STRATEGIC MANAGEMENT PRACTICES AS A COMPETITIVE TOOL IN ENHANCING PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA

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NOVEMBER, 2013
DECLARATION

I hereby declare that this research project is my original work and has not been presented in any other university for an award.

Signature: …………………………………...                          Date: ………………………

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D61/68854/2011

This research project has been submitted for examination with my approval as the university supervisor.

Signature: …………………………………...                          Date: ………………………

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SUPERVISOR
DEDICATION

This research project is dedicated to my family for their love, support, patience, encouragement and understanding gave me the will and determination to complete my postgraduate studies.
ACKNOWLEDGEMENT

I wish to acknowledge and sincerely appreciate the following people without whom this research work would not have been successful. It may not be possible to mention all by name but the following were singled out for their exceptional contributions.

My profound gratitude goes to my supervisor Dr. Justus Munyoki, for his commitment and personal interest in the progress of this study. His wise counsels, encouragement, patience, constructive and innumerable suggestions made this work come to completion. They were true captains of this ship.

My heartfelt appreciation and indebtedness also goes to my family especially my mum, my brothers and sisters; my husband and my children Nicole and Ian for making my dream comes true by offering me moral support and being a pillar of strength during my postgraduate studies.

I equally thank all the respondents who participated in this study. Their response and contribution is highly appreciated.

Finally and most importantly, I wish to thank my God and my Creator for bringing me this far. I pride in his name because, it is His power and grace that has made this study a success.
ABSTRACT

Strategic management and its implementation have become the main focus in SMEs because of its role in generating economic wealth. Although, there are many advantages to use strategic management, there are still many SME organizations that resist using it, since some of them may think this process is only useful for larger organizations and they did not recognize that it’s also very helpful for SMEs as a whole. The purpose of this study was to establish strategic management practices and their influence on performance of SMEs in Kenya. The study adopted the descriptive cross sectional research design. The target population for this study was the top 100 SMEs (2012) in Kenya because it was the rich area and is concentrated with lots of SMEs. Stratified sampling was adopted so as to give each item in the population an equal probability of being selected. The sample was selected from the population target of 100 possible respondents by taking a 50% sample of the target population in each stratum. Hence the sample size of the study was 50 senior managers in the SMEs which were chosen randomly. The researcher used a questionnaire as the primary data collection instrument. The questionnaire collected qualitative and quantitative data. The questionnaire was administered through drop and pick method to the top managers working in the selected SMEs. The questionnaire responses were cleaned, grouped into various categories and entered in the SPSS software to facilitate for analysis using descriptive statistics. Frequency distribution tables were used to summarize the data from respondents. The analysed data was presented in frequency distributions tables and pie charts for ease of understanding and analysis. The study established that majority of the SMEs had adopted strategies in the past. The study further established that external factors contributed to adoption of new strategies to a very great extent; internal factors such as internal processes, top managers’ ability to develop effective strategies, firm’s resources, organizations behaviour and characteristics also influenced their organization’s adoption of new strategies as organizations seek to remain competitive in the market. The study also found out that majority of the SMEs adopted various strategies to a great extent in order to achieve competitive advantage; they included: market strategy, products reputation, customers’ differentiation, product pricing, cost control, technology, quality of the product, product and service innovations and customer service strategies. The study concludes that strategic management has a positive relationship with competitive advantage of the organizations and that SMEs adopted the strategies in order to achieve competitive advantage. It is recommended that the management needs to have a positive rethink towards the use of strategic management and have the right resources as the success of a business or strategy depends primarily on the value judgment, energy and skill of its top managers and the strategic implementation within the context and parameter of the uncertainty and ambiguity of the environment subjected to volatility. Strategic training should be given to all employees in the SMEs in order to enhance their performance. Management should undertake a comprehensive study and adoption of strategic management in all and every aspect and areas of its concern so as to synergies, restructure, re-engineer and reposition its operations and thus enhancing competitiveness and performance.
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<tr>
<td>AGD</td>
<td>African Guarantee Fund</td>
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<tr>
<td>DFIs</td>
<td>Development financial institutions</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>IFC</td>
<td>International Financial Corporation</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RBV</td>
<td>Resource-Based View</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UNIDO</td>
<td>United Nation Industrial Development organization</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

There has been an increased interest in the role of Small and Medium Enterprises in job creation and economic growth globally. The small and medium sized sector is increasingly being recognized as the prime vehicle for economic development in both developed and developing nations (Zacharakis et al; 2002). It is a major source of employment, revenue generation, innovation and technological advancement (Kotey & Meredith, 1997). Therefore, SMEs have become a major asset in the economy. In most of the countries in the world, the level of economic dependence on small and medium enterprises has increased in recent years. The individual performance of each enterprise determines economic development. However, there is little systematic research in this area backing the various policies in support of small enterprises, primarily because of the lack of data. SMEs are important for raising the economic efficiency of a country. They are breeding grounds for entrepreneurship, innovations and inventions hence a reservoir for employment. Sustainable jobs, creates income which in turn reduces the level of poverty.

Research into strategic management and its implementation has become the main focus in SMEs because of its key role in generating economic wealth (Bantel & Jackson, 1999). However, there is a main argument about whether SMEs need to develop a strategic plan. Some writers have argued that formal strategic management procedures are particularly
inappropriate for SMEs that have neither the management nor financial resources to indulge in elaborate, strategic management techniques (Cragg & King, 1998). Although, there is still debate of the application of strategy in SMEs in many researches – positive impact of using strategic management as a tool to achieve sustainable and competitive advantage cannot be ignored (Analoui & Karami, 2003).

1.1.1 The Concept of Strategy

A business strategy is an overall plan of action which defines the competitive position of a firm ((Mintzberg & Quinn, 1991). Strategy is frequently described as a deliberate set of actions to achieve competitive advantage, giving coherence and direction to the organization (O’Regan & Ghobadian, 2005). Literature suggests that firms can have a single strategy or multiple strategies and these strategies are likely to exist at three levels. They are the corporate level, business unit level and functional level business strategies. A business strategy is an overall plan of action which defines the competitive position of a firm (Mintzberg & Quinn, 1991). For example, a firm may choose to compete by producing high quality goods or by producing at low cost. Business strategies are implemented through the major functional areas in finance, production, marketing, human resource management (HRM), and research and development (R&D). In turn each functional strategy is made up of several activities. Therefore, activities act as guides to the realization of the overall business strategy (Nath & Sudharshan, 1994).

There are three levels at which strategy is practiced in organizations; corporate, business and functional level. Corporate strategy determines what the business should be and how the activities should be structured and managed. The strategy is responsible for defining
the firm’s overall mission and objectives, validating proposals emerging from business and functional levels and allocating resources with a sense of strategic priorities (Hax, 2001).

Business strategy is concerned with maintaining competitive advantage in each strategies business unit. Business strategy or competitive strategies are concerned with how an organization is going to compete in a specific business or industry (Coulter, 2008). Functional strategy or operational strategies are the short-term (less than a year) goal-directed decisions and actions of the organization’s various functional areas (Coulter, 2008). Functional areas are such as marketing, operation, production, finance, and human resources. The company needs to maintain its competitive strategy from each functional area in order to support business & corporate strategy. However, in the literature on SMEs, there is no clear consensus on what strategy is, rather there are many definitions (O’Regan & Ghobadian, 2005).

1.1.2 Strategic Management Practices

Strategic Management can be defined as "the identification of the purpose of the organisation and the plans and actions to achieve the purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise. Strategic management is an on-going process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy regularly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or
political environment. Strategic Management defines the purpose of the organisation and the plans and actions to achieve that purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise. It involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organisational goals. Strategic management provides overall direction to the enterprise. Firms that pursue sustainable strategic management base the formulation, implementation, and evaluation of their strategies on an analysis of the ecological issues they face, the values they hold that support sustainability, and the ecological interests of their stakeholders.

Researchers have associated business strategies with performance, distinguishing between strategies associated with high and low performance (Chell et al, 1991). Strategies which result in high performance are identified with activities that generally lead to success in the industry; that is key success factors. These activities are associated with initiatives in industry. Researchers have identified such initiatives to include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets. Activities associated with high performing strategies also include emphasis on customer service and support, extensive advertising, and use of external finance (Covin, 1991).

Strategic management is crucial element in keeping SMEs firing on all cylinders and driving forward. However, so far, researches mainly focus on strategic management on large organization. Few studies investigate the role of strategic management practices in Small and Medium-sized enterprise (SMEs). SMEs are important for economic growth and business development due to their contribution to employment & job creation and to
the innovativeness & high technology development. Thus, the existence, survival and growth of SMEs are indispensable for business as a whole. According to several strategic management literatures, strategies are essential for building competitive advantages for SMEs (Analoui & Karami, 2003; Coulter, 2008).

1.1.3 The Organizational Performance

The term ‘organisational performance’ is used in three time-senses - the past, present, and the future. In other words, performance can refer to something completed, or something happening now, or activities that prepares for new needs. Profitability, for example, is often regarded as the ultimate performance indicator, but it is not the actual performance. Firm’s performance is the measure of standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance. Performance also refers to the metrics relating to how a particular request is handled, or the act of performing; of doing something successfully; using knowledge as distinguished from merely possessing it. It is the outcome of all of the organisation's operations and strategies (Venkatraman & Ramanujam, 1986). Performance measurement systems provide the foundation to develop strategic plans, assess an organisation's completion of objectives and goals (Alderfer, 2003).

The concept of organizational performance has been based upon the idea that an organization is a voluntary association of productive assets, including human, physical, technological and capital resources, in order to achieve a common purpose (Barney 2002). According to Richard et al. (2008) organizational performance encompasses three
specific areas of firm outcomes: (i) financial performance (profits, return on assets, return on investment, etc.); (ii) market performance (sales, market share, etc.); and (iii) shareholder return (total shareholder return, economic value added, etc.). The successful performance of SMEs does not only depend on good economic performance, but rather on the way the entrepreneurs and employees work together and fulfil their activities and objectives in a joint and coordinated basis. According to Roper (1998), the entrepreneur is the development lever that determines whether any business venture will succeed or fail.

1.1.4 The SME Sector in Kenya

SMEs comprises of firms varying widely in size & characteristics, namely from very small start-up firms to established SMEs. In Kenya is characterized by the employment of between 50 to 200 employees and capital assets of a substantial amount of about KES 2 million (excluding property). The size and credit demand of SMEs have outgrown the capacity of micro finance institutions, which offer small, short loans via group-lending methodologies, while the opacity of the SME risk profile combined with the lenders’ lack of sophisticated risk assessment techniques makes many of them appear undesirable as credit customers for business banking.

SMEs contribute to output and to the creation of “decent” jobs; on the dynamic front they are a nursery for the larger firms of the future, are the next step up for expanding micro enterprises, they contribute directly and often significantly to aggregate savings and investment, and they are involved in the development of appropriate technology (United Nation Industrial Development organization (UNIDO) (2002). The SME sector also a
make a significant contribution to Kenya’s economy; the Small and Medium Enterprises (SME) segment is a key segment that fuels economic growth, create employment, improve productivity and thereby contribute immensely to the GDP growth. According a survey on SME market done in 2007 by the IFC (International Financial Corporation), it was established that majority of SMEs have immensely contributed jobs to the country.

1.2 Research Problem

The small and medium-sized enterprise (SME) sector has an important role to play in developing economies not only in economic development, but also in poverty alleviation and job creation. The sector faces a number of constraints especially in accessing finance, markets; training and technology. Although, there are many advantages to use strategic management, there are still many SME organizations that resist using it, since some of them may think this process is only useful for larger organizations and due to this, they do not recognize that it’s also very helpful for SMEs as a whole (Pushpakumari & Watanabe, 2010). Besides, there are not much research has been done in Kenya on the impact of strategic management practices on SME. When considering the increasing importance of strategic management in SMEs and their contributions to Kenya’s economy, it is obvious that there is a growing need for researches giving understanding on the role of strategic management. One can argue that the need for such information will become more important as the competition is becoming fiercer than before, due to many new SMEs enter into market.

Some of the notable studies that have been conducted on SMEs both locally and internationally include Qiuhong & Tiorini, (2009) who did a study on strategic Management in East Asia SMEs. Wasonga (2008) did a study on challenges influencing
small and medium enterprises (SMES) in Kenya: the Fina Bank experience. Muua (2009) researched on the significance of training for skills required to be effective in export marketing by Small and micro enterprises (SMES) exporting locally manufactured products in Kenya and Mulinge (2009) did a survey on marketing practices adopted by SMES dealing with clothing and footwear: a case of Makueni District. George Stonehouse and Pemberton (2002) did a Study on the strategic planning in SMEs in UK. However, the study in UK may not apply in Kenya as the context of study differs. None of the studies carried locally looked that strategic management practices in the SMEs in Kenya. This study therefore, seeks to fill that gap by establishing the strategic management practices by small and medium enterprises in Kenya. It will be guided by the following research questions: what is the influence of strategic management practices on performance of SMEs in Kenya and; secondly, what are the strategic management practices adopted by small and medium enterprises in Kenya?

1.3 Research Objectives

The objective of the study was to establish strategic management practices and their influence on performance of SMEs in Kenya. The study was also expected to highlight other important areas in the study that require further research.

1.4 Value of the Study

The study was expected to be of great value to the following:-

This study would give insights to the government bodies on how they can form a foundation for helping or enhancing the growth of small and medium enterprises. Moreover, the study would act as a guide to the government on how they can regulate the
businesses and enact rules and regulations to guide them. Also in making the national policies, the government would be able to ensure that the tax rates are favorable to these small scale businesses.

This study would also act as a guide to Development financial institutions (DFIs) in choosing SMEs they can support with their resources like capital, grants and capacity building e.g. African Guarantee Fund (AGD) which is willing to guarantee Small and medium enterprises’ bank borrowings. Also other DFIs for example international financial corporation would willing to offer financial support to well managed small and medium enterprises in Kenya. The study would also help banks in selection of the kind of SMEs they can lend to. Banks can be able to predict how the funds would be utilised based on the strategies employed by these small and medium enterprises.

The study would be of value to the managers and owners of SMEs in making appropriate strategies for their firms to enhance competitive advantage and performance. The study would also highlight on the major strategic management practices crucial for survival and growth of SMEs and such credible information would be of value to existing SMEs or any prospective proprietor as it can be relied on as a guide when making future strategic decisions on their organizations.

The study would be a source of reference material for future researchers on the topic and other related topics; it would also help other academicians who undertake the same topic in their studies. The study was also expected to highlight other important areas in the study that require further research.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study. It covered the theoretical framework on strategic management and the empirical review. The literature touched on the strategic management practices adoption by small and medium enterprises (SMEs).

2.2 Theoretical Foundation

There are several theories that have seen the evolution of strategic management. The theories below have helped anchor this research.

2.2.1 Porter's Theory of Competitive Advantage

The dominant paradigm in strategy at least during the 1980s was the competitive forces approach. Pioneered by Porter (1980), the competitive forces approach views the essence of competitive strategy formulation as 'relating a company to its environment. The key aspect of the firm's environment is the industry or industries in which it competes.' Industry structure strongly influences the competitive rules of the game as well as the strategies potentially available to firms. In the competitive forces model, five industry level forces-entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among industry incumbents-determine the inherent profit potential of an industry or sub segment of an industry. The approach can be used to help
the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favor (Porter, 1980).

This 'five-force' framework provides a systematic way of thinking about how competitive forces work at the industry level and how these forces determine the profitability of different industries and industry segments. The competitive forces framework also contains a number of underlying assumptions about the sources of competition and the nature of the strategy process. Available strategies are described in Porter (1980). Competitive strategies are often aimed at altering the firm's position in the industry vis-à-vis competitors and suppliers. Industry structure plays a central role in determining and limiting strategic action. Some industries or subsectors of industries become more 'attractive' because they have structural impediments to competitive forces (e.g., entry barriers) that allow firms better opportunities for creating sustainable competitive advantages. Rents are created largely at the industry or subsector level rather than at the firm level. While there is some recognition given to firm specific assets, differences among firms relate primarily to scale. This approach to strategy reflects its incubation inside the field of industrial organization and in particular the industrial structure school of Mason and Bain (Teece, 1984).

2.2.2 Resource-Based Theory or View (RBV)

This theory was developed by BirgeWenefeldt in 1984. It is a method of analysing and identifying a firm’s strategic advantages based on examining its distinct combination of assets, skills, capabilities and intangibles as an organization. The RBV’s underlying premise is that a firm differ in fundamental ways because each firm possess a “unique”
bundle of resources-tangible and intangible assets and organizational capabilities to make use of those assets. Each firm develops competencies from these resources, and when developed especially well, these become the source of the firm’s competitive advantage; (Pearce & Robinson, 2007). In the context of this theory, it is evident that the resources that a firm has will play a big role in the strategic implementation process. This is because no matter how good the strategies are, without the necessary resources to enable the implementation, they remain in the planning phase.

The resource-based approach sees firms with superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long run costs, but because they have markedly lower costs, or offer markedly higher quality or product performance. This approach focuses on the rents accruing to the owners of scarce firm-specific resources rather than the economic profits from product market positioning. Competitive advantage lies 'upstream' of product markets and rests on the firm's idiosyncratic and difficult-to-imitate resources.'

One can find the resources approach suggested by the earlier strategy literature. A leading text of the 1960s (Learned et al., 1969) noted that 'the capability of an organization is its demonstrated and potential ability to accomplish against the opposition of circumstance or competition, whatever it sets out to do. Every organization has actual and potential strengths and weaknesses; it is important to try to determine what they are and to distinguish one from the other.' Thus what a firm can do is not just a function of the opportunities it confronts; it also depends on what resources the organization can master. Learned et al. proposed that the real key to a company's success or even to its future development lies in its ability to find or create 'a competence that is truly distinctive.'
literature also recognized the constraints on firm behaviour and, in particular, noted that one should not assume that management will deliver. These insights do appear to keenly anticipate the resource-based approach that has since emerged, but they did not provide a theory or systematic framework for analysing business strategies.

New impetus has been given to the resource based approach by recent theoretical developments in organizational economics and in the theory of strategy, as well as by a growing body of anecdotal and empirical literature that highlights the importance of firm-specific factors in explaining firm performance. Cool and Schendel (1988) have shown that there are systematic and significant performance differences among firms which belong to the same strategic group within the U.S. pharmaceutical industry. Rumelt(1991) has shown that intra industry differences in profits are greater than inter industry differences in profits, strongly suggesting the importance of firm-specific factors and the relative unimportance of industry effects. Jacobsen (1988) and Hansen and Wemerfelt (1989) made similar findings.

The resource-based perspective puts both vertical integration and diversification into a new strategic light. Both can be viewed as ways of capturing rents on scarce, firm-specific assets whose services are difficult to sell in intermediate markets (Teece, 1980). Empirical work on the relationship between performance and diversification by Wemerfelt and Montgomery (1988) provides evidence for this proposition. It is evident that the resource-based perspective focuses on strategies for exploiting existing firm-specific assets.
However, the resource-based perspective also invites consideration of managerial strategies for developing new capabilities (Wernerfelt, 1984). Indeed, if control over scarce resources is the source of economic profits, then it follows that such issues as skill acquisition, the management of knowledge and know-how (Shuen, 1994), and learning become fundamental strategic issues.

2.2.3 McKinsey 7S Model

McKinsey’s 7S Model was created by the consulting company McKinsey and Company in the early 1980s. Since then it has been widely used by practitioners and academics alike in analyzing hundreds of organizations. The McKinsey 7S Framework was created as a recognizable and easily remembered model in business. The seven variables, which the authors term "levers", all begin with the letter "S":

These seven variables include structure, strategy, systems, skills, style, staff and shared values. Structure is defined as the skeleton of the organization or the organizational chart. The authors describe strategy as the plan or course of action in allocating resources to achieve identified goals over time. The systems are the routine processes and procedures followed within the organization. Staff are described in terms of personnel categories within the organization (e.g. engineers), whereas the skills variable refers to the capabilities of the staff within the organization as a whole. The way in which key managers behave in achieving organizational goals is considered to be the style variable; this variable is thought to encompass the cultural style of the organization. The shared values variable, originally termed super ordinate goals, refers to the significant meanings or guiding concepts that organizational members share (Peters & Waterman, 1982).
The seven components described above are normally categorized as soft and hard components. The hard components are the strategy, structure and systems which are normally feasible and easy to identify in an organization as they are normally well documented and seen in the form of tangible objects or reports such as strategy statements, corporate plans, organizational charts and other documents. The remaining four Ss, however, are more difficult to comprehend. The capabilities, values and elements of corporate culture, for example, are continuously developing and are altered by the people at work in the organization. It is therefore only possible to understand these aspects by studying the organization very closely, normally through observations and/or through conducting interviews. Some linkages, however, can be made between the hard and soft components. For example, it is seen that a rigid, hierarchical organizational structure normally leads to a bureaucratic organizational culture where the power is centralized at the higher management level.

It is also noted that the softer components of the model are difficult to change and are the most challenging elements of any change-management strategy. Changing the culture and overcoming the staff resistance to changes, especially the one that alters the power structure in the organization and the inherent values of the organization, is generally difficult to manage. However, if these factors are altered, they can have a great impact on the structure, strategies and the systems of the organization.

2.3 Different Strategic Management Practices Adopted by SMEs

Competition is often intense for SMEs. Many are small suppliers in near perfectly competitive markets and are unable to influence price or quantity. The contingent, and
standard view, of competitiveness (Porter 1985) where firms compete on cost or
differentiation is problematic for SMEs. They are unlikely to be able to lock in customers
and suppliers, build barriers to entry, or significantly lower costs. However, such SMEs
do often have processes and products that are difficult to imitate. Thus, a resource-based
view of strategy may to be helpful in enabling SMEs to compete effectively. The RBV
argues that competitive advantage can arise when firms 'accumulate resources that are
rare, valuable, non-substitutable and difficult to imitate' (Dyer and Singh 1998).

Articulation of the resource-based view of strategy is through recognition and
exploitation of the firm's core competences (Prahalad and Hamel, 1990). These
competences form the basis of a business strategy. Competitiveness is no longer seen as
driven by the industry but by variety created by individual firms (Dyer and Singh 1998).
Rangone (1999) demonstrates the value of this approach in SMEs by identifying three
core capabilities deemed essential - innovation, delivery and marketing. An SME
maintains competitiveness by a combination of these capabilities.

Strategies in information systems have also been developed by SMEs primarily to
achieve competitive advantage. SMEs focus on the role of information in supporting
strategic objectives (Levy and Powell, 2000). Technology plays a key role in providing
cutting edge for development with acquisition and technology adaptation to suit the local
conditions (Nikaido, 2004). Effective and efficient technology management practices are
especially important for small and medium-sized enterprises (SMEs) during all life-stages
of an enterprise due to the critical role of technology in entrepreneurial activities
(Sahlman K. and Haapasalo H., 2009). In the rapid changing and increasingly
competitive global economy technology has become organization’s greatest asset and
there is no universal methodology for technology management practices to suit all Enterprises. Enterprises have to evolve their own technology management practices according to their line of activity, nature of Research and Development pursued, culture and funding pattern (Jain & Kiran, 2012).

SMEs operate in a macro, micro and market environment that is affected by numerous internal and external influences which continuously change. These ‘change factors’ enable SMEs to identify opportunities and threats (Watson, 2004). It is therefore essential that SMEs has the capability to evaluate decisions to determine the enterprise’s future strategy (Watson, 2004). Watson (2004) emphasizes that owner-managers should develop a risk strategy to avoid, reduce or respond to potential risks. It is therefore essential that owner-managers are equipped with the necessary skills to compare risks and to identify appropriate risk strategies in adequately addressing these risks. Depending on the specific circumstances, owner-managers should engage in actions limiting the probability of risk occurrence, or if need be, to plan strategies that maximise the probability of recovery (Watt, 2007). By embedding a strategic risk management strategy in the SMEs processes, significant advantages can be achieved, such as (Watt, 2007): It ensures that the SMEs activities are aligned to its mission and objectives, and not diverted by external influences. It also ensures that organisational activities comply with industry best practices and that regulative compliance is achieved.

Lefebvre et al. (1992) examined the applicability of Porter’s typology of generic strategies to small manufacturing firms and investigated the relationship between the strategy adopted and the management of technology and innovation. They found that firms that were more technologically sophisticated tend to be more competitive.
Technological strength was related to both cost advantage and differentiation. Rothwell (1978) Acs and Audretsch (1988) found that smaller firms contributed greatly to the improvement of existing products and the creation of new ones.

Kerr (2006) did study leadership strategies for sustainable SME operation. The study concluded that SMEs should develop strategies that incorporate sustainable development, and that the resulting skills would guide them to act in a sustainable way.

2.4 Impact of Strategic Management Practices on Performance of SMEs

According to Olson and Bokor, (1995), the performance of an enterprise is determined by the business strategy it adopts. Strategies which result in high performance are identified with activities that generally lead to success in the industry; that is key success factors. These activities are associated with initiatives in industry (Miller & Friesen, 1983). Researchers have identified such initiatives to include emphasis on product quality, product and service innovations, development of new operating technologies, and discovery of new markets (Robinson & Pearce, 1998). Activities associated with high performing strategies also include emphasis on customer service and support, extensive advertising, and use of external finance. Further, because high performing strategies involve initiative-taking, they are often referred to as proactive strategies (Steiner et al; 1996).

Firms which perform below average tend to follow others in the industry and to react to events in their environment. Such firms are characterized by strategies which emphasize risk avoidance and involve little innovation. Strategies of low performing firms include limitations of more successful firms in the industry, but usually fall short in some
important respect. The activities that comprise these strategies are often not well integrated and are mismatched with the demands of the environment. They are often referred to as reactive strategies because they are characterized by reactions to events rather than by initiative-taking (Steiner et al; 1996). In reality, the two strategies may not be so clearly distinguishable. Firms pursuing proactive strategies may sometimes conform to industry norms and adopt standardized strategies. However, they do this not out of tradition, as with low performing reactive strategies, but because that is the best strategy at the time. Strategies with varying degrees of proactivity and reactivity lie along the proactive-reactive continuum.

Focusing on business strategy items and performance, some studies have identified that there are some relationships between strategy activities and performance. The activities of improving existing products to meet changing customer needs, developing new products and emphasizing product quality are associated with market share increases by attracting new customers and retaining existing ones (Robinson & Pearce, 1998). In contrast, low performing firms are likely to ignore these innovative and risk-taking activities. High performing firms are implementing new production technologies, emphasizing cost effectiveness and concerned with employee productivity to compete with competitors within the industry more so than the low performing firms (Vickery et al; 2003).

Kotey and Meredith (1997) pointed out that when firms are advertising more, identifying brand names for products, greater emphasizing customer service and credit, exploring marketing techniques, it leads to an increase in high performance. As far as financial strategic activities are concerned, they also stated that high performing firms use more debt financing and assessment of costs and benefits associated with alternative sources of
external funding than the low performing firms. As mentioned in the literature, SMEs are more labour intensive than the large firms. Within their research, it is also found that assessment of employee performance, concern with employees’ well-being and job satisfaction, involving employees in decision making are more common in high performing firms than low performing firms. Research shows that owner-managers, who seek the assistance of experts and make networks within the industry, perform better than those who do not (Kent, 2004).

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

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology adopted by the researcher in carrying out the study. The chapter also presents the population that was studied, the methods used to sample it, the instruments used in data collection and procedures that were used in data analysis.

3.2. Research Design

Descriptive cross sectional research design was adopted for this study. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enabled the researcher to generalise the findings to a larger population. Descriptive design method provided quantitative data from cross section of the chosen population. The descriptive research collects data in order to answer questions concerning the current status of the subject under study (Mugenda and Mugenda, 2003).

3.3 Population of the Study

The target population for this study was the top 100 SMEs (2012) in Kenya because it is the rich area and is concentrated with lots of SMEs. Kenya Top 100 Mid-sized companies is a survey carried out annually to facilitate identification of the Top 100 companies, survey participants were required to submit data on several financial indicators; Such as
business confidence outlook, human resource policies, involvement in corporate social responsibility, and the role played by innovation in their operations.

### 3.4 Sample and Sampling Technique

Stratified sampling was adopted so as to give each item in the population an equal probability of being selected. The sample comprises of 50% of the target population. Hence the sample size was 50 SMEs.

### 3.5 Data Collection

The researcher used a questionnaire as the primary data collection instrument. The questionnaire was designed to give a brief introduction of SMEs. The questionnaire was divided into sections representing the various variables adopted for study. For each section of the chosen study include closed structured and open ended questions which collected the views, opinion, and attitude from the respondent which was not captured by the researcher. The questionnaire was administered through drop and pick method to the respondents working in the selected SMEs. The respondents comprised of Senior managers of the selected SMEs.

The questionnaire collected qualitative and quantitative data. The open ended questionnaires gave unrestricted freedom of answer to respondents. The researcher used assistants to distribute by hand the questionnaires to be completed by the selected respondents. Upon completion, the research assistants collected the questionnaires and ensured high completion rate and return of the completed questionnaires. Drop and pick
method was used so as to give the respondents enough time as possible to fill the questionnaire.

3.6 Validity and Reliability of Research Instrument

Validity involves how accurately the data obtained represents the variables of the study while reliability refers to the degree to which a research instrument yields consistent results or data after repeated trials to establish its reliability (Saunders, et.al. 2003). Validity of the instrument was established by the research supervisor reviewing the items. To ensure reliability, the questionnaires were pre-tested on a pilot scale through selected respondents outside the study area. The objectives of pre-testing allowed for modification of various questions in order to rephrase, clarify and or clear up any shortcomings in the questionnaires before administering them to the actual respondents.

3.7 Data Analysis

The questionnaire responses were cleaned, grouped into various categories and entered in the SPSS software to facilitate for analysis using descriptive statistics. Frequency distribution tables were used to summarize the data from respondents. The analysed data was presented in frequency distributions tables and pie charts for ease of understanding and analysis.
CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the analysis and interpretation of the data collected through questionnaire. The respondents were senior managers from 50 SMEs sampled. A total of 50 questionnaires were distributed, out of which 38 were successfully completed and returned. This represents a response rate of 76%. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% rated very well. The response rate was good enough for the researcher to proceed on. Data was analysed through descriptive analysis.

4.2 Demographic Information

In this section, the study presents the general information of the respondents since it forms the basis under which the study can rightfully access the relevant information. The general information captured includes issues such level of age, education level, number of years worked in the organization and the size of the organization.

The respondents were asked to indicate their age; the results are shown in Figure 4.1
Figure 4.1 Age of the Respondents

Figure 4.1 shows that most of the respondents (44.7%) were between 35-44 years of age while 31.6% revealed that they were between 45-54 years of age. Majority of the respondents fell between these two age brackets. However, the study established that some of the organizations had young managers as 15.8% of the respondents were between 25-34 years of age.

The respondent we asked to indicate their level of education, the results are shown in Figure 4.2

Figure 4.2 level of Education Achieved
As shown in the Figure 4.2, the study revealed that majority of the respondents (68.4%) had attained an undergraduate degree while 23.7% had reached the post graduate level. This shows that majority of the managers in the SMEs were well educated and this would translate to better strategies for their organizations. Only 7.9% of the respondents had attained a diploma as their highest level of education. Some respondents further stated that they had attained other qualifications such as CPA/CPS as an additional to their qualifications.

The respondent were then asked to indicate the duration the organization has been in operation, the result are shown in Table 4.1

**Table 4.1 Duration of Operation of the Organization**

<table>
<thead>
<tr>
<th>Duration (in Years)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 5 years</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>4</td>
<td>10.5</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>13</td>
<td>34.2</td>
</tr>
<tr>
<td>16 – 20 years</td>
<td>13</td>
<td>34.2</td>
</tr>
<tr>
<td>21 years and above</td>
<td>8</td>
<td>21.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

As indicated in Table 4.1, the study established that most of the organizations (34.2%) have been in operation for 11-15 years and 16-20 years respectively while 21.1% of the respondents further indicated that their organization had been in operation for 21 years and over. This shows that most of the organizations had been in operation for long hence the managers understood their business environment well which would have an impact on the strategic management practices adopted these organizations.
The respondent were also asked to indicate the size of the organization in terms of number of employees, the result are as shown in Table 4.2

Table 4.2 Size of the Organization

<table>
<thead>
<tr>
<th>Size of Employees</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 25 employees</td>
<td>2</td>
<td>5.3</td>
</tr>
<tr>
<td>26 - 50 employees</td>
<td>7</td>
<td>18.4</td>
</tr>
<tr>
<td>51-75 employees</td>
<td>13</td>
<td>34.2</td>
</tr>
<tr>
<td>76-100 employees</td>
<td>10</td>
<td>26.3</td>
</tr>
<tr>
<td>Above 100 employees</td>
<td>6</td>
<td>15.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

As shown in Table 4.2, the study established that most of the organizations had between 51-75 employees as revealed by 34.2% of the respondents while 26.3% revealed that their organizations had between 76-100 employees. Only 5.3% of the respondents indicated that they had 25 employees and below while 15.8% had above 100 employees.

4.3 Strategic Management Practices on Performance of SMEs

In this section, the study sought to establish whether the SMEs had adopted strategies in the past, the external factors that contributed to the adoption and the influence of the various strategic management practices adopted on performance.

The study sought to establish whether the SMEs had adopted any strategies in the last five years. 92.1% of the respondents indicated that their organizations had adopted
strategies in the last 5 years, while 7.9% of the respondents revealed that they had not adopted any new strategies.

This section of study, similarly sought to establish the external factors that contributed to the adoption of new strategies. The results are as shown below in Table 4.3

**Table 4.3 External Factors Contribution to Business Adoption of New Strategies**

<table>
<thead>
<tr>
<th></th>
<th>No extent</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Political factors</td>
<td>16</td>
<td>42.1</td>
<td>14</td>
<td>36.8</td>
<td>8</td>
</tr>
<tr>
<td>Economic factors</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Social factors</td>
<td>2</td>
<td>5.3</td>
<td>9</td>
<td>23.7</td>
<td>13</td>
</tr>
<tr>
<td>Technology/information systems</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>7.9</td>
<td>5</td>
</tr>
<tr>
<td>Competition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4</td>
</tr>
</tbody>
</table>

As indicated in Table 4.3, external factors contribute to adoption of new strategies. 47.4% of the respondents indicated that economic factors contributed to adoption of new strategies to a great extent while 42.1% to a very great extent. Further, 42.1% of the respondents indicated that technology/information systems contributed to adoption of new strategies to a great extent while 36.8% reported to a very great extent. On the other hand, majority of the respondents (52.6%) reported that competition influenced adoption of new strategies to a very great extent while 36.8% reported to a great extent. However, 42.1% of the respondents reported that political factors did not influence their organization’s adoption of new strategies while 36.8% indicated that political factors contribute to the adoption to a little extent.
The respondents further stated that internal factors also influenced their organization’s adoption of new strategies. These factors include change of processes, top managers’ ability to develop effective strategies, firm’s resources, organizations behaviour and characteristics and need to remain competitive in the market.

In this section, the study also sought to establish the influence of strategic management practices on performance of the SMEs. The results are as shown below in Table 4.4.

Table 4.4 Strategic Management Practices and Performance

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Internal factors affect the company’s strategic decision making</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>External factors affect the company’s strategic decision making</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Organization adopts new strategies to achieve competitive advantage</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>The company do external and internal analysis to know the strategies to adopt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Strategy management affects company’s performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

As depicted in Table 4.4, majority of the respondents (71.1%) strongly agreed while 21.1% agreed that internal factors affect the company’s strategic decision making. Further, 57.9% strongly agreed while 36.8% agreed that external factors affect the company’s strategic decision making. The respondents overwhelmingly agreed that their
organizations adopt new strategies to achieve competitive advantage; this is revealed by 73.7% who strongly agreed while 26.3% also agreed. Moreover, 65.8% of the respondents strongly agreed while 28.9% agreed that their companies carried out external analysis and internal analysis to know the strategies to adopt. On the relationship between strategy management practices and performance; majority of the respondents (76.3%) strongly agreed while 18.4% agreed that strategy management practices affected company’s performance.

**Figure 4.3 Extent the Strategies Adopted Have Improved the Performance the Business**

As shown in figure 4.3, 44.7% of the respondents reported that the strategies adopted by their organizations had improved the performance of the business to a very great extent while 36.8% revealed that it had improved performance to a great extent. 5.3% of the respondents indicated that it had improved performance to a little extent while 13.2% reported that the strategies had improved performance to a moderate extent.
4.4 Strategic Management Practices and Competitive Advantage

This study here sought to establish the extent to which the organizations adopted the various strategic management practices in order to achieve competitive advantage. The respondent were then asked to indicate to what extent their organizations adopted various strategic management practices to achieve competitive advantage, the result are shown in Table 4.5

<table>
<thead>
<tr>
<th>Strategies</th>
<th>No extent</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Market strategy</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>18.4</td>
<td>15</td>
</tr>
<tr>
<td>Products reputation</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>2.6</td>
<td>4</td>
</tr>
<tr>
<td>Customers differentiation</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>7.9</td>
<td>7</td>
</tr>
<tr>
<td>Product pricing</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>5.3</td>
<td>10</td>
</tr>
<tr>
<td>Cost control</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>5.3</td>
<td>5</td>
</tr>
<tr>
<td>Technology</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>7.9</td>
<td>6</td>
</tr>
<tr>
<td>Quality of the product</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>5.3</td>
<td>5</td>
</tr>
<tr>
<td>Product and service innovations</td>
<td>3</td>
<td>7.9</td>
<td>7</td>
<td>18.4</td>
<td>9</td>
</tr>
<tr>
<td>Customer service</td>
<td>1</td>
<td>2.6</td>
<td>3</td>
<td>7.9</td>
<td>6</td>
</tr>
<tr>
<td>Extensive Advertising</td>
<td>2</td>
<td>5.3</td>
<td>4</td>
<td>10.5</td>
<td>13</td>
</tr>
</tbody>
</table>

As shown in Table 4.5, 42.1% of the respondents indicated that they had adopted market strategy to a very great extent in order to achieve competitive advantage; 39.5% agreed to a great extent. Fifty percent of the respondents further agreed to a very great extent while 36.8% agreed to a great extent that they had adopted strategies to enhance products.
reputation in order to achieve competitive advantage. On product pricing, 68.4% of the respondents agreed to a very great extent their organization had adopted this strategy while 57.9% of the respondents also agreed to a very great extent that they had adopted strategies to enhance quality of the products to achieve competitive advantage. Moreover, 44.7% revealed that their organization had adopted customer service strategies to a great extent while 28.9% had adopted this strategy to a very great extent.

4.5 Correlation Analysis

The study sought to test the relationship between the strategic management practices adopted and the size and age of the firm. This was tested using Pearson Product Moment Correlation Coefficients.

<table>
<thead>
<tr>
<th>Table 4.6 Pearson Correlation</th>
<th>Strategic management practice</th>
<th>Age of the firm</th>
<th>Size of the Firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age of the firm</td>
<td>Pearson Correlation</td>
<td>0.531**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of the Firm</td>
<td>Pearson Correlation</td>
<td>0.116</td>
<td>0.186</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>0.001</td>
<td>0.002</td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

On age of the firm and strategic management practice adopted, a correlation coefficient of 0.531 was established depicting a high and significant positive relationship (p<0.001) between the two at 99% level. Further the study found out that there was a low (0.116) positive relationship between size of the firm and the strategic management practice adopted (p=0.001). This is to mean that firms which have been into existence for a long
duration tend to adopt strategic management practices more than those which have been in existence for a short duration. Also, the correlation analysis depicts that large firms also tend to adopt strategic management practices more than the small firms.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire report and contains summary of findings, conclusions arrived at, the recommendations and the suggestions for further study.

5.2 Summary

The study established that majority of the SMEs had adopted strategies in the past, as 92.1% of the respondents reported that their organizations had adopted strategies in the last 5 years. The study further established that external factors contributed to adoption of new strategies to a very great extent. For instance, majority of the respondents agreed that external factors such as economic factors, social factors, technology/ information systems and competition contributed to adoption of new strategies to a great extent. However, most of the respondents reported that political factors did not influence their organization’s adoption of new strategies while a significant number indicated that political factors contribute to the adoption of new strategies only to a little extent.

The study further stated that internal factors such as internal processes, top managers’ ability to develop effective strategies, firm’s resources, organizations behaviour and characteristics also influenced their organization’s adoption of new strategies as organizations seek to remain competitive in the market.
On the extent to which the organizations adopted strategic management practices to achieve competitive advantage, the study established that majority of the SMEs adopted various strategies to a great extent in order to achieve competitive advantage. The various strategies adopted included market strategy, products reputation, customers’ differentiation, product pricing, cost control, technology, quality of the product, product and service innovations and customer service strategies. However, while majority of the respondents revealed that they adopted extensive advertising strategy to a great extent, as significant number only adopted it to a moderate extent.

On the influence of strategic management practices on performance of the SMEs, majority of the respondents agreed that internal factors affect the company’s strategic decision making. They also agreed that external factors affected the company’s strategic decision making and that their organizations adopted new strategies to achieve competitive advantage. The study further established that majority of the SMEs carried out external analysis and internal analysis to know the strategies to adopt. On overall, majority of the respondents acknowledged that the strategies adopted by their organizations had improved the performance of the business to a great extent.

5.3 Conclusions

The following conclusions were made based on the findings of the study:

The study concludes that the external environment plays a crucial role on the SMEs decision to adopt various strategies. Issues of critical concern that topped the list to the SMEs are; the economic situation, social factors, the technological concern and the uncertain competitive environment. The internal environment of the firm also played a
crucial role to the firms’ adoption of new strategies; these factors include: top managers’ ability to develop effective strategies, internal processes, firm’s resources, organizations behaviour and characteristics.

Strategic management has a positive relationship with competitive advantage of the organizations. It was established that SMEs adopted various strategies in order to achieve competitive advantage. SMEs carried out external analysis and internal analysis to know the strategies to adopt as both internal factors and external factors affect the company’s strategic decision making. These strategies includes market strategy, products reputation, customers’ differentiation, product pricing, cost control, technology, quality of the product, product and service innovations and customer service strategies. Lastly, it can also be concluded that strategic management practices enhances performance of SMEs.

5.4 Recommendations

5.4.1. Recommendations for the Practitioner

The following recommendations for the practitioner were made based on the findings and conclusion of the study

The Study established that external factors contributed to adoption of new strategies, it therefore recommended that appropriate external environment is analysis is conducted and continuous review on the environment is conducted. Also strategic planners, strategic situation, strategic analysis and choice are put in place to accomplish the mission and objectives of the SMEs in the light of growth and profitability. The management also needs to have a positive rethink towards the use of strategic management and have the right resources as the success of a business or strategy depends primarily on the value
judgment, energy and skill of its top managers and the strategic implementation within the context and parameter of the uncertainty and ambiguity of the environment subjected to volatility.

The study further established that internal factors such as internal processes, top managers’ ability to develop effective strategies, firm’s resources, organizations behaviour, therefore strategic training is recommended to top management and all employees in the SMEs in order to enhance their performance. Also it recommended that top management should undertake a comprehensive study and adoption of strategic management in all and every aspect and areas of its concern so as to synergies, restructure, re-engineer and reposition its operations and thus enhancing competitiveness and performance.

Adoption of strategic management practice is considered indispensable in small scale enterprises and especially in developing economies like Kenya and it should form part of the SMEs method of improving organizational performance to enable them cope with the changes and challenges of the turbulent business environment and the global economy.

5.4.2. Suggestion for Further Research

The Methodology used in this study has limitations and the findings are not exhaustive; requiring further scrutiny. Further it will be interesting to have a full fledge study, that focuses on the precursors of each company impacting on their strategic management practices and establish the critical success factors for each of these firms.
REFERENCES


APPENDICES

Appendix 1: Questionnaire

SECTION A: Demographic Information

1. What is your Age?
   
   25 – 34 years ( ) 35 – 44 years ( )
   
   45 – 54 years ( ) 55 and above ( )

2. What is your highest qualification achieved?

   Diploma ( ) Under Graduate Degree ( )
   
   Post Graduate ( ) PhD ( )
   
   b). others (please specify)………………………………………………………………………

3. How many years have this organization been in operation?

   1 – 5 years ( ) 6 – 10 years ( )
   
   11 – 15 years ( ) 16 – 20 years ( )
   
   21 years and above ( )

4. What is the size of your organization in terms of number of employees

   1 - 25 employees ( ) 26 - 50 employees ( )
   
   51-75 employees ( ) 76-100 employees ( )
   
   Above 100 employees ( )

Section B: Strategic Management Practices on performance of SMEs

5. Have you adopted any strategies for your organization in the last five years?
6. To what extent has the following external factors contributed to your business adoption of new strategies. Use a scale of 1-5 where 1 is to no extent, 2- Little extent, 3- Moderate extent, 4- To a great extent and 5 to a very great extent.

<table>
<thead>
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<th>Factors</th>
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<td>Technology/ information systems</td>
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<td>Competition</td>
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<td>Others:…..</td>
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7. Which internal factors have influenced your organization adoption of new strategies?

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8. To what extent has your organization adopted the various strategic management practices to achieve competitive advantage? 1 is to no extent, 2- Little extent, 3- Moderate extent, 4- To a great extent and 5 to a very great extent.

<table>
<thead>
<tr>
<th>Strategies</th>
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<td>Products reputation</td>
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<td>Customers differentiation</td>
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<td>Product pricing</td>
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<td>Cost control</td>
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<td>Technology</td>
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<tr>
<td>Quality of the product</td>
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</table>
Product and service innovations
Customer service
Extensive Advertising

b). Specify other strategies that your organizations have adopted

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9. To what extent do you agree with the following statements on strategic management practices and performance? Use a scale of 1-5 where 1 is strongly disagree, 2- disagree, 3- Neutral, 4- Agree and 5 strongly agree.

<table>
<thead>
<tr>
<th>Statements</th>
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<th>3</th>
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<tr>
<td>Internal factors affect the company’s strategic decision making</td>
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<tr>
<td>External factors affect the company’s strategic decision making</td>
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<tr>
<td>Our organization adopts new strategies to achieve competitive advantage</td>
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<tr>
<td>The company do the external analysis and internal analysis to know the strategies to adopt</td>
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<td>Strategy management affects company’s performance</td>
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</table>

10. On overall, to what extent has the strategies adopted by your organization improved the performance of your business?

To no extent ( ) To a Little extent ( ) Moderate extent ( )

To a great extent ( ) To a very great extent ( )
THANK YOU FOR YOUR PARTICIPATION

Appendix II: Kenya Top 100 SMEs- 2012

1. ATLAS PLUMBERS AND BUILDERS
2. TROPIKAL BRANDS AFRIKA
3. KEPPEL INVESTMENTS LTD
4. SHIAN TRAVEL
5. RUPRA CONSTRUCTION CO.
6. POWERPOINT SYSTEMS (E.A) LTD
7. CHEMICAL AND SCHOOL SUPPLIES
8. SATGURU TRAVEL AND TOURS
9. RADAR LTD
10. KENTONS LTD
11. AVTECH SYSTEMS LTD
12. SAI PHARMACEUTICALS LTD
13. KUNAL HARDWARE AND STEEL
14. CONINX INDUSTRIES LTD
15. R & R PLASTIC LTD
16. CAPITAL COLOURS C. D LTD
17. ASL CREDIT LTD
18. KANDIA FRESH PRODUCE SUPPLIERS LTD
19. FURNITURE ELEGANCE LTD
20. MURANGA FORWARDERS LTD
21. BBC AUTO SPARES LTD
22. DIGITAL DEN LTD
23. XRX TECHNOLOGIES LTD
24. NAIROBI GARMENTS ENTERPRISE LTD
25. CHARLESTON TRAVEL LTD
26. SPICE WORLD LTD
27. MASTER POWER SYSTEMS LTD
SOFTWARE TECHNOLOGIES LTD
KENBRO INDUSTRIES LTD
SKYLARK CREATIVE PRODUCTS LTD
GANATRA PLANT & EQUIPMENT LTD
SECURITY WORLD TECHNOLOGY LTD
SPECIALIZED ALUMINIUM RENOVATORS LIMITED
WINES OF THE WORLD LTD
VIRGIN TOURS LTD
ARAMEX KENYA LTD
CANON ALUMINIUM FAB LTD
PANESAR'S KENYA LTD
TYRE MASTERS LTD
LANTECH AFRICA LTD
WARREN ENTERPRISE LTD
AFRICA TEA BROKERS LTD
MERIDIAN HOLDINGS LTD
DUNE PACKAGING LTD
THE PHOENIX LTD
FAIRVIEW HOTEL LTD
SPECICOM TECHNOLOGIES LTD
PUNSANI ELECTRICALS & INDUSTRIAL HARDWARE LTD
BISELEX (K) LTD
VICTORIA FURNITURES LTD
GINA DIN CORPORATE COMM
AMAR HARDWARE LTD
MELVIN MARSH INTERNATIONAL
LANOR INTERNATIONAL LTD
SYNERMED PHARMACEUTICALS (K) LTD
SAHAJANAND ENTERPRISES LTD
VEHICLE & EQUIPMENT LEASING LTD
SILVERBIRD TRAVELPLUS
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<tr>
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<th>Company Name</th>
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<td>KENAPEN INDUSTRIES LTD</td>
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<td>61</td>
<td>HARDWARE AND WELDING SUPPLIES</td>
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<td>ISOLUTIONS ASSOCIATES</td>
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<td>63</td>
<td>MOMBASA CANVAS LTD</td>
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<td>64</td>
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<td>PRINT FAST (K) LTD</td>
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<td>OPTIWARE COMMUNICATIONS LTD</td>
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<td>OIL SEALS AND BEARING CENTRE LTD</td>
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<td>SKYLARK CONSTRUCTION LTD</td>
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<td>BIODEAL LABORATORIES LTD</td>
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<td>RONGAI WORKSHOP &amp; TRANSPORT</td>
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<td>COMPLAST INDUSTRIES LTD</td>
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Source: KPMG East Africa and the Nation Media Group