for approximately 80% of all businesses⁴⁰. Around 86% industrial formations, 63% of trade sector and 68% service sector formations are SMEs¹². National Human Resource and Employment Policy Report (2012) noticed the significant role of SMEs in the Sri Lankan economy by the means of producing employment opportunities, endorsing inclusive growth, rising entrepreneurial skills, boosting innovations, encouraging economic growth, making wealth, alleviating poverty and promoting social solidarity⁷.

SMEs are more encouraged by the economics of various countries because of its characteristics such as dynamic, innovative, efficient and their small size allows for flexibility, immediate feedback, short decision-making chain,

better understanding and quicker response to customer needs (Singh et al, 2008). Most of the foreign countries are realizing the fact that SMEs contribute a major portion of the country's GDP and economic activity and they hold an important place and get the similar effects when a business policy is laid by the government for larger businesses. Most of the south eastern countries have realized the importance of the SME's towards the productivity of the country and for this reason most of the countries are keeping vigilant eye on the growth and interest of the people running these small and medium enterprise³. (Jasra et al, 2011) Jasra et al (2011) says, Most of the current larger enterprises have their origin in small and medium enterprises. SMEs are different from large scale enterprises in three main aspects; uncertainty, innovation and evolution. The SME sector itself can be classified into micro enterprises, small enterprises and medium enterprises. SMEs are the starting point of development in the economies towards industrialization. Table 1 presents the SME groups in the economic sector wise below.

Table 1: Economic sectors of SMEs in Sri Lanka

Economic Sector	SME Group	Criteria (No. of Persons)
Manufacturing	Micro	1 to 4
	Small	5 to 24
	Medium	25 to 199
Trade	Micro	1 to 3
	Small	4 to 14
	Medium	15 to 34
Services	Micro	1 to 4
	Small	5 to 15
	Medium	16 to 74

**Source: Department of Census and Statistics,
2014**

There is no any specific definition for defining the SMEs and it may be vary from economy to economy. Not only different countries apply different definition on the concept of SMEs, even within the countries, different regions and different institutions adopt varying definition in the regard. According to the Gamage (2003), SMEs are denied in a variety of ways by various countries using such parameters such as numbers of persons employed, amount of capital investment, investment, amount of turnover of the business⁸. The success of SMEs depends on number of factors¹⁷. Literature noted that small and medium enterprises (SMEs) are those enterprises that employ not more than 250 and work on small scale. The technical definition varies from country to country but is usually based on employment, assets, or a combination of the two⁹.

Mahmood & Hanafi (2013) say, mostly discussed about the importance of the SMEs to the development of the country. The small and medium enterprises have been believed as very important in accelerating the economic development of a country¹⁰. That is why its role is becoming increasingly prominent throughout the World. However, SMEs have their significant effect on the income distribution, tax revenue, and employment, efficient utilization of resources and stability of family income¹¹.

SMEs have a propensity to employ more labor- intensive production processes than large enterprises. Consequently, they contribute a propensity to employ more labor-intensive production processes than consequently; they contribute significantly to the provision of productive employment opportunities, the generation of income and, eventually, the reduction of poverty¹³. SMEs play significant contribution in the transition of agriculture-led economies to industrial ones furnishing plain opportunities for

processing activities, which can generate sustainable source of revenue and enhance the development process. SMEs shore up the expansion of systemic productive capability¹⁴.

The SMEs are being considered as engines of economic growth worldwide. One of the most important roles of SMEs in this context includes poverty alleviation through job creation. The developed as well as developing countries are taking extreme benefits from SMEs and that are capable to accelerate the economy of any country. It plays considerable responsibility in providing further employment and conversion of economy¹⁷. It is also implicit that sectors conquered by SMEs are better able to develop dynamic economies of scale. The roles of SMEs in the creation of productive employment are concerned with its position in the center of the range of sizes and resources intensities in a rising economy. Developing economies have started to focus on the crucial role that SMEs can play in their development²⁸. As literature review also explained there is no any generally accepted common definition for SME sector business extraction from the industry. Because of that limitation, it is expected to use the definition presented by Industrial Development Board, Sri Lanka, which present a definition as all the business establishments have invested less than Rupees four million in plant and machineries are SME sector businesses. Nevertheless, IDB has not conducted a survey on no of SME sector establishments under this definition.

2.4 Failure of the SMEs

The letdown rate of small type business in developing countries is greater than in the developed countries². The rate of business failure among SMEs is⁴⁵ percent in Sri Lanka⁴, noticed that SMEs may be failure because of

some challenges or reasons. These can be able to come from internally as well as externally. Starting and operating a small business includes a possibility of success as well as failure. Because of their small size, a simple management mistake is likely to lead to sure death of a small enterprise hence no opportunity to learn from its past mistakes¹². Lack of planning, improper financing and poor management have been posited as the main causes of failure of small enterprises²⁶. According to Bowen (2009) lack of credit has also been identified as one of the most serious constraints facing SMEs and hindering the development¹⁵.

2.3 Entrepreneurship and Small Business

Hannon & Atherton (2012) explain, Entrepreneurial orientation has a positive effect towards business performance of women-owned SMEs. These reinforce previous studies that entrepreneurial oriented firms tend to be more willing to take risks, and appear to be more innovative and proactive that leads to increase performance¹. Competitive advantage was also found on the relationship between entrepreneurial orientation and business performance¹⁶. Competitive advantage is not dependent on natural resources, technology or economies of scale, but on the valuable, rare and hard to imitate resources that reside within the firm. The ability of the firm to develop and utilize these resources can equip it with the needed tools to most effectively direct the firm (Mullin and Komisar, 2009).

Ganesh and Mehta (2013) say, Entrepreneurship vs. Small Business many people use the terms "entrepreneur" and "small business owner" synonymously. While they may have much in common, there are significant differences

between the entrepreneurial venture and the small business. Entrepreneurial ventures differ from small businesses in these ways. Ulijn (2004) describe, Amount of wealth creation is rather than simply generating an income stream that replaces traditional employment, a successful entrepreneurial venture creates substantial wealth, typically in excess of several million dollars of profit. Speed of wealth creation while a successful small business can generate several million dollars of profit over a lifetime, entrepreneurial wealth creation often is rapid.

Hannon & Atherton (2012) say, the risk of an entrepreneurial venture must be high than other businesses. Otherwise, with the incentive of sure profits, many entrepreneurs would be pursuing the idea and the opportunity no longer would exist. Entrepreneurship often involves substantial innovation beyond what a small business might exhibit. This innovation gives the venture the competitive advantage that results in wealth creation⁶. The innovation may be in the product or service itself, or in the business processes used to deliver it.

2.5 Entrepreneurship and Small Business in Sri Lanka

Gamage (2003) say that, many business enterprises in Sri Lanka belong to the small business category. Most of these enterprises are located outside the capital city of Colombo. Employment in the rural sector is also generated by small business venture²². The government has organized the socio economic significance of the small business sector and has instituted policies to encourage and promote small business activities. Conditions conducive for small business ventures exist in Sri Lanka²⁵. In spite of this, many small ventures have failed or have suffered slow growth. Reasons for such failures

appear to be related to selection procedures of the ventures and improper management of the business.

2.6 Business Plan

According to the Ulijn et al (2004) the business plan negotiation role play aims at simulating a real-world situation, presenting students with the opportunity to exercise the negotiation skills and strategies learned in class as well as providing an interactive learning experience that offers expert feedback in a setting that is as realistic as possible. A formal business plan is inviting to major benefits to the organization. Their finding shows that ownership profile is key factors in the success of an SME. Business plan it holds its vital importance as better business planning reduces the risks associated with any business activity. Insufficient awareness of the need for a business plan was identified as one problem at the start up phase among SME's⁸. However, it is believed that well-planned business activities as manifested in a business plan will yield a better business performance. Ganesh & Mehta (2013) say, as a process, business planning can be both formal and informal. It is vital to have a proper understanding the process of developing a business plan and investigate the startup or development activities with the pre-requisites. Process of the business plan development presents in figure 1 as follows.

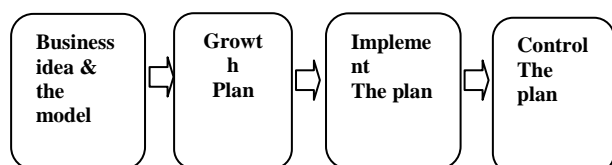


Figure 1: Business Plan Development Process

It is focused on understanding and responding to the context within which the business operates. Strategic awareness capability, as a both a bundle of

activities and a core competence, helps to make scene of this context and serve as a mean of managing interactions between the firm and its environment. It allows for a more sensitive reading of the limitation and strength of the planning in markets that are, for the small business, generally unpredictable and complex. Kuratko (2012) argues that "...the written of business plan should be taught because it is the, starting point for business creation". The business plan is the major tool used in guiding the formation of the venture, as well as the primary document in managing it²³.

According to the McKeever (2011) a business plan is necessary for those taking on loans or co-investors, but even those who are not seeking outside financing can benefit from writing one. How to Write a Business Plan offers four additional reasons why business plans are important: the process can help the entrepreneur refine and improve her concept; determine whether a concept is worth pursuing; improve her odds of success Ulijn (2004) Business planning can be able to gained competitive advantages to the business. Business plan evolution is a process that aims changes in the market and additional value to a company. The value comes from the flexibility of the business plan in leading with the market change, for example, upon changes in marketing investments³⁵. Flexibility into the business plan will make it more adaptable than the original fixed version⁴¹.

The more flexibility in responding to future market changes, the more successful the business plan evolution is likely to be. The added value is attributed to the flexibility and the alternatives created over the evolutionary milestones of the plan flexibility takes the form of adaptive marketing budget through enduring rapid changes in marketing features, to improve the competitive position of the company. Kruse (2013)

says, the purpose in writing a business plan is not to borrow money, but to think through every aspect of a business before you get to the point of how to finance the business. Businesses fail because critical issues were not fully thought out or, even worse, were not even considered because the entrepreneur did prepare a business plan in the first place.

2.7 Practices of the business plan in SMEs

According to the McKeever (2011) a business plan is compulsory for those taking on loans or co-investors, but even those who are not seeking outside financing can benefit from writing one. How to Write a Business Plan offers four additional reasons why business plans are important: the process can help the entrepreneur refine and improve her concept; determine whether a concept is worth pursuing; improve her odds of success; and keep on track there are other sources that entrepreneurs in different industries will need to consult when writing a business plan. When combined, strategic awareness, capability and planning effectiveness can be used to develop a typology of business types that provides insight into the process by which business development can be supported¹¹. In addition, strategic awareness capability can be consider a core competence of small business and conceptualized in term of different levels of experience and expertise. As a result, small firms with varying levels of experience face different challenge and needs when using and developing strategic awareness capability. Small business with different level of strategic awareness capability and planning effectiveness has different characteristics and needs¹⁹. The "Un-navigated Ship" faces significant managerial challenges due to its low levels of strategic awareness and planning effectiveness. It

has different translating opportunities generate by high strategic awareness capability into business development activities because of poor planning effectiveness. Business planning is vulnerable to change in the eternal environment because of low strategic awareness, but is effective at applying its own ideas. The business plan able to read the environment and take full advantage of opportunities thanks to its high levels of strategic awareness capabilities and planning effectiveness

2.8 Nature of the business plan

Entrepreneur needs to go through the process of writing a business plan that helps them to synthesize their thoughts and forces them to do a lot of the research that is needed when starting a new venture. It is essential to use the business in to manage the business. Following factors should be consider, when develop the business plan²²: One size fits all- Every business is different, so every business plan is different also. Using standard documents may save the time, but the result will not be tailored to the business or fully meet business needs. Be precise and avoid unnecessary verbiage that fills up space or builds up hype falsely. Understand cash flow- Many newcomers to business will think in terms of profits, or sales minus costs and expenses. Businesses do not spend profit and spend cash. Many businesses fail because they lack the necessary cash to operate, not because they are "bad" businesses. Do not be overly optimistic- Be realistic with the projections and bear in mind that very successful companies often take many years to get to a point where they succeed. Losses are normal in the first few years of most businesses. Inadequate executive summary- After the consultant have written your 30-40 page business plan, the business must create a one or two-page overview that condenses all of those pages. This is not easy, but it must be done. That is

why the executive summary should be written last. If management/owner is seeking financing, the lender may only read that part of the business plan. Kruse (2013) defined, business plan forces the business to plan. If the owner needs to borrow money to get your business started, owner will definitely need a business plan. However, it is essential to recommend that you reduce your long plan down to 10-12 pages, hitting the highlights, the most important points, of each section and take that reduced business plan to it is essential to first visit with the lending institution. Have long detailed plan in a notebook with business when visit the bank or credit union, so that if the loan officer requests more detail, therefore, it will be able to provide it. The Business plan itself may be visualized in three layers¹⁶. The Foundation or Pillars of the Business Opportunity. Opportunity: The Problem (need), The Solution (offering), The Business Model the Infrastructure that enables execution Resources: The Management Team, the Technology, the Finances, Current Status The Context (Social, Economic and Technological Drivers) the Market, and the Competition

2.9 The Body of the Business Plan

The body of a business plan should include detailed information in the areas²⁰.

2.10 Executive Summary

Description part of the study, marketing information, product/service information, management information and financial information including more attention to finalize summarized information

2.11 Background

A short summary of how the business started, what contributed to its progress and the position it currently finds itself A detailed description of the

service and product offering as well as its competitive advantage (remember service and integrity are a given, and attention should be focused on what makes the business stand out from its competitors). The business owner would do well to include the future plans of the business and succession planning in this section.

2.12 Marketing Plan

This section will contain an overview of the industry in which the business operates. Details of main competitors and strengths and weaknesses of both the business and its competitors should be detailed here. Define the marketing strategy for the next what the business will be doing to make clients and potential clients aware of the range and be range and benefits of the product offerings of the business. Budget Considerations will determine what strategy will be employed.

Do not ignore any risk factors that the business may face. A comprehensive business will address and offer solutions to potential issues such as cash flow challenges, reduced sales, technological, economic, social and political developments as well as supplier problems and employment issues, not forgetting any seasonal and cyclical pressures the business may face from time to time⁴².

2.13 Production plan or operation plan

Production means goods / manufacturing or services in the production system. Manufacturing Feasibility analysis and evaluation of a proposed project to determine if it is technically feasible to manufacture the product to meet customer requirements. If they are understood properly, the analysis will fulfill the expectation of the organization and the customers²⁰.

2.14 Ownership structure and management team

The business type (for example, a company close corporation, or trust), its structure and key personnel should be described here. Include an origin to make the management structure and reporting lines easier for the reader to understand. The quality of management is often the key factor in obtaining finance or equity funding, and describing the qualifications and responsibilities of management is key critical in this regard. If the business uses nonexecutive directors, mentors and/or professional advisers, the details of these persons should be mentioned together with their qualifications and track record. A growing business will require increased staff and equipment, so it is recommended to mention the impact of this in the plan. The crux of the plan mentioned in the summary (describing how the business is currently being funded, how much money is being sought, the form of the proposed.

2.15 Financial Plan

The existing financial position of the business should be summarized and specific attention should be given to describing how debtors, creditors and costs are controlled currently, and how these processes will be adjusted in the progress of the business. An indication of the current and projected breakeven point (the revenue point at which the business makes neither a profit nor a loss) and other key financial information relating to profitability, management of free cash flow, expenses and, if applicable, stock turnover rates should also be summarized in this section. These calculations will all be detailed in the spreadsheets attached as appendices to the plan.

2.16 Appendices

Attaching appendices containing the bastion which the contents of the business plan are formulated is important and provide evidence that the business owner has applied on mind to the business plan, and include the positive and negative aspects that may be encountered en route to taking the business to the next level. The specific appendices that may be relevant to the plan will depend upon the service or product on offer.

2.17 Importance of Business Planning on SMEs

According to the faster (2009), new businesses represent an important economic and social force, providing innovation, emergent industries and technologies, as well as employment, economic development and growth. The recognition of small business and entrepreneurial has resulted in an explosion of education and research regarding how to best advance and promote entrepreneurial activity. One such area concerns the utility of business planning. Liao & Gartner (2006) sat that business planning has a significantly greater impact on performance in established small firms than in well established firms. Because they had insufficient information on the exact ages of the firms in the analysis, they were unable to examine the longitudinal effects of age on planning, short of utilizing a dichotomous variable. Thus, the question whether or not business planning is important for nascent or emergent ventures remains unanswered¹⁵. However, the evidence does seem to indicate that there is strong relationship between business plan and business performance.

Gruber (2007) explains, Planning and performance for entrepreneurial activities, resulting in significant controversy regarding can be identifies as the benefits as well as liabilities. Advocates cite the importance of maximizing

resources, sequential developing processes, and facilitating rapid decision making.

Karlsson & Honig (2009) describe that business plans occurs primarily during the initial period of organizational formation but are silent regarding whether legitimating processes persist over a firm's life cycle. The planning helped entrepreneurs facilitate goal attainment, make rapid and more effective decisions, and more quickly turn goals into operational activities. Controlling for end result and entrepreneurial experience, new ventures that planned grew. Delmar & Shane (2004) also found that business plans helped with legitimacy reduced the probability of failure and helped overcome the liabilities of underdeveloped social ties.

According to the Liao & Gartner (2006) there is some evidence that planning leads to persistence. However, persistence by itself may be a poor measure of success. Entrepreneurs might be better off identifying failure early on, rather than pursuing an activity that will likely leading to failure and unnecessary resource expenditures⁹. In particular, the issue of persistence has not conclusively been researched, as few studies contain the necessary longitudinal data to adjudicate whether persistence eventually leads to performance. Faster (2009) says that some scholarship suggests that business planning interferes with the efforts of time constrained entrepreneurs to undertake more efficient activities in the nascent process.

This reasoning argues that planning gives a false illusion of control and yields potentially harmful predictions due to the inability to gather and analyse information about the future¹⁵. Other research has shown that business plans may be either unrelated to entrepreneurial success, or primarily beneficial in Signaling institutional support as opposed to helping with entrepreneurial

activities²⁰. A number of studies have demonstrated that nascent entrepreneurs who do business planning are more persistent than those who do not plan. However, Delmar and Shane (2004) found a positive effect on performance from business plan to the small businesses.

2.18 Relationship between SMEs and Business Planning

According to Bridge & Hegarty (2011) there is a relationship between entrepreneurship education and considering the role of the business plan in both areas. Few if any other issues more divide entrepreneurship educators than the role of business plans in the curriculums. Academically, the business plan is seen as an instrument of risk management through which both internal and external benefits can be derived⁵. Outside the boundaries of academia, the business plan would seem to be increasingly losing credibility. Perhaps the most damning critique of the business plan is that it is a work of fiction, a document about an opportunity that is rarely understood in its full detail, and thus any such road map would surely lead one in the wrong direction³³.

According to the Jones and Penaluna (2013), there can be seen two perspectives of the developing the business plan. From the external perspective, potential investors are provided with an overview of the entrepreneur's opportunity and the plan developed to exploit it. From the internal perspective, the entrepreneur has developed a road map to follow. When these two perspectives are combined, there would appear a commonsense to why any entrepreneur would write a business plan before engaging in the process of starting-up a new venture.

2.19 Higher Performance in SMEs

Uliin (2004) say that High performance in the SME is special organizational framework which develops through the organizational strategies. High performance firm consistently outperform competitors and realize bottom-line impact from their human capital functions. Hannon & Atherton (2012) say four main factors in the SME are working together to achieve the high performance standers for the SME against the competitive SMEs in the industry or market.

2.20 The Organizational Strategy

The overall organizational strategies should be developed by considering the functional strategies such as marketing, human resource, information technology, finance and leadership.

Financial situation in the SME. Identify that how limited investment of the organization utilize for gaining the financial upshot such as market revenue, value of the firm, profitability and growth rate. High level of customer satisfaction, which is the organizational high performance level, depends on the customers' satisfaction level. The satisfactory of customer can be used as the performance evolutionary indicator for SME. Leadership style such like the owner of the SME may be the leader of it most of time. The effective leadership approach in the SME can influence on the market high performance. Boni (2011) describe, The High Performance Framework is a conceptual, Scientifically validated structure that owner/ Entrepreneur can use for deciding what to focus on in order to improve organizational performance and make it sustainable. The high performance framework is not a set of instructions or a recipe that can be followed blindly (Singh et al, 2008). Rather a framework has to be translated by managers to their specific organizational situation in their current time, by designing a specific variant of the framework fit for their

organization. According to the Ganesh and Mehta (2013), higher performance level of the SME consists of five factors of high performance such as Quality of Management, Openness & Action Orientation, Long-Term Orientation, Continuous Improvement & Renewal and Quality of Employees

Honig & Samuelsson (2011) define that Financial outcome are the factors which influence on the SME to its development from financial side with the collaboration of factors such as profitability, liquidity, value of the firm, profit growth rate, asset turnover and total investments. When the SME goes towards the financial objectives by spent considerably low assets than financial outcomes, SME can be able to achieve the higher performance level. Non- financial outcomes are Used technology, Human resource in SME, Marketing and marker share Available information and Leadership and administrative perspective⁸.

Jones & Penaluna (2013) say that, within the high-performance HR system, people are highly skilled and are able to interchange their roles. Leadership within the team is not vested in a single individual. Instead, the leadership role is taken up by various team members, according to the need at that moment in time. High performance people have robust methods of resolving conflict efficiently, so that conflict does not become a roadblock to achieving the goals of the human resource. According to the Kwong et al (2011) there is a sense of clear focus and intense energy within a high-performance people. Collectively, the HR has its own consciousness, indicating shared norms and values within the team. The human resource feels a strong sense of accountability for achieving overall higher performance in SME.

Employees display levels of mutual trust towards high level of SME performance.

2.21 Core Features of Higher Performing SMEs

Honig & Samuelsson (2011) say, It is essential to performance all the functions in same manner to gain the high effectively to the SME. As the financial and non financial all assets should perform together in equality behavior. If SME is interested in implementing higher successfully for SME, the characteristics need to be supportive such as Practical leadership. Clear goals - goals that are developed using SMART criteria; each goal must have personal meaning and resonance for each team member, building commitment and engagement. Self-managed teams and decentralization of decision making. Selective hiring of new personnel. Comparatively high compensation including performance and commitment incentives. Management planning and measurement. Technology, Effective decision-making, Open and clear communication, Mutual trust.

2.22 Financial Higher Performance in SME

The financial high performance is becoming increasingly demanding and complex, and competition among surviving¹⁵. Currently there is a mandate to increase the accuracy, reliability and frequency of financial analytics, which we believe will drive financial institutions toward higher performance in the SME. In order to effectively penetrate the financial services vertical it is important for SME to acquire industry-level expertise in financial services, Open opportunities for solutions sales which include both services and systems components and Consider the breadth of

vendor solutions and what is already installed when framing an approach¹⁹.

2.23 Marketing High Performance

Chami (2006) say, marketing aspects cannot expect to drive positive change in the organization unless they are competent in the areas where they are most needed. It's important to consider both skills and processes. For example, many organizational leaders are too heavily focused on creating strong alignment with sales in the end-to-end lead management process before marketing is able to deliver real leads. Marketing higher performance is one critical part for the overall SME performance to gain the competitive advantages than others²⁴. Therefore, SME has focused on improvements across three pillars of capabilities: customer engagement, customer experience, and day-to-day operations. To gain the marketing higher performance for the organization, key factors should be utilized within the organizational process Design – those responsible for managing customer relationships design processes as Customer lifecycle – processes cover the complete range of customer interactions. Training - every SME employee receives customer experience training, Measurement – SME should shares satisfaction and operation metrics with customers and takes responsibility for improvement³⁵.

Jones & Penaluna (2013) describes, One key aspect is marketing strategy as an, Investment portfolio, in which the organization evaluate your risk and return on the full range of current and potential marketing strategies. The other key aspect of actionable strategies is disciplined action as Move the owner attention to managing customer portfolios. Determine triggers to improve customer value. Know and guide customer experiences across touch points. Define behavioral cues as

actionable customer needs that drive growth, Set test, and learn treatment strategies to drive higher yields and returns in SME

According to the Honig & Samuelsson (2011), the high performing marketing framework in the SME can expand the customer pool of the organization by using their vital marketing perspectives on the customers. The marketing strategies in the organization are can be identified as the main source of the SME to reach the customers. Kwong et al (2011), describe effective marketing strategies go towards the effective and high performance marketing performance in order to overall high performance in the SME. The higher performance marketing system in the SME acquire the benefits like Analyze Market Opportunities, Evaluate and Select Target Segments, Position and Reposition Products and Services, Exploit the Value-Satisfaction-Loyalty-Retention-Profitability Chain, Manage Price-Value Relationship, Improve Marketing Program with Focused Competitive Analysis and Evaluate Market Programs and Analyze Marketing Resource Productivity (Honig & Samuelsson, 2011).

3. RESEARCH METHODOLOGY

3.1 Conceptual Framework

As empirical studies explain two critical factors have been identified which affect application of business plan in a particular enterprise. They are availability of the business plan and the nature of the business plan and they are considered as the independent variables of the study. And Further higher level of business performances can be measured with different criteria as literature review has elaborated and in this studied it is considered to measure high level of business performances of manufacturing SMEs in Western Province, Sri Lanka in terms of financial and marketing

performance criteria. Further they are considered as the dependent variables of the study. All the independent and dependent variables are measure in respect of different dimensions and indicators and those dimensions and indicators explain in operationalization of concepts. As explained above, following figure 2 is the conceptual framework developed for the study, which diagrammatically explains the relationship between independent and dependent variables, which has used as the base for the study.

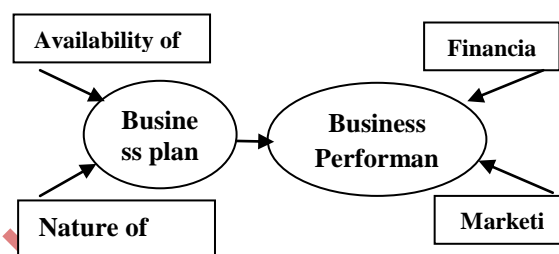


Figure 2: Conceptual Framework

3.2 Hypotheses

The following hypotheses are formulated

H1: There is a relationship between availability of a business plan and the level of financial performances in SME sector manufacturing businesses in Western Province, Sri Lanka.

H2: There is a relationship between availability of a business plan and the level of marketing performances in SME sector manufacturing businesses in Western Province, Sri Lanka.

H3: There is a relationship between the nature of the business plan and the level of financial performances in SME sector manufacturing businesses in Western province, Sri Lanka.

H4: There is a relationship between the nature of the business plan and the level of marketing

performances in SME sector manufacturing business in Western province, Sri Lanka.

- From Gampaha district 16 Manufacturing Enterprises
- From Kaluthara district 05 Manufacturing Enterprises

3.3 Research Method

3.3.1 Population and Sampling Design

The population of this study is all the SME sector business enterprises in Western Province, Sri Lanka. After getting a brief awareness about industrial statistics, author considered about the sampling framework with IDB definition about SMEs. As above mentioned total population or the theoretical population are all the SME sector business entities in Western Province, Sri Lanka. Using a deductive approach author has selected all the manufacturing SMEs as research's study population. Further using the sample framework author has selected the entire SME sector manufacturing enterprises in several urban areas of Colombo, Gampaha and Kaluthara districts based on the no of establishments.

With the resource and time limitations author has selected only eighty (80) SME sector manufacturing enterprises in urban areas of Colombo, Gampaha and Kaluthara districts. There author used a stratified sample method by stratifying the eighty respondents from three administrative districts. This was done to control the sample error and the sample biasness of the sample. Further reliability and validity tests are done for the sample to measure the representativeness of the study and that will be explained in validity and the reliability of the instruments section of this section. After all attentions author has selected the sample by dividing it in to three different strata according to three districts and selected no of respondents as following.

- From Colombo district 59 Manufacturing Enterprises

3.3.2 Data Collection

In the data collection process, the author has collected quantitative and qualitative data. To collect qualitative data, the author has conducted several discussions with different business owners personally to get a basic awareness about the area of research study. Further author studied some business paper articles about the field consisted with a range of contemporary information. To collect quantitative data, the author has distributed eighty (80) questionnaires among the above selected eighty (80) enterprises and data from those enterprises were collected by visiting their business premises. At the same time author has referred some of the official publication of Department of National Planning of Ministry of Finance and Planning and Department of Census and Statistics-Sri Lanka in relation to the Sri Lankan SMEs. In this way, primary and secondary data could be collected.

4. DATA ANALYSIS

4.1 Test of Reliability

The reliability of a measure is established by testing for both consistency and stability. Consistency indicates how well the items measuring the concept hang together as a set. The internal consistency reliability is measured through Cronbach's alpha. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another. Before conducting the survey availability of the business plan was operationalized using three elements according to the literature. When the Cronbach's alpha was measured for availability of the business plan, the

value was 0.620 which fulfill the decision criteria for reliability. This was caused because of using a nominal scaling for above third question of instead of using an ordinal scale as other two questions. Nature of the business plan was operationalized using five elements and its Cronbach's alpha was 0.854. Since that amount is more than 0.6 all those five elements were considered as reliable.

Descriptive values of Cronbach's alpha of business plan nature are elaborated where all the values of the dimensions are more than 0.7. Level of financial performances was operationalized using seven elements and its Cronbach's alpha was 0.844. Since that amount is more than 0.6 all those seven elements were considered as reliable. Level of marketing performances was operationalized using six elements and its Cronbach's alpha was 0.800. Since that amount is more than 0.6 all those seven elements were considered as reliable. Descriptive values of Cronbach's alpha of marketing performances are elaborated which has determined greater values than 0.7 for each dimension of the variable.

4.2 Test of Validity

The validity is the extent to which differences in observed scale scores reflect true differences among the objects on the characteristics being measured³⁰. The researcher assessed both the content and construct validity. The content validity was established by carrying out a rigorous literature review and referring to literature in depth. Through literature review, questionnaire used in this research was designed with reference to the dimensional question proposed are in accordance with content validity.

By conducting a factor analysis researcher established, construct validity. In here, convergent validity was measured with KMO value with significance value, AVE value and CR value while

discriminant validity was measured with VAVE value. Further nomological validity was not measured. In measuring convergent validity, if Kaiser-Meyer-Olkin measure of sampling adequacy is above 0.5 and if the level of significance is below 0.05, a factor analysis could be carried out. Under factor analysis Average Variance Extracted (AVE) should be greater than 0.5¹². The composite reliability should be greater than 0.5 to accept the dimension. KMO values of all the dimensions are greater than 0.5 and significance values are less than 0.05. Thereby author has carried out the factor analysis. Further AVE values of all dimensions are greater than 0.5 and therefore all the dimensions can be accepted. The composite reliability (CR) values were calculated using following equation,

$$CR = \frac{(\epsilon FL)^2}{(\epsilon FL)^2 + \epsilon ME}$$

It should be greater than 0.7 to accept the dimension and all the CR values are greater than 0.7 and all dimensions can be accepted. Therefore, it has determined that all the dimensions are convergent validate. The discriminant validity can define according to the Malhotra & Dash (2010) a type of construct validity that assesses the extent to which a measure does not correlate with other constructs from which it is supposed to differ. The \sqrt{AVE} value of the respected dimension should be greater than the respective value of r. Therefore, all the dimensions are discriminately validate.

4.3 Hypotheses Testing

The main purpose of the research is to identify the relationship between the practice of business plan on performances level of manufacturing sector SMEs. To achieve the main objectives four hypothesis were developed in the research. SPSS

(23.0 version) software was used to measure the hypotheses. Since data are not normally distributed, and using nonparametric correlations bivariate analysis was conducted to measure the correlation and follow the regression analysis.

H₁ : There is a relationship between availability of a business plan and the level of financial performances in SME sector manufacturing businesses in Western Province, Sri Lanka.

There is a positive relationship between availability of the business plan and the finance performance level of manufacturing SMEs in Western Province. To accept H₁ general decision criteria is P value has to be less than α value. According research results P value is .000 and Sig value is 0.05. Therefore 0.000 < 0.05. Since H₁ is accepted and there is a strong positive relationship between availability of the business plan and finance performances level of manufacturing SMEs, which has a 0.606 coefficient. If a manufacturing sector SME entrepreneur is available with a business plan that enterprise can earn higher level of financial performances with in that particular SME. If a manufacturing, SME is not available with a business plan that particular enterprise will earn financial performances less than the enterprises which are available with a business plan.

Hypothesis 02

H₂ : There is a relationship between availability of a business plan the level of marketing performances in SME manufacturing businesses in Western Province, Sri Lanka.

The scatter plot of the study has shown that there is a positive relationship between availability of the business plan and the marketing performance level of manufacturing SMEs in Western Province since there is a positive intersect.

Further, to measure this relationship, Spearman correlation was calculated. There is a positive relationship between availability of the business plan and marketing performances level. To accept H₂ general decision criteria is P value has to be less than α value. According research results P value is .000 and Sig value is 0.05. Therefore it has shown that 0.000 < 0.05. Since H₂ is accepted and there is a positive relationship between availability of the business plan and marketing performances level of manufacturing SMEs. Even though there is a positive relationship between availability of the business plan and marketing performance level of manufacturing SMEs, it has elaborated that relationship is a positive but weak relationship where coefficient value is 0.322.

Hypothesis 03

H₃ : There is a relationship between the nature of the business plan and the level of financial performances in SME sector manufacturing businesses in Western province, Sri Lanka. There is a positive relationship between nature of the business plan and the finance performance level of manufacturing SMEs in Western Province. In order to measure the positive relationship between nature of the business plan and level of financial performances of manufacturing SMEs in Spearman correlation was calculated and data output is presented. According to research results P value is .000 and Sig value is 0.05. Therefore, it has shown that 0.000 < 0.05. Since it is accepted that H₃ and there is a strong positive relationship between nature of the business plan and finance performances level of manufacturing SMEs which has a 0.574 coefficient. Therefore, it explains that, if a manufacturing sector SME entrepreneur's business plan is consists with characteristics of realistic, flexible, adoptable, competitive and innovative nature, that enterprise can earn higher

level of financial performances with in that particular SME. If a manufacturing SME's business plan is not consists with those characteristics that particular enterprise will earn less financial performances than the enterprises, which are having above characteristics in its business plan.

Hypothesis 04

H₄: There is a relationship between the nature of the business plan and the level of marketing performances in SME sector manufacturing business in Western province, Sri Lanka.

There is a positive relationship between nature of the business plan and the marketing performance level of manufacturing SMEs in Western Province. Further to measure the positive relationship between nature of the business plan and level of marketing performances of manufacturing SMEs, spearman correlation was considered and data output is presented. According research results P value is .000 and Sig value is 0.05. Therefore, $0.000 < 0.05$. Since we accept H₄ and there is a strong positive relationship between nature of the business plan and marketing performances level of manufacturing SMEs, which has a 0.553 coefficient. Therefore, it explains that, if a manufacturing sector SME entrepreneur's business plan is formulated with characteristics of realistic, flexible, adoptable, competitive and innovative one, that enterprise can earn higher level of marketing performances with in that particular SME. If a manufacturing SME's business plan is not developed with those characteristics, that particular enterprise will earn less marketing performances than the enterprises, which are having above characteristics in its business plan.

5. DISCUSSION

As per the research objectives author has analyzed all the relevant data and information in chapter four of the study. And it is expected to review research results in a methodological manner based on the data analysis outputs. Initially it is considered about the basic profile of the manufacturing SMEs in the research sample. As chapter three explained author has examined eighty manufacturing SMEs in urban areas of Colombo, Gampaha and Kaluthara administrative districts. According to the research finding majority of the sample were represented by sole proprietorship enterprises while most of the businesses of the sample have invested more than Rs. 1.5 millions and less than Rs.2.5 millions in plant and machinery in businesses. Further majority of the enterprises have been functioned for more than four years to five years. And high no of entrepreneurs have completed a basic diploma and they are processing business management experiences for four to five years.

When considering issues in preparing a business plan, most of the manufacturing SMEs have faced for issues of high time consumption in preparing and lack of knowledge for preparing a business plan. In addition to that it has considered the reasons that have affected them to prepare a business plan for their ventures. Most of the business owners have mentioned that getting easy access for financing sources into their business ventures is the most important factor for preparing a business plan while being well positioned in market over market competition is the next factor. It has elaborated that most of the manufacturing SMEs in sample have considered about preparing an executive summary, production plan and finance plan in their business plans.

After analyzing basic profile information researcher has conducted statistical analysis on data to find out the relationship between independent and dependent variables

separately. Firstly, it has assessed the relationship between the availability of the business plan and the level of financial performances in SME enterprises. It has the relationship between these two variables through scatter plot analysis. Since there is a positive intersect, it is determined that there is a positive relationship between availability of the business plan and the level of financial performances in SMEs. Further, this relationship has descriptively analyzed using spearman correlation and it has assured that there is a positive correlation between these two variables. Therefore, manufacturing sector SMEs can earn higher level of financial performances in their business enterprises if they are consist with a business plan.

After that researcher has examined that the relationship between the availability of the business plan and the level of marketing performances in manufacturing SMEs. Scatter plot diagram has presented that there is a positive relationship between these two variables since it is consisted with a positive intersect. When this was tested with spearman correlation it has resulted that there is a positive weak relationship between availability of the business plan and the level of marketing performances in manufacturing SMEs. It explains that, merely having a business plan does not assure higher level of marketing performances in manufacturing SMEs.

It has determined that there is a positive relationship between nature of the business plan and level of financial performances of a manufacturing SME through scatter plot's positive intersect. Further, it has demonstrated that there is a strong relationship between nature of the business plan and the level of financial performances in a manufacturing SME. If a manufacturing SME is consisted with a dynamic and innovative business

plan that can adopt to different environmental changes, those business entities can earn higher level of financial performances.

Finally author has reviewed the relationship between nature of the business plan and level of marketing performances in a manufacturing SME. Scatter plot's positive intersect has explained that there is a positive relationship between these two variables. In addition to that, it has assured by spearman correlation, explaining that there is a strong positive relationship between nature of the business plan and level of marketing performances. Concluding the information, it has determined that there are positive relationships between all independent and dependent variables of the study. Further, it is explained that except between availability of the business plan and level of marketing performances, there are positive and strong relationships between all independent and dependent variables. It explains that business plan application has a positive impact on higher level of financial and marketing performances in manufacturing SMEs.

6. FINDINGS

According research data analysis discussion it has determined that there are positive relationship between availability of the business plan and level of financial and marketing performances while there are positive relationships between nature of the business plan and financial and marketing performances. When we review research analysis with a holistic view it is expressed that most of the manufacturing SMEs have considered about preparing a business plan at their initial stage of business. Their educational background has affected this, business management experiences, since most of them have completed a basic diploma, and they are possessing business

management experiences for four to five years. Further, this business experiences exposure has affected them to consider business plan as an essential tool to initiate and managing their enterprise.

Further, it has considered about preparing executive summary, operational plan and financial plan when composing their business plan. All of the entrepreneurs of the sample have prepared the production plan in their business plan. Since all the sample units are manufacturing SMEs, they need to plan their operations according to the existing and potential capacities of the venture. They have to forecast required resource levels, durations of operations, cost levels etc. Because of this purpose all the manufacturing SMEs in sample have prepared a production plan. In addition to this argument, initially all sample units are affected by getting easy access to financial sources into their ventures as a reason for preparing a business plan. As per the financial market situation, all the financial agencies in the industry request for a business plan which has more emphasized in financial and production plan in relates of manufacturing SMEs.

Further, once a particular business plan is submitting to a particular financial institute it is a practice to present the business plan with an executive summary. This facilitates authorized offices of financial institutes to come up with an idea about the business plan presented. Further same financial institutes consider about financial performances and financial position of the prospected enterprises using data and information in finance plan of the business plan. These reasons has greatly affected for preparing executive summary, production plan and financial plan. It has elaborated that most of the manufacturing entrepreneurs have not engaged in a comprehensive and more descriptive business plans. This is

because of their basic business educational background and business management experiences. Because of those reasons, they are existing with moderate business plan with all basic required analysis.

Finally, in data and information analysis it has examined the relationship between the independent variables. According to the data analysis output it has elaborated that there is a significant impact of availability and the nature of the business plan on financial performances. If the a manufacturing SME is consisted with a business plan and if it is highly flexible, unique and adoptable to dramatic changes in business market and within the particular organization, that enterprise is capable to earn higher level of financial performances.

Contrasting to above argument, there is a weak positive relationship between availability of the business plan and level of marketing performances while there is a significant relationship between nature of the business plan and the level of marketing performances. It determines that, merely having a business plan does not assure higher level of marketing performances. As literature review present most of the marketing strategies depend on current market situations. Thereby manufacturing sector entrepreneurs have to amend their business plans according to different environmental changes to capture opportunities and to minimize threats in the dramatic business environment. Business plan has to be updated continuously as a process rather than considering it as just a report at enterprise's initial stage.

7. Conclusions and Recommendation

Concluding the research findings it is explained that there is a significant relationship between the application of business plan and higher

performances level of manufacturing SMEs in Western Province, Sri Lanka. Further, it has determined that *business plan* application has to be a continuous strategy for initiating and managing the enterprise to earn higher level of performances in terms of financial and marketing perspectives. As per the findings explained above three out of four hypothesizes indicate strong positive relationships while the other indicates a semi strong positive relationship which provides important insights with regard to successful Financial and Marketing operations in SMEs.

According to the literature review and research findings elaborated it has been proven that, to earn a higher level of financial performances in a manufacturing SME availability of a business plan in that particular enterprise is essential. Therefore the study propose all the manufacturing SMEs to consider about preparing a business plan to manage its financial resources which play a crucial role in achieving organizational goals and objectives. Most of the high financially performed businesses are consisted with a proper business plan. Entrepreneurs are basically required to consider about preparing financial planning in relates to their enterprises such as capital budgeting, working capital requirements, cash flow forecasting, etc. Therefore, SME sector manufacturing entrepreneurs have to consider that preparing a business plan is an essential tool at the initial stage of their enterprises and that has to be continued as a process in order to manage their ventures in a successful way. This planning process should be within a proper framework and it has to be complied with the organizational context. And it is necessarily not to be a comprehensive one.

Research findings indicate that there is a significant relationship between the nature of the business plan and earning a higher level of financial performances in manufacturing SMEs. Entrepreneurs have to highly consider about the

existing and potential capacities of the business venture. Specifically higher management of the enterprise have to consider about these capacities in determining future earnings of the business, funding sources of the venture and planning the operational cycle of the business.

Further, this business plan has to be a flexible one to cope up with dynamic business environment in a dramatic way. Plan should have the ability to capture the financial strengths and weaknesses in the enterprise and manage them toward organizational success. Example: Flexed Budgeting Techniques.

In addition to above argument, SME sector entrepreneurs have to base on current industry information and measures in calculating financial indicators of the venture. If business owners are going rely on outdated or irrelevant information contrasting to current context, all the calculations and outputs of the plan will be inaccurate and manipulated. It will be leaded the business toward an utter failure. The findings of this study useful to the Government for the decisions, management of enterprises, potential investors, and educational institutes in relation to the field of study.

7.1 Further Studies

While conducting this research, certain limitations were identified, with some suggestions for future studies; it may provide helpful insight to insight to be considered in generating a new framework. First, this study was limited to the SMEs in western province urban cover all provinces in Sri Lanka. In future studies, it would be idea provinces of Sri Lanka. Secondly, this study is conducted on the availability and the nature of the business plan and its effects on business performance, thus only financial and marketing performances have been taken in to consideration, where could focus on

operational efficiencies, such as production, administration etc.

The research has been carried out in a particular industry where as further done in industries other than manufacturing. Research is needed to understand how the results of this study might differ based on a firm's product and the industry it operates. The research has been done for the Small and Medium Enterprises where a future study could be conducted in businesses other than SMEs thus generating response that is more reliable.

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