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## Effect of Managerial Skills on the Performance of Small- and Medium-Sized Enterprises: A Case Study in Pakistan

Israr AHMAD<sup>1</sup>, Shuhymee Bin AHMAD<sup>2</sup>

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### Abstract

The study aims to investigate the mediating effect of strategic planning on the relationship between managerial skills and the performance of small- and medium-sized enterprises (SMEs) in Punjab, Pakistan. Stratified proportionate probability sample method was used to select the 265 SMEs. The study applied a structural equation model (SEM) to analyze the proposed research hypotheses by using PLS-SEM. This research examines the direct and indirect effects of strategic planning on the performance of SMEs using the SEM test. The results indicate the positive effect of managerial skills on SMEs' performance and also suggested that strategic planning mediates the relationship between managerial skills and SMEs' performance. In addition, the role of managerial skills on the usage of the company's resources is highly influential through strategic planning. Strategic planning has been found to impact significantly and positively on the relationship between managerial skills and performance of SMEs in Punjab, Pakistan. The findings suggested that, in devising appropriate strategies for SMEs, the effect of managerial skills on the utilization of the firm's resources can be more effective to the firm's performance. In short, the utilization of a firm's resources through a proper planning is more essential for the sustainability of SMEs.

**Keywords:** Managerial Skills, Strategic Planning, Small- and Medium-Sized Enterprises, Firm's Performance, Pakistan

**JEL Classification Code:** G30, G32, J24, L1, L25

### 1. Introduction

While there is much evidence that managerial skills (MS) as organizational tools are recognized as the main driver of firm's success, there is little understanding of how these skills help the organizational planning and development of the strategies. Numerous studies (Al-Madhoun & Analoui, 2003; Khan & Ghouri, 2011; Tonidandel, Braddy, & Fleenor, 2012) acknowledged that managerial skills are a source of competitive advantage. However, most studies considered managerial skills to be a single construct, taking into account only a particular dimension of managerial skills (Aliyu, 2015;

Kiambati & Itunga, 2016; Tonidandel et al., 2012). Different dimensions of managerial skills may indeed be relatively more important from the different aspects of the firms (Mehralian, Peikanpour, Rangchian, & Aghakhani, 2020). Ahmad and Ahmad (2018) further affirmed that the managerial skills with the bundling of different dimensions are more important. Yet, the literature on managerial skills in terms of their bundling effect and firm's performance is largely focused on big firms. So, there is little research offering a rigorous empirical analysis of the relations between managerial skills and SMEs (Ahmad & Ahmad, 2018).

The literature emphasizes the performance of the firms at that moment when the majority of SMEs are struggling to achieve sustainability and growth (Mehralian et al., 2020). Looking at the performance of Pakistani SMEs, more than 80% of SMEs have failed after three years of operation due to mismanagement, lack of innovation, lack of important skills, and lack of implementation of strategic planning (Shaikh, Ahmedani, Syed, & Panhwar, 2017). Even within the scope of sustainability, most of them had not grown and sustained significantly (Ahmad & Ahmad, 2018; SMEDA, 2019). After identifying these reasons, therefore, this study identifies the correlation between managerial skills and performance of

<sup>1</sup>First Author. School of Business Management, Universiti Utara Malaysia, Malaysia [Postal Address: Sintok, 06010 Bukit Kayu Hitam, Kedah, Malaysia] Email: chaudhryisrar@gmail.com

<sup>2</sup>Corresponding Author. School of Business Management, Universiti Utara Malaysia, Malaysia [Postal Address: Sintok, 06010 Bukit Kayu Hitam, Kedah, Malaysia] Email: shuhymee@uum.edu.my

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the firms by examining the SMEs in Punjab, Pakistan. They account for 90% of 3.2 million SMEs in Pakistan (SMEDA, 2019). SMEs are contributing 40% of the GDP of the country, which is relatively low compared to other countries in the region such as China, India, and Bangladesh. From the growing trends in the firm's performance, SMEs in Pakistan had recorded a continuous decline in their productivity and performance (Bhatti & Akram, 2020). Researchers and policy experts have, therefore, raised concerns on the deficiency of managerial skills and strategic planning in Pakistani SMEs.

Few studies on Pakistani SMEs have explored the aggregated effect of managerial skills on the success of small- and medium-sized enterprises with insights of strategic planning (Ahmad & Ahmad, 2019; Khan & Ghouri, 2011). These studies have not examined the impact of the nexus of the different dimension of managerial skills on firm's performance. Especially, did not assume the strategic planning's role in the relationship between skills and firm's performance. Furthermore, prior studies have not taken a disaggregated approach of strategic planning in organizational growth and development by the utilization of firm's resources. In order to fill these gaps, this study will take a systematic measure of managerial skills, considering its different dimensions and provide rich insights of strategic planning into the influence of each dimension of managerial skills on firm's performance. In the same way, this study uses different types of datasets from different sectors of small- and medium-sized enterprises in Pakistan to explore managerial skills-' performance ties. Therefore, in addition to the direct impact of managerial skills on the performance of small and medium-sized enterprises, this study also examines the mediating role of strategic planning on this link.

## **2. Literature Review and Hypothesis Development**

### **2.1. Dimensions of Managerial Skills**

Studies of managerial skills have grown since the germination of human capital and business literature. Prior studies of managerial skills can be classic examples (Al-Madhoun & Analoui, 2002; Aliyu, 2015; Analoui, Labbaf, & Noorbakhsh, 2000; Kanungo & Misra, 1992; Mehralian et al., 2020; Tonidandel et al., 2012). These studies defined the managerial skills as the organizational resources, which can deal with upcoming challenges, development of organizational planning, and lead the firm's operations by utilizing the organizational resources. Prior research on managerial skills introduced five important dimensions for managerial skills, namely, management skills, marketing skills, financial skills, legal skills, and administrative skills (Smith, Eichholz, & Schallenkamp, 2007). Smith, Schallenkamp, and Eichholz (2006) considered that

management skills are important for planning the strategies, directing the organizational strategies, supervising the team in upcoming challenges, building the networking, distribution channels, and decision-making. Smith et al. (2006) also posit that marketing/sale skills are constituents of managerial skills to enable the firm to identify customer demand and distribution according to channels and supply chain. According to Ahmad and Ahmad (2018), financial skills are helping the firm in accounting, maintenance, budgeting, and managing financial resources from different resources, which they enumerated comprehensively. Smith et al. (2006) also defined the importance of legal skills to include privacy and security and risk management during highly challenging situations. On the same note, Ahmad and Ahmad (2018) and Smith et al. (2006) emphasize the importance of administrative skills and high-level skills as a means of developing advisory boards, building relationships with organizations, problem-solving and learning.

### **2.2. Managerial Skills and Firm's Performance**

The business literature acknowledged the importance of managerial skills as an import construct for firm's performance (Shaikh et al., 2017; Wijaya & Irianto, 2018). The resource-based view (RBV) of the firm by Wernerfelt (1984) also considers that managerial skills as the bedrock of the firm's better performance and competitive advantage. The theoretical arguments are that resources that are valuable, rare, inimitable, and non-substitutable (VRIN), drive the firm's comparative advantage. The managerial skills can be one such resource of the firm to drive its growth and sustainable process. Similarly, the RBV indicates that the nexus of managerial skills with different dimensions can further improve the competitive advantage by utilizing their resources, thereby reducing costs. Specifically, a multiple of important skills (management skill, marketing skills, financial skills, legal skills, administrative skills, high-order skills), deployed by organizational planning, can improve the performance of the firms.

The apex points of the resource-related theories of performance is that managerial skills have an important role for the organizations to drive the sustainable competitive advantage and long-term planning (Wijaya & Irianto, 2018). Firms that focus on their resources generate sustainable comparative advantage (Ahmad & Ahmad, 2018; Fuadah, Safitri, Yuliani, & Arisman, 2020). Those firms relying on many resources have a sustainable competitive advantage and raise their capital to boost efficiency. Prior scholastic works such as Ahmad and Ahmad (2018) and Smith (2010) supported these arguments. For example, Shaikh et al. (2017) and Mehralian et al. (2020) contend that the utilization of resources by implementing the multiple managerial skills augments the firm's outcomes. Ahmad and Ahmad (2018)

added that the firm's specific managerial skills investment mattered for the firm's performance. Proceeding further, they also argued that managerial skills with high potential values help to reduce the firm's failure rate.

Firms with strong and multiple managerial skills can make efficient use of their capital by incurring minimal costs and helps to incentivize financial growth (Shaikh et al., 2017). Thus, the consistent build-up of the multiple resources and utilization of the resources is a result of sustainable growth and profitability (Shaikh et al., 2017; Sinkovics & Roath, 2004). Similarly, Helfat and Peteraf (2015) found that managerial skills with different dimensions contributed to the firm's performance significantly. Khan and Ghouri (2011) argued that managerial skills as organizational resources are the key factor to improve SMEs performance. However, the skills needed for better performance can be different at different stages of the firm's projects. Likewise, Chatterjee and Das (2016) argued that firms needed different skills at a different stage of the firm, which helps to grow and sustain the competitive market found a positive relationship with the firm's performance. The issue of SME performance is also linked to the lack of utilization of the resources at the right time and with the right plan. Similarly, Pakistan's scholarly studies have underscored that multiple dimensions of managerial skills were ignored by nascent firms, which in turn, cause the failure (Ahmad & Ahmad, 2019; Shahzad, Ahmad, Bajwa, & Rasheed, 2017; Shaikh et al., 2017). As many of the SMEs in Pakistan do not consider the importance of right multiple managerial skills, they remain incapable to perform well. Shaikh et al. (2017) confirmed that reluctance of considering the important managerial skills are the common feature of the low performance and high failure rate in Pakistan. Based on this backdrop, the researcher develops the following hypothesis:

*H1: Managerial skills have a significant effect on firm's performance.*

### 2.3. Strategic Planning and Firm's Performance

Prior research documented the significant effect of strategic planning as organizational resources and identified the critical role of strategic planning in resolving the issues facing the organization (Arasa & K'Obonyo, 2012). Asah, Fatoki, and Rungani (2015) argue that strategic planning helps the firm to set its long-term objective and allow them to achieve their goals. Similarly, Arasa and K'Obonyo (2012) have shown that strategic planning is an effort to prepare the organization for future contingencies and helps to monitor the complexities of the upcoming challenges. In addition, Ahmad and Ahmad (2019) argued that strategic planning has made a substantial contribution to the firm's financial and non-financial success. Likewise, Ansah (2017) also finds that

organizations with a lower degree of strategic planning are at higher risk of failure and their dimensions also assist for the survival and growth. To illustrate the influence of strategic planning on the firm's performance, prior studies focused on the multidimensional nature of strategic planning and, on the other hand, some studies have examined a one-dimensional design (Arasa & K'Obonyo, 2012; Rezvani, Gilaninia, & Mousavian, 2011; Salman, Arshad, & Bakar, 2016).

However, strategic planning is considered as the major significant factor for the sustainability of the firms (Arasa & K'Obonyo, 2012). This important relationship between strategic planning and the performance of the firm is well underscored in the literature with different concepts (Arasa & K'Obonyo, 2012). Similarly, previous studies have highlighted the positive role of strategic planning (Aldehayyat & Al Khattab, 2012; Arasa & K'Obonyo, 2012). Ahmad and Ahmad (2018) documented that strategic planning increases the organization's vision by fulfilling its objectives and strategies. In addition, Ahmed and Othman (2017) highlighted the significant positive impact of strategic planning on the performance of small- and medium-sized enterprises in Malaysia and concluded to the existence of a strong relationship. Furthermore, investigating how strategic planning affects the performance of SMEs, they showed how strategic planning related to higher performance and helped to reduce the failure rate. Therefore, the following hypothesis is proposed:

*H2: Strategic planning has a significant effect on the performance of SMEs in Punjab, Pakistan.*

### 2.4. The Mediating Role of Strategic Planning

Research has shown that managerial skills have an impact on the firm's performance and help develop future plans to drive the firm toward a sustainable competitive advantage. In the meantime, Ahmad and Ahmad (2019) highlighted the company's challenges in developing proper resource utilization planning, setting out its organizational vision, mission and objectives. Similarly, Ahmad (2012) argued that firms that have no plans where to go and how to survive with minimal resources cannot survive in the long run. Strategic planning, therefore, refers to the company's vision, mission, values, objectives, and objectives resources, as well as internal strategies for the use of firm's resources (Strese, Keller, Flatten, & Brettel, 2016). However, utilization of the firm's resources is the important application of strategic planning (Haleem, Jehangir, & Ullah, 2019). Likewise, firms with the right vision, mission, goals, and objectives are the stock of future strategies. We, therefore, posit that strategic planning enables firms to develop long-term strategies and sets the direction for the use of the resources needed to improve the firm's performance.

Research has highlighted the combination of strategic planning and firm's performance (AlQershi, Abas, & Mokhtar, 2019). Similarly, Arasa and K'Obonyo (2012) also discussed the significant relationship between SP and FP. However, several studies are limited to highlighting their relationship with small- and medium-sized enterprises and their lack of incorporation. There is, therefore, a limited contribution to develop the relationship of managerial skills, strategic planning and firm's performance, particularly in small- and medium-sized enterprises in Pakistan. The current discrepancy can be explored by mediating the effect of strategic planning on the relationship between management skills and firm's performance. Therefore, the following hypothesis is proposed on the mediating effect of strategic planning on the relationship between managerial skills and firm's performance.

**H3:** *Strategic planning mediates the significant relationship between managerial skills and the performance of SMEs in Punjab, Pakistan.*

### 3. Theoretical Framework

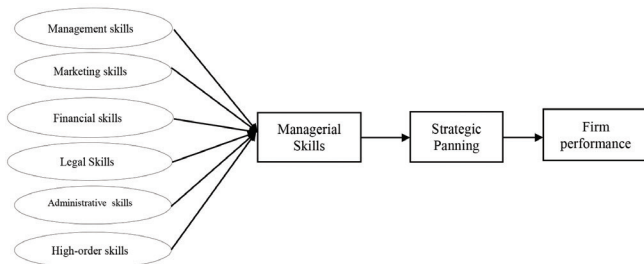


Figure 1: Research Framework

## 4. Research Methodology

### 4.1. Sample of Firms

Census of SMEs took place in Punjab, Pakistan, which is the most populated province with 65% of the total population, and with the largest number of small- and medium-sized enterprises (SMEs). Following the stratified sampling techniques, previously adopted by Ahmad and Ahmad (2019), the study focused on three sectors of SMEs, namely, industrial sector, agriculture sector, and service sector by adopting the SMEs definition from of Small- and Medium Enterprises Development Authority (SMEDA) in Pakistan. For choosing the true representation of the population, the sample size was calculated by using the formula suggested by Mendenhall, Reinmuth, Beaver, and Beaver (1993). The questionnaires were distributed to the

owner/manager of SMEs in Punjab, Pakistan. Out of 384, 285 questionnaires were returned, accounting for a response rate of 83.25. Some 20 questionnaires were excluded due to inaccurate filling. The available respondents were therefore 265 with a response rate of 79.35 per cent.

### 4.2. Measurement of Variables

In order to investigate the effect of management skills and the mediating role of strategic planning more comprehensively, this study adopted six key dimensions of management skills from Smith et al. (2006) and five key dimensions of strategic planning from Ahmad and Ahmad (2019). We used 12 questions to illustrate the strategic planning of the organization. Five-point Likert scale was used to determine the responses to the questions, from 'strongly opposed' to 'strongly agreeing'. Some items for this latent construct were taken from previous studies, and some items have been added, keeping the theoretical literature in mind.

### 4.3. Analytical Method

We used structural equation modeling (SEM) to satisfy the demands of our framework for the simultaneous testing of multiple relationships (Hair Jr & Lukas, 2014). Partial Least Square (PLS 3.3) was used for the evaluation of descriptive and inferential statistical values. We also observe SEM procedures to test the validation and measurements model. To this end, we evaluate the direct impact between managerial skills and results, the indirect relationship between managerial skills and exercises with the mediating effect of strategic planning.

## 5. Results and Findings

For the assessment of structural equation modeling (SEM), the Smart-PLS statistical analysis model was used. Each one of the constructs under consideration included managerial skills, strategic planning, and firm's performance.

### 5.1. Construct Validity and Reliability

The study carried out construct validity and reliability to ensure that the measured elements represent the theoretical structure. According to Hair Jr and Lukas (2014), construct validity can be calculated by measuring the discriminatory validity and the converging validity of each construct. These estimates were done by evaluating the reliability and validity of the measurement constructs, and testing the discriminant validity and the convergent validity of the measurement. The study used the criteria suggested by Fornell and Larcker (1981) that values of AVE, factor loading, and composite reliability (CR) values should be less than 0.70 and 0.50,

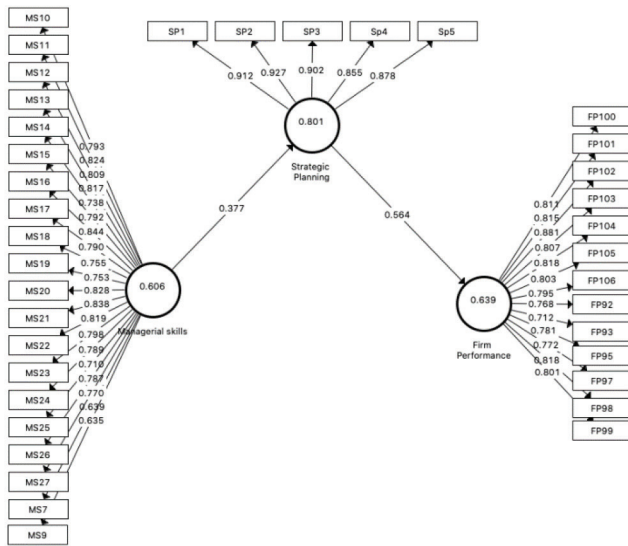


Figure 2: Measurement Model

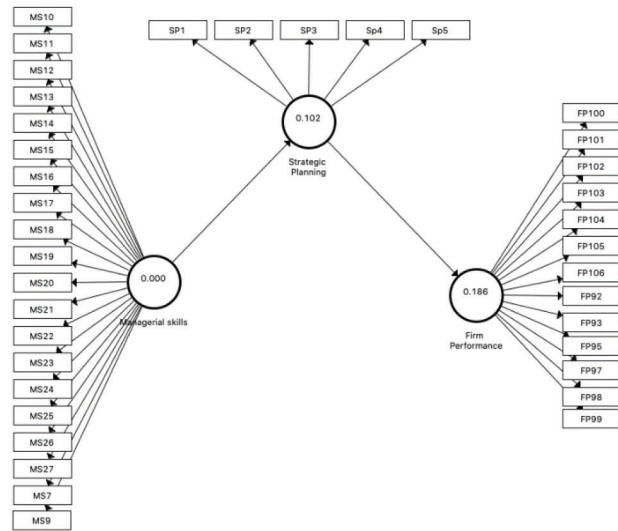


Figure 3: PLS Boost Strapping Model

respectively. Table 1 shows the value of factor loading and AVE also higher than the threshold value 0.5 (Hair Jr & Lukas, 2014).

Table 1 also reports the loading factor, AVE, and CR values. The value of the loading factor is between 0.70 and 0.88, which indicates that the loading of objects is fine for their respective constructs. Similarly, the value of AVE and CR for all the constructs is greater than 0.50 and 0.70, respectively.

The discriminant validity of the scales was tested by following the parameters suggested by (Hair Jr & Lukas,

2014). In the case of discriminant validity (DV), the square root of the AVE figures should be higher than the inter-constructed squared correlations. Table 1 indicates that AVE values are greater than their correlation values for all structures. This implies, therefore, that the design of the acceptable discriminant is correct. Likewise, all constructs have a greater value than the threshold value of Cronbach’s alpha. Taken together, the findings confirm the internal reliability, As well as discriminant and discriminant validity. The assessment of discriminant validity becomes the prerequisite to examine the relationship between latent constructs (Hair Jr & Lukas, 2014). In addition, Table 2 showed the values of external consistency, which is tested for discrimination validity by using Smart-PLS.

### 5.2. Assessment of Significance of the Structural Model

After finding the validity of all constructs, the structural model was developed to test the relationship between managerial skills and the firm’s performance. For this purpose, the standard boost strapping was used to evaluate the significance of the path by boost strapping 5000 times with 265 respondent data (Henseler, Hubona, & Ray, 2016). Figures 2 and 3 depict the relationship with the mediator of the structural model in this study.

Table 3 shows the results of hypothesis testing that the managerial skill, as an independent variable, has a significant positive relationship with strategic planning ( $\beta = 0.386, t = 6.911, P < 0.000$ ). So, the results support the importance of managerial skill, which develops the strategic planning of the firm. Similarly, H2 indicated that strategic planning and firm’s performance have a positively significant relation ( $\beta = 0.564, t = 8.581, P < 0.000$ ). It means hypothesis 2 is supported and shows the significant importance of the strategic planning of the firm for the firm’s performance. Furthermore, results on the indirect effect also suggested that the strategic planning mediates the relationship between managerial skills and performance of SMEs ( $\beta = 0.222, t = 4.627, P < 0.000$ ). The result supports the value of strategic planning for the use of multiple resources and reflects the instrumentality of strategic planning in directing the impact of managerial skills to improve the efficiency of SMEs.

### 5.3. Assessment of Variance ( $R^2$ )

The variance assessment ( $R^2$ ) is the most significant concept for PLS-SEM structural modeling (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014).  $R^2$  means the proportion of the value in the dependent variables is evaluated by one or more predictors (Henseler et al., 2016). The minimum threshold value for  $R^2$  is 0.10 and for PLS-SEM the appropriate values are 0.19, 0.33 and 0.67, which

**Table 1:** Reliability and Validity

Variables	$\lambda$	Cronbach's $\alpha$	rho_A	CR	AVE
<b>Managerial skills</b>		0.965	0.955	0.958	0.639
MS1	0.811				
MS2	0.815				
MS3	0.881				
MS4	0.807				
MS5	0.818				
MS6	0.803				
MS7	0.795				
MS8	0.768				
MS9	0.712				
MS10	0.781				
MS11	0.772				
MS12	0.818				
MS13	0.801				
MS14	0.788				
MS15	0.820				
MS16	0.807				
MS17	0.812				
MS18	0.736				
MS19	0.787				
MS20	0.841				
<b>Firm Performance</b>		0.953	0.966	0.968	0.606
FP1	0.768				
FP2	0.712				
FP3	0.781				
FP4	0.772				
FP5	0.818				
FP6	0.801				
FP7	0.811				
FP8	0.815				
FP9	0.881				
FP10	0.807				
FP11	0.818				
FP12	0.803				
FP13	0.795				
<b>Strategic Planning</b>		0.938	0.939	0.953	0.801
SP1	0.912				
SP2	0.927				
SP3	0.902				
SP4	0.855				
SP5	0.878				

**Table 2:** Discriminant Validity

	Firm Performance	Managerial Skills	Strategic Planning
Firm Performance	0.799		
Managerial skills	0.393	0.779	
Strategic Planning	0.564	0.377	0.895

**Table 3:** Indirect and Mediating Effect

Hy	Relation	Std Beta	STD Error	T-Value	Findings	R <sup>2</sup>	F <sup>2</sup>	VIF	Q <sup>2</sup>
H1	MS → SP	0.386	0.055	6.911**	Supported	0.318	0.185	1.546	0.197
H2	SP → FP	0.564	0.066	8.581**	Supported	0.154	0.495	1.243	0.107
H3	MS → SP → FP	0.222	0.046	4.627**	Supported			1.514	

**Table 4:** Variance Explained R Square (R<sup>2</sup>)

Latent Variables	Variance Explained R Square
Firm Performance	0.323
Strategic Planning	0.154

are considered weak, moderate, and substantial (Hair Jr et al., 2014). Table 4 shows the values for variance explained R-square. As a result, the variance for the firm’s performance is 32% and 15% for strategic planning. R-square values for this analysis may therefore be considered moderate and weak by following the parameters of Cohen (1988).

#### 5.4. Assessment of Effect Size (f<sup>2</sup>)

The basic aim of the assessment of effect size (f<sup>2</sup>) is to measure the impact of the endogenous variable on the exogenous variables by means of the R-square shift (Chin, 1998). The values of the scale of the impact (f<sup>2</sup>) are small (0.02), moderate (0.15), and high (0.35). Table 5 shows the values of the effect size (f<sup>2</sup>) that the overall influence of managerial skills on strategic planning is moderate (0.185). Likewise, the overall impact of SP on FP is moderate (0.489), respectively (Cohen, 1988).

#### 5.5. Predictive Relevance (Q<sup>2</sup>)

The value for Stone-Geisser’s Q<sup>2</sup> can be used for the predictive accuracy of the model (Hair, Ringle, & Sarstedt, 2013). That is why the Stone-Geisser test was used to determine the importance of predictive significance through blindfolding (Henseler et al., 2016). Table 6 shows the cross-validated values for strategic

**Table 5:** Effect Size (f<sup>2</sup>)

Variables	F Square	Effect Size
Managerial Skills → Strategic Planning	0.185	Moderate
Strategic Planning → Firm Performance	0.495	Moderate

**Table 6:** Calculated Predictive Relevance (Q<sup>2</sup>)

	SSO	SSE	Q <sup>2</sup> (= 1 – SSE/SSO)
Firm Performance	3,432.00	2755.228	0.197
Strategic Planning	1,320.00	1178.408	0.107

planning and firm’s performance. It also indicated that the predictive significance value of Q<sup>2</sup> is more than zero, which supports the suggested value of Henseler et al. (2016). The determined values of predictive relevance Q<sup>2</sup>, therefore, indicate that the endogenous latent construct is relevance for this study model.

## 6. Discussion

This study mediates the role of strategic planning on the relationship between managerial skills and the performance of SMEs in Punjab, Pakistan. The results indicate the positive impact of managerial skills on strategic planning. Interestingly, compliance and multiple managerial skills dimension, rarely considered in the business literature (Smith et al., 2007), is found to raise the performance of SMEs. Meanwhile, contrary to the conventional wisdom where multiple managerial skills

were not considered as part of organizational resources, the findings confirm that managerial skills are considered as an important organizational resource and help to develop the strategies for stabilities of the firm. Multiple managerial skills would have a value-added impact on the organization's production of short- and long-term strategies. Similarly, strategic planning would help develop the company's potential plans that affect the company's success. Therefore, these results justify the assertion by Ahmad and Ahmad (2018) and Kiambati and Itunga (2016) that engaging multiple skills in the development of organizational planning increases the chance of sustainability for the long term and for their higher performance.

Findings of the direct effects of strategic planning have a substantial positive impact on the firm's performance. However, the results endorse the findings of prior empirical studies like Arasa and K'Obonyo (2012) and Pushpakumari and Watanabe (2009). Accordingly, the findings suggested that a comprehensive strategic plan could create the value of the organization and support for sustainability in a rigid market. Contrary to the traditional system, where vision, mission, objectives, and strategies are not an important component of the firm, the results of this study ascertained that these are the important predictors of SMEs' performance. Moreover, the findings suggested that it is difficult for the SMEs to make sense to evaluate its performance without setting the strategic planning.

Finally, indirect findings of the study show that strategic planning significantly mediates the relationship between managerial skills and firm's performance, which in turn, influences the performance. The comparatively higher indirect impact of strategic planning on performance compared to direct effect implies that strategic planning mediates between management skills and firm's performance (Kiambati & Itunga, 2016). Despite mixed evidence on the mediating role of strategic planning, the results support earlier claims that, after entering the rigid market, further strategic planning is needed to sustain the long-run firm's performance (Kiambati & Itunga, 2016; Kotey & Kotey, 2017).

It is important to understand what internal and external factors often significantly hamper the output of SMEs, who are less qualified. Lack of strategic planning for utilization of the firm's resources is one of the top barriers for Pakistani SMEs. It is challenging for SMEs to be sustained in a stiff market and reduce their failure rate in a limited resource. This has left the small- and medium-sized enterprises in Pakistan in a vicious cycle of high failure rate, less contribution to the economy, less management of resources, and low capacity.

## 7. Conclusion and Recommendations

The study analyzes the relationship between managerial skills and SMEs' performance in Punjab, Pakistan, with

the mediating effect of strategic planning. This research examines the direct and indirect effects of strategic planning on the performance of SMEs using the SEM test. The results indicate the positive effect of managerial skills on SMEs' performance and also suggested that strategic planning mediates the relationship between managerial skills and SMEs' performance. Similarly, the disaggregated findings indicate that the influence of strategic planning on the performance is much higher due to the execution of the plans, the setting of the targets and their achievement. In addition, the role of managerial skills on the usage of the company's resources is highly influential through strategic planning.

Consequently, the findings explain that a firm's resources matter when examining the strategic planning- firm's performance nexus. Those firms (large or medium firms), which have a high volume of resources, benefit more from a managerial point of view for their higher performance. It draws attention to important policy lessons for small- and medium-sized firms, owing to their small size and limited resources that they cannot perform effectively. The reason may be lack of managerial skills and strategic planning.

Implementation of strategic planning results in small-sized firms becoming medium-sized, and medium-sized firms becoming large organizations. SME mainly contribute to the economy with the implementation and utilization of their limited resources. From the last decades, the performance of SMEs is stagnating and some even shut down, as in the case of lack of proper planning. Small- and medium-sized enterprises in Pakistan are also largely neglected by policymakers. Therefore, this study suggested to the owners and managers of SMEs the usefulness of strategic planning to utilize their resources by following the proper planning. Similarly, it also suggests that some form of government funding be provided for proper training, which is otherwise difficult for SMEs because it is costly and risky. Furthermore, any form of government funding can help them to train their employees to improve their skills and subsequently adopt the proper planning in the utilization of their resources. The results of the study also suggested training at the nascent level for SME owners and managers, primarily to highlight the value of various managerial skills and the advancement of long-term and short-term strategies.

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