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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

Graduate Research Submitted to the Department of Management

**Effect of Strategic Plan Implementation on the Sustainable Business
Development of Small and Medium Enterprises in Addis Ababa
Manufacturing Firms**

By

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January 15, 2024

Addis Ababa, Ethiopia

DECLARATION

I, Abigia Getachew, affirm that the thesis titled "**The Effect of Strategic Plan Implementation on the Sustainable Business Development of Small and Medium Enterprises in Addis Ababa Manufacturing Firms**" is my original work. This thesis is submitted as part of the requirements for the Masters of Business Administration, Management stream. Yohannes Workaferahu, Ph.D, supervised the thesis completion.

I affirm that this work has not been submitted in whole or in part for any degree or diploma program at this or any other institution. I have acknowledged all sources of materials used in the thesis.

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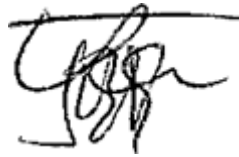
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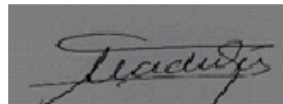
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ABSTRACT

Ethiopian SMEs, including those in food-related manufacturing and -based manufacturing, have an impact on sustainably increasing the economy by creating jobs, improving livelihood, and reducing imports. The purpose of this research is to study The Effect of Strategic Plan Implementation on the Sustainable Business Development of Small and Medium Enterprises in Addis Ababa Manufacturing Firm. The study came up with four questions. To address how goal setting, financial capability, Value proposition or Strategy for driving Competitive Advantage and business knowledge affect sustainability of business. Which are further drawn to hypothesis to test the questions. Both descriptive and inferential statistics were used. The target population composed of 102 willing manufacturing SME business owners which are selected in non-probability convenience sampling method. The study was distributed through paper and mostly using google forms, again both Amharic and English version was used after conducting the Cronbach alpha test, to make questions understandable by business owners. After doing the analysis its found that the model is fit. And strategic plan implementation has a positive effect on sustainable development. The research findings can empower stakeholders, employees, owners of SMEs, government, policy makers, SME-related institutes such as national and international NGOs, and other stakeholders who require data on the specific area or are on the value chain of the business, to make informed decisions that contribute to the growth and sustainable success of the SME businesses.

Keywords - Sustainable Business, Strategic Planning, SMEs.

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Acronyms

Ethiopian Enterprise Development	EED
Ethiopian Birr	ETB
Fana Broadcasting Corporate	FBC
Government of the Federal Democratic Republic of Ethiopia	GOE
Industrial Development Strategic Plan	IDSP
Thousand	K
Million	M
Micro Finance Institution	MFI
Ministry of Industry	MOI
Ministry of Urban Development and Housing	MOUDH
Micro Small and Medium Enterprises	MSME
Return on Investment	ROI
Sustainable Development Goals	SDGs
Small and Medium Enterprises	SME
Multiple Linear Regression Model	MLR
Independent Variable	IV
Dependent Variable	DV
Standard Deviation	SD

CHAPTER ONE - INTRODUCTION

1.1. Introduction

Addis Ababa, August 6, 2023 (FBC) – Ethiopian Enterprise Development (EED) announced that Small and Midsize Enterprises engaged in the manufacturing sector have brought about more than 122,000 jobs during the concluded Ethiopian Fiscal Year. (Melaku Gedif,2023).

The most highly significant matters are for free, like nature, or are given less attention for their availability in bulk. The same is observed in Ethiopian MSMEs. Even though almost all of the enterprises in Ethiopia are composed of MSMEs, we have given less attention to the sector, which can have a significant impact in the long run, so this research scrutinizes the basic pillars leading to sustainable development and resource utilization.

Chapter One of the study touches on the introductory part of the entire study. It includes previous insights by reputable scholars and recently observed reality, from journals and articles. Comprehends background of the study, statement of the problem, standard questionnaires, the objective of the study, the significance of the study, limitation of the study, organization of the study, and the corresponding scope along with key terms explanation.

1.2. Background of the Study

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic landscape of Ethiopia, serving as vital engines for growth, job creation, and poverty alleviation. Various institutions define MSMEs differently, but this research focuses on the definitions provided by banks, governmental organizations, and microfinance institutions (MFIs), as these entities are key players in supporting the MSME community in Ethiopia.

According to the Small & Micro Enterprises Development Strategy of Ethiopia, as referenced in the National MSME Strategy published in 2011, the working definition of MSMEs is based on capital and labor. The World Bank (2011) outlines that banks typically categorize MSMEs by

factors such as annual turnover, loan size, number of employees, and revenues generated. Specifically, a micro enterprise is defined as a business with fewer than five employees and a capital investment of less than 100,000 Ethiopian Birr (ETB) for industries and less than 50,000 ETB for service-based enterprises. Small enterprises, on the other hand, employ between six to thirty individuals and have a capital investment of less than 1.5 million ETB for industries and less than 500,000 ETB for service-based businesses (Konjit Debela, 2009).

Globally, SMEs are recognized as critical drivers of economic development. They not only create job opportunities across various societal strata but also facilitate the flow of capital within communities, contributing to a society free from poverty (Qualify UK, 2023). In Africa, MSMEs account for up to 90% of all businesses, making them a significant source of employment and economic activity (International Finance Corporation, 2022; African Union, 2022).

In Ethiopia, the government has adopted a strategy that leverages SMEs for development and employment generation. The overarching goal of this strategy is to create an enabling environment for MSMEs, with specific objectives that include facilitating economic growth, promoting equitable development, creating long-term jobs, enhancing cooperation among micro and small enterprises, laying the groundwork for medium and large-scale enterprises, promoting exports, and ensuring balanced treatment between MSMEs and larger enterprises (CSAE, 2004).

Strategic planning is essential for MSMEs as it involves making informed decisions that align with the business's mission and objectives. According to Lasher (1999), a strategy is essentially how a business interacts with its environment to achieve its goals. It serves as an action plan that guides resource allocation to seize business opportunities. Longenecker (2000) emphasizes that strategy selection should be based on a solid rationale grounded in the firm's current situation rather than on past decisions or instinct. Every business inherently has a strategy, which is reflected in its operational practices.

Kinyua (2010) notes that SMEs often engage in strategic planning to gain a competitive advantage, linking short, intermediate, and long-term goals. When integrated into community development through a holistic approach that considers social, economic, and environmental factors, SMEs can

significantly contribute to long-term community development (Oppong et al., 2014; Osotimehin et al., 2012).

Given the importance of strategic planning in the sustainability of MSMEs, this research aims to examine the relationship between the implementation of strategic plans and the sustainability of SME businesses. By exploring this connection, the study seeks to provide insights into how effective strategic planning can enhance the long-term viability and impact of MSMEs in Ethiopia.

1.3. Statement of the Problem

SMEs play a major tool in achieving more inclusive globalization and growth. SMEs are lead actors in the economy and vast ecosystem of the companies. SMEs have an important role in achieving the Sustainable Development Goals (SDGs) and promoting inclusive and sustainable economic growth, and employment, fostering innovation, and decreasing income inequalities around the world. (Prof. Dr. Neşe Algan,2019).

Although strategic plan implementation in large corporations worldwide has been well documented, the influence of strategic plan implementation on the performance of SMEs has not been extensively investigated by academic researchers. (Mahoro Shami Faith.2017).

The lack of appropriate policy, development strategy, and sector-oriented support agencies restrain the development and expansion of SMEs. A study by Eshetu and Mammo (2009,10) stated that “Ethiopia has failed to benefit from the phenomenal growth in the SME sector,” This emerges from the fact that the sector lacks appropriate policy, development strategy, and support services. (HAGOS, Yared Haftay.2012). Even though there are many challenges in policy and strategy development, the current era has brought a better means than the previous days. The Micro and Small Enterprise Development Policy and Strategy prepared by the Ministry of Urban Development and Housing (MoUDH) takes into account the experience gained in the implementation of the MSE component of the Industry & Urban Development Package (2006) that formed part of the Ministry’s contribution to GoE’s Plan for Accelerated and Sustained

Development to End Poverty (2005/06-2009/10), as well as analysis of best practices from other countries.

In practice, SMEs often undertake short- and medium-term planning rather than strategic plan implementation (Stonehouse & Pemberton, 2002; Wang, Walker & Redmond, 2007). Intuitive plans are utilized instead of formal written plans by SMEs that affirm planning, owing to the concentrated control of SMEs by the owner(s) (Wang, Walker & Redmond, 2007).

Although the MSME sector contributes significantly to the national economy, the high failure rate among well-established small businesses and enterprises is a matter of major concern. (Eshetu Bekele & Zeleke Worku,2008).

Accordingly, SME owner-managers have been accused of being strategically myopic and lacking a long-term vision as to where their company is headed (Mazzarol, 2004). Which in turn leads to being unfocused and failure of the commenced business in most cases. And it is crucial to focus on strategic plan implementation, SMEs account for over 40% of GDP and over 70% of total employment in low-income countries (Partners, 2020). While recognizing the centrality of SMEs in charting the development trajectory of an economy, the full potential of SMEs was not adequately utilized in Ethiopia. (HAGOS, Yared Haftay.2012).

Accordingly, the study found MSMEs specific challenges such as inadequate or lack of collateral, unavailability of financial records, poor pre-loan saving, low loan repayment rate, business feasibility problems, credit information asymmetry, attitudinal problems of the MSMEs, and diversion of the loan as major constraints for MSMEs access to finance.(Temesgen Wajebo.2022).While reviewing journals and consequent of the research result the above-mentioned are classified to goal setting, Value proposition or Strategy for driving Competitive Advantage strategy, financial capability, and business knowledge issues.

Considering the above it comprehended that a lot of investment has been made on MSMEs and still is in progress. Using policies, collaborations, financial strategies, offering business knowledge, value proposition or Strategy for driving Competitive Advantage and are some points

mentioned above. And the strategic planning implementation effect was found to have significant impact on sustainable development.

Therefore, this study has examined positive cause-and-effect relationships on the impact of strategic plan implementation of SMEs in Addis Ababa, disproving the cliché or irrelevance of strategic plan implementation SMEs.

1.4. Research Questions

1.4.1 General Questions

How does strategic plan implementation support SMEs in driving sustainable business development in Addis Ababa?

1.4.2 Specific Question

1. How does goal setting affect sustainable business?
2. How does financial capability affect the sustainable business of SMEs?
3. How does value proposition or strategy for driving competitive advantage affect the sustainable business of SMEs?
4. How does business knowledge practice affect the sustainability of business in SMEs?
5. How does strategic plan implementation affect the sustainable business development of SMEs?

1.5. The objective of the study

1.5.1 General Objectives

The research aims to explore the connection between strategic plan implementation and sustainable business development of small and medium manufacturing enterprises in Addis Ababa.

1.5.2 Specific Objectives

1. To examine how goal setting affects sustainable business development.
2. To assess how financial status affects the sustainable business development of SMEs.
3. To study how Value proposition or Competitive Advantage affects the sustainable business development of SMEs.
4. To understand how business knowledge practice affects the sustainability of business in SMEs?

5. To understand why strategic plan implementation affects the sustainable business creation of SMEs?

1.6. Significance of the study

This study investigates the impact of strategic plan implementation in Addis Ababa's SME manufacturing firms, focusing on how it influences goal-setting, financial capability, competitive advantage, business owner knowledge acumen, and ultimately, the creation of sustainable businesses.

This study will benefit students of strategic plan implementation aiming to work on SMEs, consultants and organizations in the field, government bodies focused on the growth and development of SMEs in Ethiopia as outlined in Vision 2030 for developing countries as stated by MOI, and owners and managers of small and medium-sized businesses. Consequently, it will contribute to the theory, practice, policy, and research of strategic plan implementation within the SME sector.

1.7. Scope of the study

1.8.1 Geographic scope

The study is conducted in Addis Ababa.

1.8.2 Time scope

The study is conducted in 2024.

1.8.3 Content Scope

In this paper, the strategic plan implementation of SMEs is examined, considering the formulation, implementation, and evaluation of strategies to achieve sustainable business development, which is the independent variable. Sustainability is assessed in terms of goal setting, business execution knowledge, financial capability, and competitive advantage, which are the dependent variables.

1.8. Limitations of the study

The study primarily focuses on selected manufacturing businesses, excluding other sectors and concentrating specifically on the Addis Ababa region. For future research on sustainable business development of SMEs, it is essential to analyze financial transactions. However, the confidentiality

of financial data poses a significant challenge, as business owners are often reluctant to disclose accurate figures. Additionally, time constraints limit the ability to gather comprehensive information from a larger number of manufacturing firms, which is necessary for obtaining precise results. Again, the improvement scale in terms of measurement is not disclosed including the evolutionary improvement of policy and what it brought on the ground on SME so other researchers can focus on gauging the progress.

1.9. Organization of the study

This study paper is organized into five chapters, the first chapter is composed of Background of the study, Problem statement, Objectives of the study, the Research hypothesis, the limitation of the study, and the Scope of the study. Chapter two presents the theoretical, empirical related literature to the study and conceptual framework, while chapter three provides the research methodology. Chapter four outlines' data presentation, analysis, and interpretation, and chapter five concludes and suggests some recommendations.

CHAPTER TWO - LITERATURE REVIEW

2.1. Introduction

This literature review looks at past research on how strategic plan implementation impacts Sustainable Business Development in manufacturing SMEs. It covers information from the internet, academic papers, books, reports, newspaper articles, and other relevant sources. It provides a theoretical foundation for the research, helping the readers understand the main idea. To carry out this review, theoretical literature review type is used.

2.2. Definition Of Terms

2.2.1 Small and Medium Enterprises

There is no identical definition worldwide for small and medium-sized enterprises (SMEs). All countries define SMEs by their criteria based on their economic position. International organizations such as the World Bank, the European Union, the United Nations, and the World Trade Organization define Small and medium-sized enterprises (SMEs) as businesses that maintain revenues, assets, or a number of employees below a certain limit.

The World Bank uses three quantitative criteria for defining SMEs: number of employees, total assets in U.S. dollars and annual sales in U.S. dollars (IEG 2008). A business must meet the quantitative criteria of a number of employees and at least one financial criterion to be categorized as a micro, small, or medium business. (IEG.2008).

Enterprise Indicators	Number of Employees	Total Asset	Or	Total annual sales
Medium	> 50; ≤ 300	>\$3M; ≤ \$15M	Or	>\$3M; ≤ \$15M
Small	> 10; ≤ 50	>\$100K; ≤ \$3M	Or	>\$100K; ≤ \$3M
Micro	< 10	>\$100K	Or	>\$100K

Table 1 Definition of Small and Medium Enterprises by World Bank standards

(Source: Independent Evaluation Group,2008)

Even Though the above definitions are valid for the purpose of this research the definition taken from the Ethiopian Ministry of Trade and Industry (MOTI) would be considered. Which defines MSMEs as follows:

Micro enterprises: are small businesses with total capital investment not exceeding Birr 20,000.

Small enterprises: are businesses with a total investment between Birr, 20,000 up to Birr, 500,000.

Medium enterprises: are these business enterprises with a total investment between Birr, 500,000 up to Birr 1 million.

2.2.2 Manufacturing Small and Medium Enterprises

Manufacturing involves the mechanical or chemical transformation of materials or substances into new products. It makes products from raw materials by the use of manual labor and/or machines and is usually carried out systematically with a division of labor. In a more limited sense, manufacturing is the fabrication or assembly of components into finished products on a fairly large scale. Manufacturing Establishments that transform materials or substances into new products by hand or in the worker's home and those engaged in selling to the general public products made on the same premises from which they are sold, such as bakeries, and pastries may also be included in the manufacturing sector. They either process materials themselves or contract with other establishments to process their materials for them. (Central Statistical Agency,2015).

2.2.3 Strategic Planning

There is a need for all people in the corporation to understand the direction and mission of the business (Kantabutra and Avery, 2010). Strategic planning is a process of analyzing, formulating, and evaluating strategies set by a manager to overcome external threats and create opportunities that exist. The main objective of strategic plan implementation is for the organization to be able to objectively see internal and external conditions so that the organization anticipate changes in the external environment. Strategic planning includes proactive search for new opportunities and reactive solutions to existing problems. (Muhammad Guntur, Fatimah Khumairah, Risma Niswaty, Sitti Hardiyanti Arhas,2024). This includes combined efforts to attract and please customers, compete successfully and conduct operations in a way to improve the company's financial performance. Strategic planning is also defined by Drucker (2004) as the continuous process of making entrepreneurial decisions systematically and with their greatest knowledge organizing systematically the efforts to carry out these decisions and measuring the results against the expectations through organized feedback. In other words, strategic plan implementation is concerned with identifying foreseeable thrusts and weaknesses to avoid and strengths and opportunities to pursue. Strategic planning is the effective application of the best alternative information to decisions that have to be made to ensure a secure future, this was put forward by Day (1997) cited in (Eusebio and Miclat, 2005).

Strategic planning is a process that brings to life the mission and vision of the enterprise. A strategic plan, well-crafted and of value, is driven from the top down; considers the internal and external environment around the business; is the work of the managers of the business; and is communicated to all the business stakeholders, both inside and outside of the company. As a company grows and as the business environment becomes more complex the need for strategic plan implementation is significant.

2.2.4 Sustainable Business Development

Sustainable development, as a broad vision, as defined in 1987 by the World Commission on Environment and Development (also known as the Brundtland Commission; WCED 1987) as the “ability to make development sustainable to ensure that it meets the needs of the present without

compromising the ability of future generations to meet their own needs”.(H.M. Thakshila Ruvini Herathand R.M. Prabodha Subhashini Rathnayake,2019)

2.3. Theoretical Literature

Strategic planning for business traced back to the 1920s when Harvard Business School developed the Harvard policy model, one of the first strategic plan implementation methodologies for commercial businesses (Mahmood, Taleghani & Sharifi, 2011). One of the common sets of activities in management is planning. To determine where the organization is going, regardless of whether it is in the private or public sector, it needs to be clear exactly where it stands, where it wants to go, and how it will get there (Kriemadis & Theakou, 2007).

Planning is not a new phenomenon. It has its roots in military history (Sullivan & Richardson, 2011). The Greek word “stratego” applied to military plans for the destruction of enemies (Ruch, 2004). A statement taken from one writer denotes that “Art of War” is not limited to narrow military concepts such as positioning soldiers on the field. Sun Tzu took into account all the forces acting upon a state (Tracy Falbe n.d.). So, we can see Sun Tzu was able to lead his troops by laying out strategic plan implementation techniques.

These strategic elements that are crucial for strategic plan implementation are namely Mission statement, vision, Objectives, Strategies, and action plans. Mission and vision are crucial elements of strategic management (Mahoro Shami Faith, 2017). So, while planning, vision, and mission are the main parts to focus on. Strategic planning is characterized by improved performance, implementation of objectives, and high-profit turnover. Many argue that the sole purpose of a business is to make a profit. Failure to make a profit would mean the death of the enterprise. As such, better-performing SMEs are highly profitable, competitive, and assured of survival in the business arena (Dr. Abel Gwaka, 2013).

Strategic planning, according to Kroon (1993), it possible to lead the enterprise continuously, considering the enterprise's situation (strengths and weaknesses) and the external environment (opportunities and threats), and to exploit the market with the greatest possibilities for the effective presentation and the profitable sale of a product or service.

In small firms, strategy is typically a product of the single mind of the owner-manager, whose main focus is often on routinely operating his or her daily business, while strategic plan implementation is perceived as less important or even not applicable (Kraus, 2007).

Depending on the company's nature of operations, it argued that some companies need to plan less strategically because they are more flexible and adapt much faster to changes in their immediate environment. As such, the current study several companies as opposed to focusing on a single case study to get insights from different positions (Nomsa Sisi Majama & Tebogo Israel 'Teddy' Magang, 2017).

2.3.1 The Role of Strategic Planning for SMEs

The government and other research-based organizations have demonstrated the one segment of direction for economic growth is empowering MSMEs. There is a great role micro and small enterprises play in improving the living standards of entrepreneurial households enabling them to increase basic needs such as food, education, and health facilities, as well as production, investment, and income suggesting microenterprises use local products for more profitability and more support including awareness raising and training to be given to sustain the existing ones so that poverty is reduced through microenterprise development. (Admasu Abera, 2012).

Strategic planning is a business growth strategy for all categories of business but there is a prevalent misconception among Micro, Small, and Medium Enterprise (MSME) Operators that only big corporations require strategies. There is currently no national statistical data to determine the actual percentage of MSMEs that develop and implement business strategies. (Dr. Peter Ayim,2022).

2.3.2 Goal Setting

Having a clear vision, and serving as a pilot to steer the business in a chosen direction is important for all businesses. (J L van der Walt, J Kroon & B J Fourie,2004). Strategic planning components such as vision, mission, objectives, strategies, and workable plan are important for visualizing the bigger picture for a certain firm. A vision statement is a glimpse into your business's future. While the mission describes your company's focus and what it does, the vision for your company is its direction and identifies what you want it to become. The purpose of a vision statement is to

pinpoint the goals and outcomes your business was created to achieve and outline how it reaches its target. The purpose of a mission statement is to provide a summary of the business purpose and focus. (Bridget Weston,2024). According to different scholars' suggestions if the bigger picture is not understood by the owner any plan might seem to work. A vision of success has aided to establish benchmarks or milestones to indicate accomplished and pending goals and strategic objectives (Kantabutra and Avery, 2010).

Based on research inspection Holmes and Zimmer, (2014) concluded strategic plan implementation and measured growth in SMEs have direct relationships, in contrast, Mille and Cardinal (2014) have stated the challenges of strategic planning, such as planning formality and performance in the small firm. Based on the above considering the positive statement the following hypotheses are inspected in this paper.

H1 - Goal setting has a positive significant impact on the sustainable business of SMEs

2.3.3 Value Proposition

(Eggert et al., 2020) define it as a strategic tool that communicates a firm's capability to provide superior value packages and share resources with its target customers.

Customers have access to information and knowledge about brands and are no longer passive receivers of products and services. They use their understanding of various business issues to provide feedback and opinions that can be integrated into business strategies to improve quality and delivery (Vargo, 2011).

Value propositions are those offerings that are perceived as valuable from the consumers' perspective (and not necessarily from the firm's point of view), and that rely on the perception of value. SMEs often suffer from a lack of resources and skills to run all business processes smoothly enough to achieve a high level of personalization. Value propositions, therefore, should be clearly targeted, communicate effectively, and deliver promises consistently (Cacciolatti & Lee, 2015).

Marketing value propositions should be articulated, precisely targeted, communicated effectively, and delivered on their promise consistently. One of the greater challenges facing SMEs in Africa is packaging and delivering a compelling value proposition that will persuade not just their

consumers or customers, but will allow them to access investors who will unlock their funding (Emily, 2019).

It usually starts by exploring and validating the product & service fit with the specific market needs and the existing channels for customers. This demonstrates market segmentation and channel identification go hand in hand with the value proposition (De Visscher, n.d.).

Stakeholder expectations are shaped by their beliefs about what a business is and what it does (Freeman, 1984). A good reputation is achieved when there is congruence between a business's purpose, its goals and values, its conduct and actions, and the experience and expectations of its stakeholders (Gaultier-Gaillard et al., 2009).

2.3.3.1 Competitive Advantage

Companies build and earn above-average profits, which in turn creates a competitive advantage. When the profit persists over a long period of time, the advantage becomes sustainable. (Corporate Finance Institute. n.d)

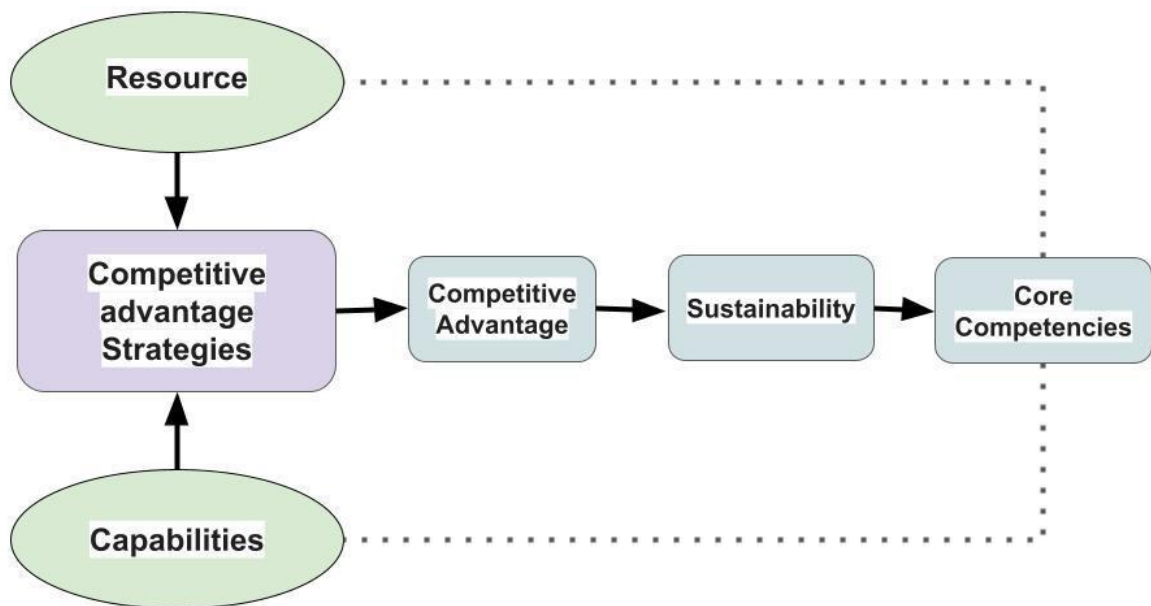


Figure 1. Building a firm's sustainable competitive advantage

(Source Slide team, 2014)

Value proposition /Competitive advantage pillars, cost leadership involves a firm striving to become the lowest-cost producer in its industry by leveraging various sources of cost advantage such as economies of scale, proprietary technology, and preferential access to raw materials. By exploiting all sources of cost advantage, a firm can achieve and sustain overall cost leadership, becoming an above-average performer if it can maintain prices at or near the industry average. In a differentiation strategy, a firm seeks to be unique along dimensions that are valued by buyers, selecting attributes that are important to customers and positioning itself to meet those needs, thereby commanding a premium price for its uniqueness. The focus strategy, on the other hand, involves choosing a narrow competitive scope within an industry and tailoring the strategy to serve specific segments to the exclusion of others. This strategy has two variants: cost focus, where a firm seeks a cost advantage in its target segment, and differentiation focus, where it seeks differentiation in its target segment. Both variants rely on differences between the target segment and other industry segments, either through unique buyer needs or distinct production and delivery systems.

Cost focus exploits differences in cost behavior, while differentiation focus addresses the special needs of buyers in specific segments. (Porter, Michael E,1985). Working while noting Value proposition will support SMEs to sustain their business for the long term.

H2-Competitive advantage penetration has a positive significant impact on the creation of sustainable business, for long-term impact.

Competitive Advantage		
Competitive Scope	Cost Leadership	Differentiation
	Cost Focus	Differentiation Focus

Table 2 Driving competitive advantage
(Source: Porter,1985)

2.3.4 Environmental Analysis

Business does not work in a vacuum; it also affects the environment in which it operates.

Environmental analysis is a strategic process that helps to identify all external and internal elements/factors that may have an effect on an organization’s performance. The purpose of

environmental analysis is to find out existing and prospective strengths and threats, weaknesses, and opportunities of a business. Such a process helps an organization formulate appropriate strategies to tackle such issues in the future. Mandeep Kaur (n.d).

The ability to succeed in a constantly changing environment demands highly competent management which Czech companies have, according to Mallya (2007) significant gaps, especially in terms of lack of strategic thinking and awareness.

2.3.4.1 External Environment

The macroenvironment consists of variables that are beyond the control of an organization, but which require analysis to realign corporate and marketing strategy to shifting business environments. The major forces in the macroenvironment are viewed to be political, economic, social, technological, legal, ecological, demographical, ethical, and regulatory. The objective of macroenvironment analysis is to help organizations recognize major developments and future implications. (Cooper, Cary L. 2015).

SMEs focus on the allocation of resources to achieve their maximum short-term advantage, which frequently leaves them to respond to external influences as they occur rather than taking a proactive approach (McAdam, 2002).

2.3.4.2 Internal Environment

An internal analysis examines your organization's core competencies today that are influenced by internal factors – factors that are not driven by external market dynamics. This analysis would look at the organization's strengths and weaknesses in meeting the needs of your customers or stakeholders. Erica Olsen (n.d).

A business's internal environment plays the most significant part in charting out the direction and the unique qualities that define it from others (Aldrich, 1979). In order to describe the internal environment of an organization, organizational culture is frequently used as it has a high importance in streamlining the organization's work. Halmaghi, Elisabeta-Emilia. (2017).

Hodges and Kent (2007) are clear in their direction to small business owners, “If you want to be more successful, then obtain more knowledge of the strategic plan implementation process” (p.8). Analysis of the external environment is a crucial step in strategic plan implementation whether utilizing critical success factors (CSF), what if” analysis, SWOT (strengths weaknesses, opportunities and threats), or stakeholder analysis.

According to (Pearce and Robinson, 2013; Ireland, Hoskinson, and Hitt: 2011; Jay B Barney., Et al: 2010; Thompson & Strickland: 2010), the analysis of the company's internal environment includes the resources, capabilities, and competencies held by the company, this is known to approach Resource Based View (RBV).

2.3.4.3 Tools For Analysis

Strategic analysis is the process of researching the business environment within which an organization operates and the organization itself, in order to formulate a strategy. analytical methods used in strategic analysis include SWOT analysis, PEST analysis, and Porter's five forces analysis.

Analyzing internal factors involves understanding how both internal and external stakeholders perceive strengths and weaknesses, often through surveys or interviews with key users or customers. Strengths may include advantages in NSI, public relations, and personnel, assessed by asking what is done well. Weaknesses are identified by evaluating obstacles, areas for improvement, and tasks performed poorly, which can guide institutional enhancements and recognize uncontrollable issues. External factors in a SWOT analysis include political, and socio-economic changes, and other influences beyond the NSI's control. Opportunities are identified by examining potential beneficial trends, events, and policy changes, while threats are evaluated by assessing obstacles, technological changes, and budget uncertainties. SWOT analysis aids in strategic decision-making by focusing on building strengths, minimizing weaknesses, seizing opportunities, and counteracting threats. It’s a simple, effective tool for strategic plan implementation and communication, though it can be subjective and potentially biased toward justifying pre-decided actions. Increasing criteria and weighting them can improve its validity

PESTLE stands for Political, Economic, Social, Technological, Legal, and Environmental factors that affect the business environment. Political factors include fiscal policies, monetary policies, EXIM policies, tax laws, and proximity to elections. Economic factors involve the rate of inflation, bank rate, lending rate, credit accessibility, unemployment rates, and the foreign exchange rate. Social factors encompass socio-economic status, demographics, lifestyle, domestic structures, education level, and income level. Technological factors are the rate of technological obsolescence, advances, innovative platforms, and R&D advancements. Legal factors cover employment regulations, competitive regulations, patent infringements, health and safety regulations, and product regulations. Environmental factors include geographical location, climate, weather, waste disposal law, and energy consumption regulation.

Michael Porter's Five Force Model: This model assesses the state of competition in an industry based on five basic competitive forces. First, rivalry among existing firms occurs as firms are "mutually dependent," where one firm's competitive moves affect others, with intensity influenced by various factors. Second, the threat of new entrants is higher in growing industries due to profitability and low entry barriers. Third, the threat of substitutes depends on the substitute's price, performance, customer willingness to switch, loyalty, and switching costs. Fourth, the bargaining power of suppliers is high when there are few large suppliers, scarce resources, high switching costs, customer loyalty, potential for vertical integration, small customer size, and few substitutes. Lastly, the bargaining power of buyers is high when customers are few, order sizes are large, alternative suppliers are available, customers can integrate backward, are well-informed, and face low switching costs. (MANDEEP KAUR, n.d). Knowledge of such is either formal or informal lessons learned from analyzing the environment that have an impact on long-term business sustainability.

H3 -Business knowledge has a significant positive relationship to the sustainable growth of SMEs.

2.3.5 Performance Measurement of the Business

The key components of the strategic plan implementation process are about where the organization wants to be, where the organization is now, how the organization will get there, and what changes will occur in the business environment (Huang, 2006).

Huang et al., (2006). Strategic Planning and Dysfunction: The Dark Side of Mandating a Formal Planning System.8(1),47-71.

As mentioned by Radnor, Zoe; Tapinos, E.; Dyson, R.G.; Meadows, M. (2005). The history and evolution of performance measurement have been extensively mapped and discussed (Neely, 1999). Ittner and Larcker (2003) suggest that performance measurement is used too. help direct the allocation of resources; assess and communicate progress towards strategic objectives; and evaluate managerial performance. One of the good ways to measure is using numbers and ROI plays a significant impact on SMEs' sustainable development.

H4- Financial capabilities/knowledge have a positive significant impact on SMEs' sustainable business growth.

2.4. Empirical Review

Even though strategic plan implementation significantly impacts the sustainability and productivity of a business, most SMEs refrain from using it. In Pakistan, SMEs face challenges sustaining profitability due to a lack of finance, technology, unskilled employees, knowledge, and inappropriate marketing processes. These issues hinder access to distribution channel upgrades and other opportunities, leading to a large number of failures (Aaltonen & Ikavalk, 2002). Similarly, recent reports from ILO and the World Bank indicate that working in micro, small, and medium enterprises (MSMEs) is the most prevalent way to make a living in low- and middle-income countries, including Addis Ababa (ILO, 2015; World Bank, 2013).

MSMEs contribute to implementing the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) at all levels by driving inclusive and sustainable economic growth. The Ethiopian Industrial Development Strategy (IDSP), a core pillar of the Ethiopian Industrial Development Road Map (2013–2025), supports Ethiopia's vision to become a middle-

income country by 2025. This strategy includes several key areas, such as strengthening MSME capacities, promoting growth and resilience, and revitalizing their critical role in job creation.

In general, SMEs that engage in strategic plan implementation are more likely to achieve higher sales growth, higher returns on assets, higher profit margins, higher employee growth, and international expansion. Moreover, they are less likely to fail (Raymond et al., 2013; Rosenbusch et al., 2013). In MSMEs, the development of appropriate value propositions improves financial performance by attracting more customers and differentiating competitors (Pasaribu et al., 2023).

Although the MSME sector significantly contributes to national economies, the high failure rate among well-established small businesses is a major concern. In Ethiopia, a study following a random sample of 500 small businesses and enterprises over six years assessed factors affecting long-term survival and viability. Hazard ratios from the Cox Proportional Hazards Model quantified the impact of key survival predictors. The study revealed that businesses that ceased operations were characterized by inadequate finance (61%), low levels of education (55%), poor managerial skills (54%), lack of technical skills (49%), and inability to convert profits into investments (46%) (Eshetu Bekele & Zeleke Worku, 2008).

Financial capability is becoming a key concern for policymakers worldwide as it fosters financial inclusion, stability, and effective financial markets (World Bank, 2018). Sustainable entrepreneurship is marked by social responsibility, competitiveness, innovation, knowledge creation, dynamism, and the pursuit of business benefits that also create social value (Krisciunas, 2007). MSMEs not only provide goods and services to local residents, improving their quality of life, but also play a vital role in reducing urban-rural disparities by creating employment opportunities in remote areas. This aligns with the SDGs, which focus on making cities inclusive, safe, resilient, and sustainable (Deyganto, 2022).

2.5. Conceptual Framework

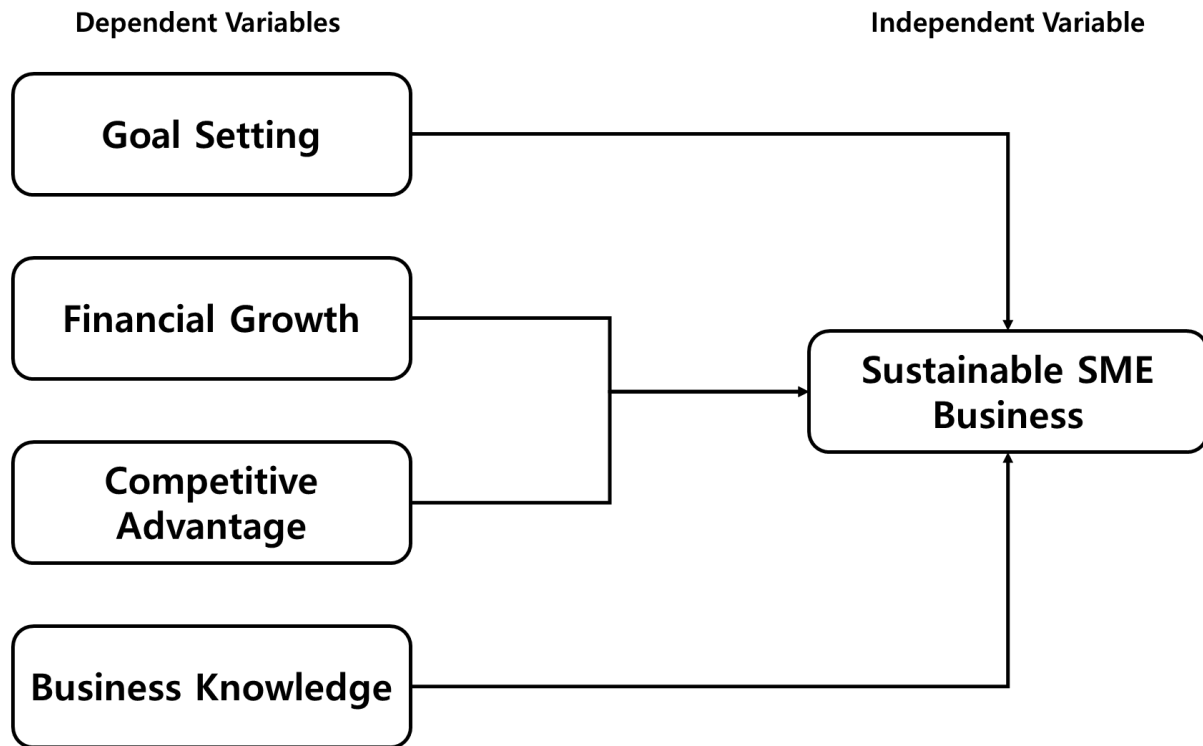


Figure 2 Conceptual framework of the study

Source (TARIKU TUMIDADO,2019)

CHAPTER THREE- RESEARCH METHODOLOGY

3.1 Introduction

This chapter talks about the research methods used in the study. It describes the research approach, design, the types and sources of data, how the data was collected, analyzed and sampled, and it also gage reliable measurement.

3.2 Research Approach

Deduction entails moving from the general to the particular, as in starting from a theory, driving hypotheses from it, testing those hypotheses, and revising the theory (Locke, 2007; Nola & Sankey, 2007). According to Creswell (2003), there are three identified categories of research approaches; qualitative, quantitative, and mixed approach. Quantitative research is very well suited to establishing cause-and-effect relationships, testing hypotheses, and determining the opinions, attitudes, and practices of a large population, whereas qualitative research lends itself very well to developing hypotheses and theories and to describing processes such as decision-making or communication processes. (Verhoef, M. J., & Casebeer, A. L.1997).

Therefore, considering the cause-and-effect type of result to be achieved, a quantitative research approach is used in this research.

3.3 Research Design

The research design is intended to provide an appropriate framework for a study. A very significant decision in the research design process is the choice to be made regarding the research approach since it determines how relevant information for a study is obtained. (Jilcha Sileyew, K.2019). There are three distinct types of research designs to choose from exploratory, explanatory, and descriptive. (Kultar Singh,2022). Explanatory programs involve explanations based on formalizing theoretical scenarios or game-based models, explanations based on pragmatically establishing cause and effects as part of hypothesized interaction models, and explanations based on writing ‘thick’ descriptions. (Cornelissen, J. P. 2017). In this research we have tested the Effect

of Strategic Plan Implementation on sustainable business development in manufacturing SMEs in Addis Ababa, utilizing an explanatory type of research.

3.4 Sampling Design

3.4.1 Target Population

Population can be defined as all people or items that one wishes to understand while sampling is the process of selecting a segment of the population for investigation. (Rahi, S. 2017). The potential survey geography shows uneven geographical distribution of the manufacturing MSEs in the 10 largest cities of Ethiopia, where Addis Ababa has the lion's share. The research targeted SMEs in Addis Ababa, manufacturing firms, Based on their planning implementation habits. The research focuses on the Effect of Strategic Plan Implementation on building sustainable business, in Addis Ababa. Addis Ababa's 2024 population is now estimated at 5,703,628. (World Population Review,2024). For the main Features of Micro and Small Manufacturing Enterprises in Ethiopia example, when looking at the small MSEs based on the census, Addis Ababa alone accounted for about 67% of the 4553 small enterprises in operation in 2016/17. (Mulu Gebreeyesus et al.,2018). Around 118,000 establishments as a sampling frame for conducting the 2013/14 (2006 E.C) small-scale manufacturing industries study were identified and ready for use. Scoped based on legally registered SMEs in 2017.

3.4.2 Sample Size

Sample size can be determined using certain formulas in the case of a quantitative study, whereas, in a qualitative study, determining sample size is entirely a matter of judgment, there are no set rules (Cohen, Manion, and Morrison, 2000).

The sample size for this study was statistically determined based on a precision of 5% and a confidence level of 95% according to Saunders, Lewis and Thornhill (2003) guide for different population sizes at 95% level of confidence.

$$n = \frac{N}{1+N(e^2)}$$

$$n = \frac{147}{1+147(0.05)} = 107.5$$

n = 108

The sample size is considered to understand how goal setting, financial capability, competitive advantage, and business knowledge support sustaining the business long term. While analyzing manufacturing in Addis Ababa. So finally, the cause and Effect of Strategic Plan Implementation on sustaining the business of SMEs is covered.

3.5 Methods Of Data Analysis, Interpretation, And Model Formulation

Even though the explanatory research type is used in the study for better data representation and collection, a descriptive method is also planned to be used. Additionally, linear regression is used as a modeling technique for analyzing data to make predictions. In multiple linear regression, the model is extended to include more than one explanatory variable (x_1, x_2, \dots, x_p) producing a multivariate model.

(Mark Tranmer, et al.,2020).

The regression model demonstrating the Effect of Strategic Plan Implementation on a sustainable business setting is found below:

$$y_i = \beta_0 + \beta_1 x_{1i} + \beta_2 x_{2i} + \dots + \beta_p x_{pi} + e$$
$$ST = \beta_0 + \beta_1 GS + \beta_2 FS + \beta_3 CA + \beta_4 BK + e$$

Where the variables denote - GS(A) -Goal Setting; FS(B) -Financial Capability; CA(C) - Competitive Advantage, BK(D) -Business Knowledge, and e - Standard Error .ST - sustainability being the dependent variable y.

3.6 Data Type and Source

Data that has been collected from first-hand experience is known as primary data. Primary data has not been published yet and is more reliable, authentic, and objective. Primary data has not been changed or altered by humans; therefore, its validity is greater than secondary data. (Kabir, Syed Muhammad,2010). According to (Syeda Ayeman Mazhar,2021). Convenience sampling is used to get the data by a survey of the structured questionnaire.

3.7 Data Collection Tools and Procedures

This research is planned to carry out the survey questionnaire by reaching out to the direct owners of manufacturing firms. The survey is planned to be an ordinal level, close-ended survey composed of multiple-choice (five-point Likert scale) questions classified into three parts:

Introductory part - gathering data regarding the background of the owner and stakeholders involved in the business.

Second Part - gather data on how strategic plan implementation practice is handled in terms of financial, competitive advantage, business knowledge, and goal setting segment by SMEs.

Third Part - Gather data to gauge the present performance of the business toward attending SDGs.

3.8 Reliability and Validity

Reliability and validity are ways of demonstrating and communicating the rigor of research processes and the trustworthiness of research findings. This trustworthiness depends on a number of research features: the initial research question, how data are collected including when and from whom, how they are analyzed, and what conclusions are drawn. Roberts, P., & Priest, H. (2006).

3.8.1 Reliability Test

Reliability describes how far a particular test, procedure, or tool, such as a questionnaire, produced similar results in different circumstances, assuming nothing else has changed. Roberts, P., & Priest, H. (2006). The questionnaire is planned to be organized in a simple manner to be easily understood by participants validation and cross-checking techniques are used, the questionnaires have addressed the owner of the business only other employees are not asked to get accurate data. Plus sample size of 22 is taken to conduct the Cronbach Alpha test and the below result is acquired.

Variables	Cronbach Alpha	Cronbach's Alpha Based on Standardized Items	N of Items	Comment

Goal Setting	.795	.801	5	Reliable
Financial capabilities	.880	.883	4	Reliable
Competitive Advantage	.735	.705	4	Reliable
Business Knowledge	.703	.712	4	Reliable
Sustainable Development	.871	.865	6	Reliable

Table 3 Cronbach alpha

Source: SPSS own output

3.8.2 Validity Test

Validity is a subtler concept. It's about the closeness of what we believe we are measuring to what we intend to measure. Roberts, P., & Priest, H. (2006). Prior to extending the survey questions other questionnaires and the corresponding result direction are reviewed, to prepare the right and clear questions which lead to acquiring the intended goal by directly answering the questions by the participant. The fact that the questions were answered directly could increase the study's validity (Jacobsen, 2015, p. 232). The participants of the research are taken from manufacturing owners in Addis Ababa.

3.9 Data Analysis and Presentation

Both qualitative (descriptive statistics approach) and quantitative (using Excel, Stata and SPSS statistical software) are used to analyze and represent the acquired result, regarding the Effect of Strategic Plan Implementation on building a sustainable business.

3.10 Ethical Consideration

This research prioritized ethical conduct, ensuring participant rights throughout the research. Prior to the research. Familiarization with ethical principles like informed consent and anonymity was

done properly. After ethical approval, an information sheet explained the study's purpose and data usage. Participants also received a consent form guaranteeing their right to withdraw and have their information kept confidential. These steps ensure voluntary participation and protected respondent privacy.

CHAPTER FOUR- RESULTS AND FINDINGS

4.1 Introduction

This research aims to examine the Effect of Strategic Plan Implementation on sustainable business development. In this chapter the final result of analysis is provided. It also provides background information about the respondents. Additionally, the statistical methods used for analysis, descriptive analysis, inferential analysis both are used to analyze data in this chapter. To achieve the study's objective and answer the key research questions, valid and reliable data are used while considering ethical values, using primary data.

4.2 Respondent

Targeted Sample size	Number of response	Percentage
108	102	94%

Table 4 No of survey respondent

Source: own research output

The analysis of this result is based on the questionnaire response from manufacturing SMEs in Addis Ababa. For the purpose of measuring reliability, a sample pilot test was taken from the questionnaire with 22 sample size which gives Cronbach Alpha value of 0.7 and above, consequent to required adjustment. Based on the sample size the targeted no was set to be 108 and 102 of them successfully address the questions, which gives a total response rate of 94%.

4.3 Descriptive statistics

Descriptive statistics refers to the collection, presentation, description, analysis and interpretation of data collection. Its purpose is to summarize these from a set of values. Descriptive statistics is the method of obtaining data set conclusions about themselves. It can be used to summaries or describe any data set, either a population or a sample. Pérez-Vicente; M. Expósito Ruiz. (2009).

4.3.1 Demographic Characteristics of Respondent

No	Item	Category	Frequency	Percentage
1.	No of Respondent	102		
2.	Business Type	Micro	25	24.5%
		Small	42	41.2%
		Medium	35	34.3%
3.	Educational Status	Primary	7	6.9%
		high school	20	19.6%
		TVET	20	19.6%
		Diploma	27	26.5%
		Degree	24	23.5%
		Masters	4	3.9%
		None	0	0
4.	Type of the Business	food and beverage	14	13.7%
		textile and Apparel	32	31.4%
		Chemical manufacturing	32	31.4%
		Metal and wood work	23	22.5%
		Others	1	0.98%
5.	Duration with in the	less than a year	8	7.8%

	business	2-5 years	42	41.2%
		5-10 years	40	39.2%
		Above 10 years	12	11.8%
6.	Age	Youth(18-30)	18	17.6%
		Young Adult(30-40)	40	39.2%
		Middle Adult(40-50)	36	35.3%
		Old Adult(50+)	8	7.8%
7.	Gender	Male	59	57.8%
		Female	43	42.1%

Table 5 Respondent survey analysis

Source: SPSS output

The above result describes the summary of 102 respondents' response segmentation such as business types, educational status, duration in the business, age, and gender. The final analysis as per category is as follows: From the business type among the respondents 25 respondents or 24.5% are composed of micro business, 42 respondents about 41.2% were from the small business sector and 35 respondents around 34.3% denote the medium business sector. Its observed the small business are more predominant, in Terms of the educational status 7 respondents 6.9 percent of the total respondent attended primary school, 20 respondents 19.6% of the total attended high school, 20 respondents or 19.6% of the respondent attended TVET, 27 respondents around 26.5% of the respondent has diploma, 24 respondents 23.5% of the respondent has degree and the small percentage account to respondents with master's degree, around 4 respondent or 3.9 % of the total respondent. Based on the analysis most respondent has TVET, Diploma or degree and there was not individual who don't at least take primary school. Based on the analysis the manufacturing business type composed of Textile and apparel ,32 respondents about 31.4% of the total Chemical manufacturing 32 respondents about 31.4% of the total, Metal and woodwork 23 respondents about 22.5% of the total and three was one result which is unknown categorized under others, 0.98% of

the total insignificant no. The most common type of business as per the above percentage is Textile and apparel and chemical manufacturing business, and food and beverage being the least common. From the data obtained for duration in the business 8 respondents around 7.8% of the total was in the business for less than a year, 42 of them has been in the business two to 5 years which are 41.2%, 40 of them five to ten years which are around 39.2% and 12 respondents 11.8% of the total has been in the same business for above ten years. So, the majority has been in the business for two to ten years considering the first two large percentage. Overview small business composed of textile and chemical industry with two to ten years business duration are the most common types for this research.

4.3.2 Effect of Strategic Planning

Likert scale is used to gauge respondents' response, so as to capture level of greed points based on given questioner's considered Likert scale is as follows.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5-4.51	4.50 - 3.51	3.50 - 2.51	2.50 - 1.51	1.50 - 1

Table 6 Likert scale

Source: R. Lindner1, N. J. Lindner (2024)

4.3.2.1 Measuring goal setting practice in strategic plan implementation

	N		Mean	Standard Deviation
	Valid	Missin g		
Our business has a goal for the next 2 years	102	0	4.088235	0.317881
Our business has a goal for the next 10 years	102	0	3.607843	0.7979784

Goals set are reviewed periodically.	102	0	3.490196	0.8759165
Specific financial goals are set to ensure the sustainability of the business	102	0	3.039216	1.004165
Most of the goals set in the past years have been achieved.	102	0	3.235294	0.9767239
Average	102	0	3.492157	0.3217176

Table 7 Goal setting practice in Strategic Planning

Source: SPSS output

For measuring of goal setting on sustainability the above question was asked with a sample size of 102 observations. As per the analysis most of the respondent agree on the plan for 2 years by setting goal with a mean of 4.08 and SD of 0.318 with a relatively low variation in response. For planning for 10 years the mean of respondent is observed to be on scale of neutral with a high variation, with variety of opinion among participants, in response as per the SD of 0.318. Goals are reviewed periodically has also shown a great variation with SD value of 0.876 and mean of 3.490 with moderate level of goal review rate. Specific financial goals are set to ensure the sustainability of the business for this the mean is 3.039 with less than neutral value for respondents agree but not much with high level of disparity in response more than 1.004165 in SD. Goal set in the past year has been achieved has mean of 3.235 with moderate result and high variation with SD of 0.977. It is concluded that most business feel comfortable to set mostly short term goal as well as long term goal but it's also observed there is high variation regarding the achievement of goal as well as consistent review of goals and has less focus on sustainability and financial goal relatively even though they think the goal setting is crucial.

4.3.2.2 Measuring Financial capabilities impact in strategic plan implementation

	N		Mean	Standard Deviation
	Valid	Missing		
Over the past five years the business has experienced steady financial capability.	102	0	3.72549	0.6916312
Our business has successfully increased and invested profits to promote sustainability (e.g., new technologies, Eco-friendly practices).	102	0	3.54902	0.8399369
Financial capabilities helps in ensuring the long-term	102	0	3.588235	0.8126834
A lack of financial capability would significantly hinder our sustainability efforts.	102	0	3.627451	0.7825013
Average	102	0	3.622549	0.4690219

Table 8 Financial capabilities practice impact on Strategic Planning

Source: SPSS output

Over the past five years, the business has experienced steady financial capability. With a mean of 3.73 the business has more than average agreeing point on this with moderate variation. Our business has successfully increased and invested profits to promote sustainability (e.g., new technologies, eco-friendly practices). With a mean of 3.55 respondent agree on it with higher SD of 0.84 showing variability in response. Financial capabilities help in ensuring the long-term sustainability of the business. Again, here most agree moderately with mean of 3.59 and high variability of 0.81 SD. A lack of financial capability would significantly hinder our sustainability

efforts. As per the mean most respondents agree with the statement and again with a variation of SD 0.78. Average respondent agrees on the effect with an average SD of 0.47. Concluding the survey demonstrated moderate to high agreement among respondents, with a common variation in an opinion.

4.3.2.3 Measuring Competitive Advantage practice in strategic plan implementation

			Mean	Standard Deviation
	Valid	Missin g		
competitive advantage /competitive advantage /Competitive advantages are developed that supports long-term business sustainability.	102	0	3.764706	0.6475616
Our business periodically Gage competitor strategies to ensure sustainability.	102	0	3.568627	0.8266574
Differentiate our business from the market, competitors while advocating for some of the sustainability pillars (e.g., quality, customer service, sustainability),consistently.	102	0	3.490196	0.8759165
We attract the right customers using the Value proposition to foster long-term sustainability.	102	0	3.647059	0.7662052
Average	102	0	3.617647	0.483266

Table 9 Competitive Advantage practice effect on Strategic Planning

Source: SPSS output

competitive advantage /competitive advantage /Competitive advantages are developed that support long-term business sustainability statements with a mean of 3.76 and a standard deviation of 0.65, with high level of agreement and moderate variance. Our business periodically gauges competitor strategies to ensure sustainability has a mean of 3.57 and a standard deviation of 0.83. With moderate level of agreement and high variation in opinion. Differentiate our business from the market, competitors while advocating for sustainability pillars" has a mean of 3.49 and a standard deviation of 0.88. With near neutral response and variation. We attract the right customers using Strategy for driving Competitive Advantage to foster long-term sustainability shows high agreement and moderate variance with a mean of 3.65 and a standard deviation of 0.77. concluding the average mean shows mean of 3.62 showing agreement with fair variation of 0.48 SD.

4.3.2.4 Measuring Business Knowledge in strategic plan implementation

	N		Mean	Standard Deviation
	Valid	Missin g		
Our team has sufficient business knowledge to run the business	102	0	3.254902	0.9717421
Our team has sufficient technical knowledge to run the business	102	0	3.647059	0.7662052
All decision-making processes consider the sustainability effect of the business.	102	0	3.529412	0.8525545
Business owners have taken training on sustainability of businesses.	102	0	2.235294	0.6475616
Business knowledge helps our business achieve long-term	102	0	3.647059	0.7662052

sustainability goals.				
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Table 10 Business Knowledge effect on Strategic Planning

Source : SPSS output

Our team has sufficient business knowledge to run the business has a mean of 3.25 and a standard deviation of 0.97, neutral response but some variation in responses is observed. Our team has sufficient technical knowledge to run the business has a mean of 3.65 and a standard deviation of 0.77, suggesting stronger agreement with the statement, with some variation. All decision-making processes considering the sustainability effect of the business have a mean of 3.53 and a standard deviation of 0.85, showing agreement with some variability. Business owners have taken training on sustainability of businesses shows a mean of 2.24 and SD of 0.65 with a disagreement on the statement, with a variation in opinion among respondent. Business knowledge helps our business achieve long-term sustainability goals with mean of 3.65 and SD of 0.76 which shows moderate variation and agreement on the statement. Concluding respondent agree on advantage of technical knowledge to run the business sustainably, followed by advantage of business knowledge for decision making and achieve long term goal and most of the business owners didn't take training on sustainable development and teams have neutral business knowledge that led to sustainability.

4.3.3 Effect of strategic business on Sustainable Business Development

	N		Mean	Standard Deviation
	Valid	Missing		
Our business practice reduce its environmental pollution (e.g., waste reduction, energy conservation)	102	0	3.72549	0.6916312
Our business is committed to socially responsible practices, including fair	102	0	3.588235	0.8126834

labor conditions and community engagement.				
The business has strategies to ensure long-term economic sustainability	102	0	3.568627	0.8266574
The business always gives attention to the people, for the surroundings and for profit.	102	0	3.392157	0.9244411
We measure and track our sustainability performance regularly.	102	0	3.607843	0.7979784

Table 11 Strategic planning practice on Sustainability

Source: SPSS output

Our business practice reduces its environmental pollution (e.g., waste reduction, energy conservation). Most business agree with a mean of 3.73 with a moderate variation in opinion. Our business is committed to socially responsible practices, including fair labor conditions and community engagement has a mean of 3.59 and SD of 0.8 high variation in opinion with agreement on the statement. The business has strategies to ensure long-term economic sustainability with a mean of 3.57 and SD of high variation 0.82 demonstrate agreement. The business always gives attention to the people, the surroundings, and the profit, this has the largest variability of 0.92 and mean of 3.39 most refrain from making agreement or disagreement with neutral response which shows it's not measured yet, focus not here. We measure and track our sustainability performance regularly shows agreement with a mean of 3.61 and SD 0.7 slight variation. Concluding reducing environmental pollution, commitment to social responsibility, long term economic sustainability and measuring performance regularly are ranked in agreement level with a neutral response to giving attention to people, surrounding and profit.

4.4 Inferential statistics

4.4 .1 Correlation Analysis

To gauge the reaction between the dependent and independent variable Pearson correlation is used. For this research the statistical significance of the relation between strategic plan implementation and sustainable development are researched below, for the given sample size 102.

Sustainability -ST, Goal setting -GS, Financial capabilities -FS, Competitive Advantage -CA, Business Knowledge - BK

	ST	GS	FS	CA	BK
ST	1				
GS	0.6410*	1			
	0.0000				
FS	0.6631*	0.6134*	1		
	0.0000	0.0000			
CA	0.8198*	0.6428*	0.7002*	1	
	0.0000	0.0000	0.0000		
BK	0.7602*	0.5332*	0.5831*	0.7878*	1
	0.00000	0.0000	0.0000	0.0000	

Table 12 Correlation Analysis Result

Source: SPSS output

According to the Stata output as per the above table the highest degree of coefficient is Strategy for driving Competitive Advantage followed by Business knowledge then financial capability finally goal setting. The data is both statistically and substantively significant, with a positive correlation. The test as reflected most common type of strategic plan implementation in Addis Ababa manufacturing firms, which focus on Strategy for driving Competitive Advantage of value proposition. Again, the effect of financial capability and business knowledge also play an

important role and a goal setting is not practiced, but it's considered important relatively by my most of the SMEs in Ethiopia manufacturing firm.

Correlation Coefficient	Interpretation
0.00-0.01	Negligible correlation
0.10-0.39	Weak correlation
0.40-0.69	Moderate correlation
0.70-0.89	Strong correlation
0.90-1.00	Very strong correlation

Table 13 Correlation Analysis Result

(Source: Schober, Patrick MD,2018)

4.4.2 Regression Analysis Diagnosis Tests

To predict sustainability of SME business in Addis Ababa manufacturing firm, on this research independent variables like goal setting, financial capability, Strategy for driving Competitive Advantage and business-based knowledge is used as a predictor to be checked by multiple linear regression models. Using the below model analysis of model summary, NOVA and the coefficient would be inspected, as per the details mentioned on the methodology segment of this paper.

$$ST = \beta_0 + \beta_1GS + \beta_2FS + \beta_3CA + \beta_4BK + e$$

Where GS - Goal setting, FS -Financial capability- value proposition/ competitive advantage- Business Knowledge.

Test conducted prior to regression considering the common assumption which can be used for any type of data such as time series, cross sectional or panel data.

4.4.2.1 Normality Test

Based on the below result from Stata it is learned the result is not insignificant or we will not reject the null, so the normality assumption is satisfied for the P value is greater than 0.01 for dependent variable. For further quality data skewness and kurtosis was checked and the value was near 0.3.

Concluding we can say the error term is normally distributed but slight variation is seen in the skewness.

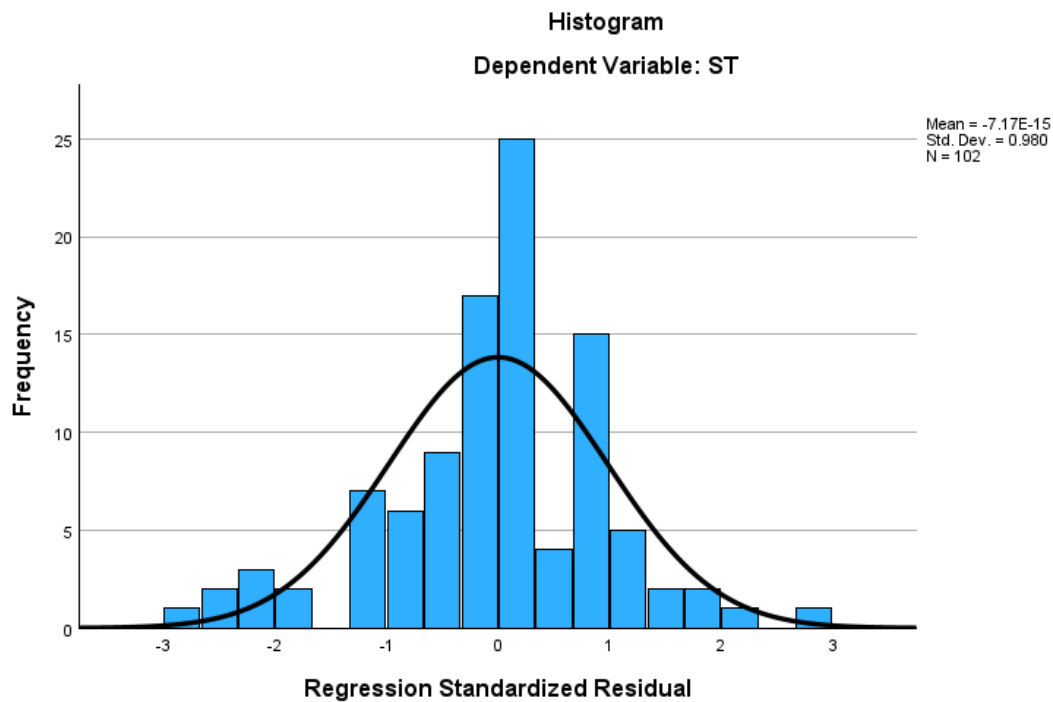


Figure 3 Normality Histogram

Source: SPSS output

4.4.2.2 Linearity Test

Based on the below SPSS output the linearity test has demonstrated there is no outlier and the graph is increasing ascendingly with the same pattern which is learned by drawing the pp graph so it is feasible for the study.

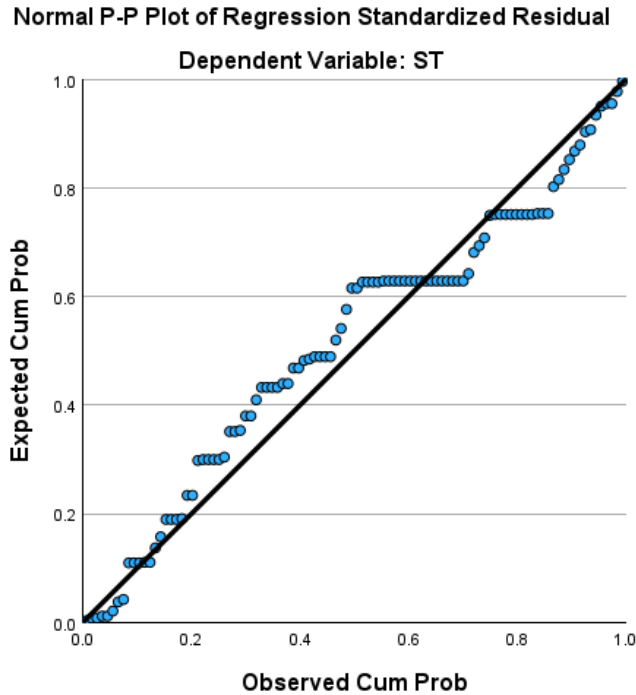


Figure 4. PP plot for linearity

Source: SPSS output

4.4.2.3 Multicollinearity Test

To check the correlation between independent variable multicollinearity test is used to check the intercorrelation among variables and as per the below table demonstrate the VIF value will be measured so as avoid unreliable regression. As per the below table all of the VIF values are less than 5 so there is no problem of multicollinearity.

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	GS	.534	1.874
	FS	.463	2.161
	CA	.270	3.709
	BK	.377	2.653

a. Dependent Variable: ST

Table 14 Multicollinearity Test

Source :SPSS output

4.4.2.4 Autocorrelation Test

Autocorrelation measures the correlation of variables with a given interval. For this Durbin Watson method is used.

The DW statistic d lies between 0 and 4.

$d = 2$ means no autocorrelation.

$0 < d < 2$ means positive autocorrelation

$2 < d < 4$ means negative autocorrelation

(Analytical,2021)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.855 ^a	.731	.720	.25757	1.762

a. Predictors: (Constant), BK, GS, FS, CA

b. Dependent Variable: ST

Table 15 Durbin Watson autocorrelation test

Source :SPSS output

Based on the above rule the above result shows a positive autocorrelation

4.4.2.5 Homoscedasticity Test

Based on the below SPSS result output it is learned that we don't have a concern of variation of the residual or no heteroscedasticity is observed. So, there is equal variance in the residual term proving homoscedastic.

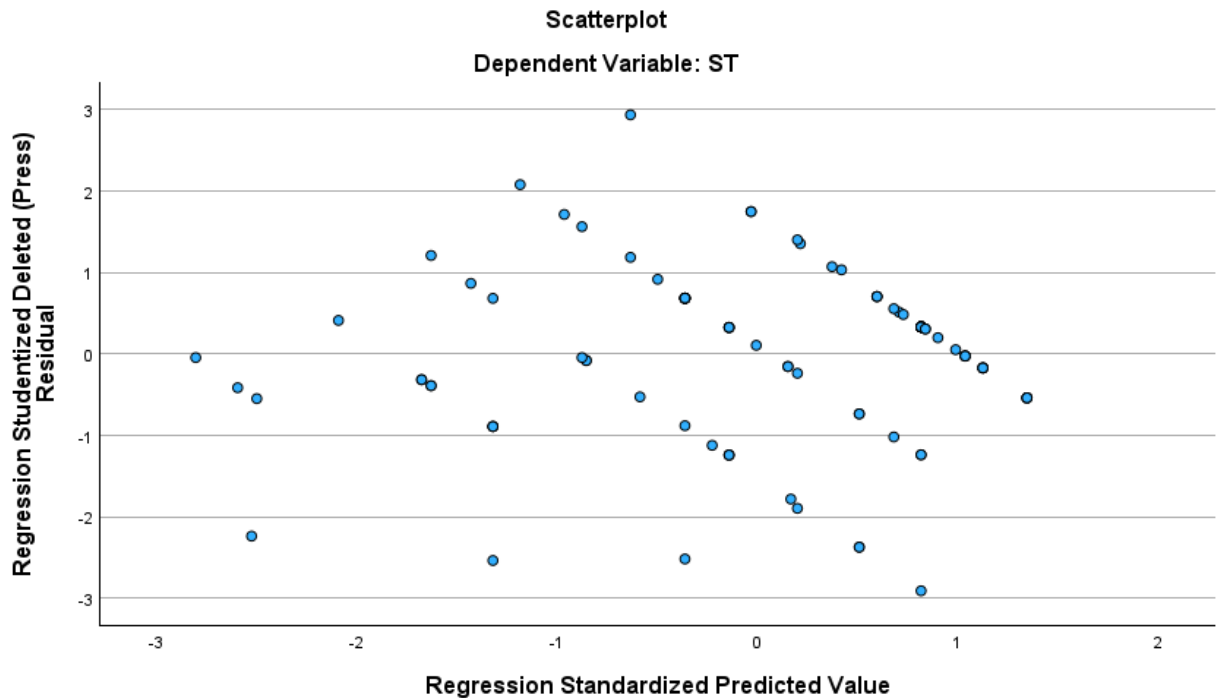


Figure 5. Homoscedasticity Test

Source: SPSS output

Now we can do the regression analysis so all the assumptions are fulfilled.

4.4.3 Regression Summary of the Model

The summary of the regression model is done to demonstrate the significance of the model by using the R squared which can explain how efficient the model can explain the dependent variable by using the independent variable in the research. Based on the SPSS output below the R value of 0.855 denote the model ability to predict the dependent variable sustainable development. But we also need to see adjusted R square for there are multiple independent variables on our model and the R value might show extreme numbers for when independent value increase R square value increase. So, the adjusted R square for our model is 0.720 which account for 72% considering the other IV. The SD is very low no 0.257 this show that the variation between the predicted value and the actual value is minimal.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855 ^a	.731	.720	.25757

a. Predictors: (Constant), BK, GS, FS, CA

b. Dependent Variable: ST

Table 16 Regression model summary

Source: SPSS output

4.4.4 ANOVA

ANOVA shows the relation between dependent and independent variable. The no of observation is crucial for knowing the amount of information available to estimate the regression, for our case we have 4 IV and 97 for degree of freedom for residual. Again, the regression sum of square divided by the residual sum square gives the no 65.9 the F value, so we can say the data has fit the model distribution. The significance value of p value is less than 0.05 so we reject the null and conclude that strategic plan implementation has significant impact on sustainable development in manufacturing firms in Addis Ababa.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.508	4	4.377	65.976	<.001 ^b
	Residual	6.435	97	.066		
	Total	23.944	101			

a. Dependent Variable: ST

b. Predictors: (Constant), BK, GS, FS, CA

Table 17 ANOVA

Source :SPSS output

4.4.5 Regression Coefficient

This regression coefficient denotes the extent of change in dependent variable when change is made to one of the independent variables while all the other variables are held constant in multiple regression. For interpretation let commence from p values for all the independent variable is less than 0.05 so it has a significant impact on sustainable development as per the below table.

Model 1	Unstandardized Coefficient		Standardized Coefficient	t	sig.
	B	Std. Error	Beta		
Constant	-0.225	0.288		-3.0784	0.004
GS	0.229	0.109	0.151	2.098	0.003
FS	0.113	0.080	0.109	2.408	0.001
CA	0.428	0.102	0.424	4.186	0.001
BK	0.321	0.098	0.282	3.287	0.001

a. Dependent Variable ST

Table 18 Regression Coefficient

Source SPSS output

“B” for the unstandardized coefficient denote for every change in on IV B will show the significant change in DV. When all the IV are zero the value of sustainable development would be -0. 225. One unit increase in goal setting GS will bring about 0.229 unit change in sustainable development. Same for the other independent variables one unit increase in FS brings change in 0.113 unit change in sustainable development, one unit increase in Strategy for driving Competitive Advantage being 0.428 unit increase in sustainable development and one unit increase in business knowledge will bring 0.321-unit increment in sustainable development.

“Beta” for the standardized coefficient denote for every change in predicted value of DV in standard deviation will show the significant change in IV, holding other IV constant. So, one unit increase in Sd of goal setting will bring 0.151 unit increase Sd of sustainable development. Same for the others IV, financial capability, Value proposition and business knowledge one unit increase in Sd of the IVs will bring the Beta 0.109,0.424,0.282-unit Sd increase in sustainable development respectively.

Hypothesis test

H1 - Goal setting has a positive significant impact on the sustainable business of SMEs

Checking the above hypothesis, we can take the value of t 2.098 and p value of 0.003 where t value is greater than 2 and p value is less than 0.005 it shows goal setting has an impact on sustainable development.

H2- Competitive advantage /competitive advantage /Competitive advantage penetration has a positive significant impact on the creation of sustainable business, for long-term impact.

Checking the above hypothesis, we can take the value of t 4.186 and p value of 0.001 where t value is greater than 2 and p value is less than 0.005 it shows Business knowledge has an impact on sustainable development.

H3 -Business knowledge has a significant positive relationship to the sustainable growth of SMEs.

Checking the above hypothesis, we can take the value of t 3.287 and p value of 0.001 where t value is greater than 2 and p value is less than 0.005 it shows Business knowledge has an impact on sustainable development.

H4- Financial capabilities have a positive significant impact on SMEs' sustainable business growth.

Checking the above hypothesis, we can take the value of t 2.408 and p value of 0.001 where t value is greater than 2 and p value is less than 0.005 it shows financial capability has an impact on sustainable development. Based on the above result it is ranked in terms of the impact strategies planning effect practice, where Value proposition shows the major impact followed by business knowledge then goal setting and finally financial capability toward sustainable development of SMEs.

The result of the hypothesis is summarized as follows:

No	Hypothesis	T and P Value	Test Result
H1	Goal setting has a positive impact on the sustainable business of SMEs	t 2.098 p value 0.003	Accepted
H2	Competitive advantage has a positive significant impact on the creation of sustainable business, for long-term impact.	t 4.186 p value 0.001	Accepted
H3	Business knowledge has a positive relationship to the sustainable growth of SMEs.	t 3.287 p value 0.001	Accepted
H4	Financial capabilities have a positive impact on SMEs' sustainable business growth	t value 2.408 p value 0.001	Accepted

Table 19 Hypothesis Test Result

Source: Based on own SPSS result

CHAPTER FIVE- SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter will present the findings on the study the final conclusion reached. Additionally, will also show recommendations. And for the gaps observed on the research the limitation part will hold all possible areas which require further analysis, along with future research direction.

5.2 Summary of the study

The study covers the Effect of Strategic Plan Implementation on sustainable development of SME. Even Though, the study emphasis on SME the research will stay useful for policymakers, financial institutions SMEs, and mainly for organizations both profit and non-profit working on the growth of SMEs, job creation as well as economic development.

When business has a plan for development and have a goal, financial strategies, business knowledge and Value proposition to offer value to audience the game of penetration in the business will be much easier especially for the small and medium business. And as per the above test the strategic plan implementation pillar is core for further sustainability not only in staying in the business but also for bringing social, economic and environmental values. As per the figure 1. Understanding the significance of the research and based on the above analysis, strategically planning will give room for long term development goals while seeing the full or overall picture of the future so as to utilize resource, manpower, time and other vital resources for the main aim of these SMEs is for developmental impact in a country.

The study was conducted in Addis Ababa manufacturing firm considering well equipped and willing manufacturing firms which are selected randomly and who are willing to participate on the survey. It is composed of micro, small and medium enterprise business owners where the small business takes the lion share. In Terms of the educational level most of the business owner has degree or diploma as well as certificate there are other groups such as masters, primary and secondary school with small extent. Male business owners participated mainly on chemical

manufacturing and metal and wood compare to the female and most female participated on food and beverage, plus fashion and apparel business, this is the summary of the research data. The observation consists of 102 respondents. To analyze the gathered data the study, use both descriptive and inferential statistics and all the diagnostics tests has been tested for the regression under inferential test to subordinate to the assumptions of MLR model.

Descriptive analysis was used for analysis using mean and SD. All parameters showing a relation with the corresponding DV sustainable development. Sustainable development toward Goal setting, financial capability, value proposition and business knowledge has a mean 3.607843 variance 0.7979784, mean 3.647059 variance 0.7662052, mean 3.617647 variance 0.483266, mean 3.622549 variance 0.4690219 and a mean 3.492157 variance 0.3217176 respectively. The mean average considered, business knowledge seems to revert the highest impact followed by financial capability, Value proposition and finally goal setting.

Based on the correlation of the study the data is both statistically and substantively significant, with a positive correlation of DV and IV. Where Value proposition is having the highest correlation and financial capability the lowest correlation to ward sustainability.

The regression test denoted the model was able to describe sustainable business development by 72%. Based on review of the p value the model was considered significant for all values less than 0.05. Regression coefficient has also demonstrated the same result showing positive impact on sustainability. Finally, the hypothesis where tested which illustrate positive relation between the Effect of Strategic Plan Implementation on SME sustainable development based on the analysis done in chapter four.

5.3 Conclusion

This paper emphasizes the role of strategic plan implementation in the sustainable business development of SMEs. The findings denote a well-defined strategy, including financial planning, goal setting business knowledge, and a competitive advantage, has a significant effect on the long-term sustainability of small and medium enterprises. The research shows that SMEs with a clear goal-setting process, financial capability strategies penetrate the market and contribute to broader economic, social, and environmental development.

The study was conducted in Addis Ababa manufacturing firm with a sample of 102 respondents, which can provide insight for policymakers, financial institutions, and organizations involved in supporting SMEs. Again, business knowledge is also another impactful factor, followed by financial capability, competitive advantage, and goal-setting as per the descriptive study. The data analysis revealed positive correlations between strategic plan implementation factors and sustainable development, with a 72% explanatory power from the regression model.

This research confirms the significant relationship between strategic plan implementation and SME sustainability, suggesting that effective planning is essential for the long-term success of SMEs, contributing not only to the business's growth but also to economic development and job creation in the region. Finally, the study provides a foundation for future research and practical recommendations for SME owners and stakeholders seeking to improve sustainability practices and overall business performance.

5.4 Recommendation

To enhance the sustainable business development of SMEs, it is essential for business owners and stakeholders to prioritize strong strategic planning. Building financial capability will aid SMEs to provides foundation for long-term growth. SMEs should ensure they develop clear financial strategies that account for both opportunities and risks in the market, especially in market such as Ethiopia where high inflation exist. This will require collaboration with financial institutions to access the right tools and resources that cater to their unique needs. Goal-setting, will also support SMEs to establish clear, achievable goals that align with their available resources and market dynamics. By doing so, they can maintain a sense of direction and purpose, which will help them stay focused in an ever-changing business environment. Leaders should seek continuous improvement in how they approach goal-setting, possibly through workshops or mentorship programs that provide valuable insights from industry experts. The other pillar is business knowledge, to remain competitive, it is crucial that owners and their teams stay updated with the latest market trends, business practices, and technological advancements. Encouraging a culture of continuous learning will empower employees to contribute to the business's growth. SMEs could also benefit from building relationships with educational institutions, fostering a space for innovation and exchange of ideas. Developing a competitive advantage is another cornerstone of sustainable business development. SMEs need to find niche market, be it through differentiated products, services, or innovative business models. Staying ahead of market trends through regular analysis of customer needs and competitor strategies will enable them to adapt quickly and maintain relevance.

Finally, policymakers have a vital role to play in creating an environment that supports the growth of SMEs. Offering incentives, such as tax breaks, easier access to financing, and tailored training, would enable businesses to invest in their growth and development. By fostering a collaborative approach between SMEs, larger organizations, and government bodies, the ecosystem can become more supportive of long-term sustainability and innovation. Considering the above solutions, SMEs will not only drive business success but will also contribute positively to broader economic and social development, creating a ripple effect of prosperity and growth within the community.

5.5 Future Research Direction

Even Though we have proved that strategic plan implementation is essential for sustainable development, the type of planning, strategy should be well defined to be well digested for SME context. The same holds true for the business knowledge this also need to be studied in granular level so as to being sustainable change. Tax rate and access to finance can also be another segment of study. Again, it's noted when degree of freedom increases the data are more reliable so even studying the same sector with more observational data is recommended. On the assumption test of normality SPSS is used where is observed by graph and it show a normal distribution but to make sure when tried to analyze it with skewness and kurtosis, I have observed a high value in decimal which is much significant but studying with larger data set might bring a change. Pilot policies might also be tested in research before implementation to solve the back and forth as well as resource utilization. Finally studying the sectors separately would also help to decrease the variation of opinions among different sector.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS AND ECONOMICS

Dear Respondent,

This is Abigia Getachew, an MBA candidate at Addis Ababa University. Would like to invite you to respond to the below survey. Effect of Strategic Plan Implementation on the Sustainable Business Development of Small and Medium Enterprises in Addis Ababa Manufacturing Firms. The Estimated Completion Time is approximately 5-10 minutes.

Appreciate your time and contribution to this important research. Your feedback is invaluable for understanding the role of strategic plan implementation in the sustainability of SMEs. This is an Anonymous survey. Plus, its confidential to be used only for research purposes.

Thank you for your participation!

APPENDIX II: QUESTIONNAIRE

The below link will direct to the questionnaire

<https://drive.google.com/file/d/18evenzBJfDjs64BuuMNrmlSK22c1vVvh/view?usp=sharing>