STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF SMALL SCALE ENTERPRISES IN KITUI TOWN

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MARCH, 2013
DECLARATION

I do declare that this research proposal is my original work and has not been presented for award of a degree at the Kenyatta University or any other institution of learning.

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OPERATIONAL DEFINITION OF TERMS

**Strategic Management:** A set of decisions and actions that lead to formulation and implementation of plans to achieve an organization’s objective. Pearce & Robinson (2007). For purpose of this study, these decisions are not necessarily in a formal strategic plan.

**A Small enterprise:** A business enterprise with between 1 to 50 employees (Government Sessional Paper No. 2 of 2005) and is a formally registered business with an annual turnover of between Kenya Shillings 8 to 100 million (World Bank).

**Performance:** Percentage increase in profitability comparative to the previous year (2012) as well as perceived return and regular clientele
ABSTRACT

This study was conducted on strategic management practices and performance of small scale business enterprises operating in Kitui town. The objective of the study was to establish the strategic management practices employed by small enterprises in Kitui town, and how investment in personnel and skills, reaction to competitor actions, maintaining customer loyalty and product differentiation influenced performance of enterprises. The research involved a survey of 99 small enterprises in Kitui town out of a population of 7,246. Data was collected using questionnaires. Frequency tables and percentages were used to present the findings. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science version 20 programme to analyse the data. Descriptive statistics like the mean and inferential statistics were used to derive meaningful findings and inferences. Results indicated that investment in personnel and skills was a key determinant strategic management practice influencing performance among small scale businesses. Results indicate that innovative products and services, levels of efficiency, ethical standards and new market entrants influenced performance to a great extent. The study findings reveal that majority of the respondents agreed with the statement that constant communications with clients, response to customer feedback, maintenance of standards of reliability, consistency of products and services and business reciprocity were important to a great extent in influencing performance. The study findings reveal that majority of the respondents agreed with the statement that uniqueness of products, product improvement and cost leadership were important to a great extent in influencing performance. Investment in personnel and skills being a key determinant on performance of small enterprises has been supported by other scholars and hence highlighting the intensity of investing in personnel and skills to improve business performance. It is also possible to conclude that delegation of duties is also a crucial aspect that facilitates for excellent standards of motivation, reaction to competitor actions was found statistically significant in explaining business performance. It is also possible to conclude that the entry of new entities in any market increases the levels of competition and the identification of such entrants would be difficult if the enterprise does not have adequate platforms for strategic management. It is possible to conclude that communication acts as a pertinent element of customer loyalty, it also benefits the enterprise in terms of acquisition of feedback and that quality enhances customer loyalty because it makes them feel confident about the enterprise. It is possible to conclude that product differentiation ensures that a small enterprise is relevant and successful even in a highly competitive environment. It is recommended that businesses owners should adopt strategic management facilitates for the relevant methods of motivating employees for their different tasks as this helps in terms of enhancing their loyalty towards the enterprise. It is recommended that businesses organizations should enhance communication as this will make the clients to feel as though they are integral role players in the enterprise; business should offer good quality products and services to customers and should always match the expectations of clients. It is recommended that businesses must develop new methods to overcome customer loyalty and retention challenges while identifying new customer purchasing and behaviour insights. It is recommended that businesses organizations need to continually differentiate their products to gain a competitive edge over their competitors. Further studies are recommended in another town in order to test whether the conclusions of this study will hold true. They could also focus on the internal aspects of small business such as internal controls, which enhance the internal efficiency and may have positive spillover effects on customer loyalty, employee skills and competitive advantage.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The rate of business failure has been on the rise due to many of the obstacles affecting businesses. These according to Akabueze, (2002) include: lack of financial resources, lack of management knowledge or experience, laws and regulations, poor location, general economic conditions, as well as critical factors such as poor infrastructure, corruption, low demand for products and services, and poverty. Other reasons are specifically associated with internal factors that have got to do with the organizational leadership, lack of any formal plans with clear performance outcomes, etc.

Performance of small businesses world over and specifically in Kenya has not been particularly excellent. As already highlighted, the government has made many efforts to attempt to reverse this situation through legislations such as Acts of Parliament including the Investment Promotion Act (2004), which had the purpose of promoting and facilitating both local and foreign investments. The Act eases the licensing and other related requirements for an investor in Kenya. Cheap funding through private public partnerships is another way the government has stepped in to improve small enterprise performance.

The relationship between business strategy and organizational performance has been a subject of growing interest in the field of strategic management. Despite this trend, there has been little attention given to a comparative analysis of this relationship. Strategic management is typically associated with the large organizations. Small enterprises are generally run by owner-managers who make strategic decisions mostly based on pragmatic intuition than academic principles (Ennis, 1998). However, while the lack of formal planning within small firms is recognized, the importance of strategic knowledge and personal commitment from the entrepreneur is viewed as having the potential to serve as a counterweight (Gibb & Scott, 1985). The possession of a formal blueprint has been advocated as important to the success of small firms, specifically to outline the strategic direction of the firm, coordinate action and assist in achieving organizational goals (Sandberg, Robinson & Pearce, 2001).

Pearce & Robinson (2007) define strategic management as a set of decisions and actions that lead to formulation and implementation of plans designed to achieve an organization’s objective through formulating mission, developing profile, assessing external
environment, analyzing options, selecting the most appropriate option, developing long range of objectives, implementing strategic choices by means of budgeted resource allocations and evaluating success of the strategic process as an input for future decision making. Strategy is aimed at shaping the performance of an organization’s core business functions in order to meet or beat performance targets (Thompson et al, 2006). All these pose a big challenge to the success of strategy implementation.

The Government of Kenya has made tremendous intervention in this sector. Small and Medium Enterprises (SMEs) is an important sub sector for the Kenyan economy since it employs about 85 percent of the Kenyan workforce (Kenya Bureau of Statistics 2009). The promulgation of the new constitution provided an opportunity to address SMEs related issues through regulatory and institutional reforms under a new, devolved governance system as well as the Micro and Small Enterprises Act 2012. This was aimed at addressing some of the challenges they face in the course of doing business, and in turn boost the performance of those organizations and the economy.

The business setting is characterized by risks and uncertainties. These have fuelled increased importance on strategy. Most organizations that aspire to be competitive in the market place have adopted competitive strategies to outshine their competitors in the market. To survive in the market place, organizations should formulate and implement strategies and policies that are in line with their objectives.

1.1.1 Firm Performance

Several factors could be accountable to business performance. Research has shown a significant relationship between formal strategic planning and financial performance of organisations. Although the link between formal strategic management and performance within the small firm is difficult to clearly establish, it would be erroneous to conclude that strategic management is only appropriate for large organisations and can be ignored. (Schwenk & Shrader, 1993). Most firms base their performance results on accounting measures; that is, profits and returns and their components (revenues, costs, assets, and liabilities). Small enterprises may not use complex accounting formulas to determine their performance, but simple profitability measures.
In Kenya, despite the support and incentive programmes to small scale business, their performance is dismal. Akabueze, (2002) concisely stated that it would seem reasonable to expect that small enterprises would grow and flourish, but the rate of business failure continues to increase because of the obstacles affecting these industries. Some small scale business owners implement strategies successfully while others face challenges while applying these strategies (Amyx, 2005).

1.1.2 Strategic Management Practices

Businesses are operating in a turbulent environment where they are continuously searching for measures that will enable them to improve their performance and competitiveness (Dodd, 2003). Strategic Management is an daunting process that calls for a lot of attention from everyone in the organization for example: leaders, experts and employees who must work together to ensure successful implementation of strategies. Leaders should be at the forefront in dealing with sensitive issues in strategy such as resource mobilization, restructuring, culture changes, technological changes, process changes, and leadership changes. If implementation is not effectively managed, the strategic plan may be not be fruitful. A strategy may be good but if its implementation is poor, the strategic purpose for which the strategy was intended will be lost. A well developed strategy coupled with proper execution will result in the organisation’s success. While implementation of strategy is such an important activity, it is not easy, and should be effectively operationalized and institutionalized in the organization for effective implementation (Johnson, 1987). The process of strategy entails functional policies which are put into action through development of action plans, goals and culture. Most strategies focus more on the long-term plans of the organizations, top level managers are charged with the responsibility of implementing strategies through converting them into actions in order to get good results.

In order to enhance the success of a strategy, the organization has to achieve its missions and objectives through functional policies. It is therefore apparent that the nature of a decision irrespective of the organizational level where the decision is made, the decision is rendered effective if it is supported by the people who must implement it, and if it achieves the objective it is related to (Sababu, 2007). Positions of authority and responsibility are important in strategic Management, but also important are the people in those positions. These must be people with leadership qualities who can influence action plan towards
the desired direction. The influence depends on the leader’s personality, style, commitment, reputation, attitude and aptitude, skills and experience. Strategy implementation requires leaders who can influence members of the organization to focus their effort in the same direction, for example, unity of direction through teamwork. A manager of an organization should be at the forefront providing the necessary leadership to influence members of the organization to focus their effort in the same direction, for example, unity of direction through teamwork.

Visionary form of leadership is essential in motivating and inspiring through steering the organization to undertake changes which are necessary in strategy. The top level management should cultivate team spirit and act as a vehicle in strategy implementation process. Their motivation and dedication to the strategy greatly enhances successful implementation. Implementation of strategy may necessitate leadership changes through transfers, retirements, demotions, promotions, hiring and training. Some of these are necessary to pave way for the desired leadership (Yabs, 2007). According to (Pearce & Robinson, 2007), organizational leadership and management’s role is ensuring that culture and strategy are compatible and working together to achieve organizational goals and objectives.

1.1.3 Small Scale Enterprises

World over, small scale enterprises have been recognized as drivers of economic growth and development. In many countries there, has been some considerable effort to support Small enterprises so as to create the necessary employment opportunities, incomes and productive capacity. Many economies, developed and developing have come to appreciate the value of small businesses. This is because small businesses are characterised by dynamism, innovations, efficiency, and their small size allows for faster decision-making process. They serve as major employers of labour and contribute significantly to economic growth and development. Even in big economies, Small enterprises play a significant role in shaping the economy. In China for instance, Small enterprises are said to be responsible for about 60 percent of the industrial output and employ about 75 percent of the workforce in urban centres according to Anas & Galadima, (2006).

Globally Small enterprises account for over eighty percent of a country’s economic growth and are therefore considered the engine of growth of the world economy (Bodorick, Dhaliwal and Jutla, 2002). In some other countries especially third world countries, they account for
more than ninety percent of the total business (Scupola, 2003). Small scale enterprises worldwide have been recognized as engines of growth and development (Fabayo, 2009) and in many countries there has been some considerable effort to support them. Furthermore small scale business has been recognized as a feeder service to large-scale industries (Fabayo, 2009). While the contributions of Small enterprises to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long-term survival and development. Scholars have indicated that starting a business is a risky venture and warn that the chances of small-business owners making it past the five-year mark are very slim. Some researches into small-business development have also shown that the rate of failure of Small enterprises in developing countries is higher than in the developed world (Makhbul, 2011).

1.1.4 Kitui town

Kitui Town is located in Eastern Kenya. It is the headquarters of Kitui County which borders Tana River, Taita Taveta, Makueni, Machakos, Embu, Tharaka and Meru. Climatically, it is classified as a semi-arid area. Economically, poverty level is at 63% (Kenya National bureau of Statistics 2009) despite having a wealth of resources such as arable land, wildlife, livestock, forests, minerals and tourist attractions. The main economic activities in the county include, livestock keeping, bee keeping, tobacco, mangoes. Commercial businesses are majorly around these economic activities. Trade is basically on livestock products, maize, beans, sorghum, pigeon peas, cowpeas, cassava, and millet. There are middle class hotels and banks and technology related businesses. Focus on business for this region is also motivated by the recent discovery of minerals such as coal and limestone.

1.2 Statement of the Problem

Most small organisations generally lack managerial abilities capable of implementing and formulating strategies. According to Ansoff & Mc Donnel (1990), strategies are indispensable for achieving an organization’s goal in an efficient and effective manner; the biggest challenge faced by most companies is translating theory into practical action plans.

The researcher has come across several studies that have been conducted on strategic management practices in small enterprises. Dwallow (2007) in his study titled “Strategy Implementation and Challenges of Firms in the Packaging Industry in Nairobi”. found out that
packaging firms in Nairobi perceived poor leadership style, wrong strategic choices and poor resource management as a hindrance to strategy implementation. Since these major challenges were mainly of internal nature, it implied that the small firms in Nairobi had control over them and could manage them if they put proper strategies in place.

Juma (2008) carried out a case study on strategy implementation and its challenges on African Braille Centre a Kenyan Non-governmental organization. The findings of the study indicated that the institution was on track in implementing its strategies. This had been made possible through having staff commitment, elaborate annual plans, sound leadership, supportive organizational structure, supportive systems and procedures, and resources/budget allocation. This study was particularly important to the researcher since it was carried out in a small organisation that had a formal strategic plan and well structured action plans with clear targets.

Adongo (2008) identified the challenges to strategy in health focused Non-governmental organizations in Nairobi. The study concluded that strategy implementation was a very important aspect in health focused Non-Governmental organizations and had an imperative influence on their efficiency and effectiveness. The scope of the study was however limited to health focused Non-Governmental organisations in Nairobi.

Wanjohi (2007) focused on challenges of strategy in Mathare 4A slum upgrading project in Nairobi in a case study seeking to describe challenges in strategic management of slum upgrading policies taking a case of Mathare 4A slum. The researcher established that slum upgrading was challenged by inadequate resources, delayed work plans, stakeholders influences, poor leadership among other issues.

Omollo (2007) studied the challenges of implementing strategic decisions at the Kenya Armed Forces Medical Insurance Scheme (AFMIS). The study findings showed that the major challenges of strategy of the AFMIS were; lack of proper communication of and understanding of AFMIS strategy by the personnel; lack of communication and accountability by the scheme to its members; and monitoring of the health institutions that are contracted by the scheme as they are scattered all over the country.

From the above studies, none focused on strategic practices in small scale enterprises and how these practices relate to business performance. There is also a conspicuous assumption
that small enterprises have formal strategies considering the focus on strategy implementation. Another gap is in the location of organisations studied, which are mainly in Nairobi and may not be general sable to those operating elsewhere. Another gap in the above studies is in the research design. Case studies have their limitations. They are ideal in rare cases where large samples of similar participants are not available. Small enterprises are unlikely to be classified as rare and surveys may be more representative. This research project seeks to bridge these gaps and specifically explore the practices of strategic management and how these affect the performance of these small enterprises in Kitui Town.

1.3 Objectives of the Study

This study seeks to establish among small enterprises in Kitui Town, strategic management practices and how they relate to the performance of these enterprises. The researcher specifically wishes to:

i. Establish the effect of investment in personnel and skills as a strategic management practice to performance of small enterprises operating in Kitui Town

ii. Ascertain the import of reaction to competitor actions as a strategic management practice to performance of small enterprises in Kitui Town

iii. Determine the outcome of customer loyalty strategic management practice on performance of small enterprises in Kitui Town

iv. To find out the effect of product differentiation strategic management practice, to performance of small enterprises in Kitui Town

1.4 Research Questions

The researcher seeks to find answers to the following questions

i. Does investment in personnel and skills as a strategic management practice lead to performance of small enterprises operating in Kitui Town?

ii. What is the import of reaction to competitor actions strategic management practice to performance of small enterprises in Kitui Town?

iii. Does customer loyalty strategic management practice impact on performance of small enterprises in Kitui Town?

iv. How does product differentiation strategic management practice relate to performance of small enterprises in Kitui Town?
1.5 Significance of the Study

The findings from this research will help managers and owners of small enterprises to understand strategy and its contribution to performance in order to align themselves for competition, survival and growth, by giving them a greater focus to organisational goals.

Researchers and academicians also stand to benefit from this research through developing and expanding the syllabus in respect to this study thus providing a deeper understanding of the concept of strategy in relation to performance of Small enterprises. It will help increase focus on this area that is so important in defining the entire economy.

The government of Kenya has embraced a policy on entrepreneurship and thus can use the findings of this research in assisting small scale business owners to come up with strategies through providing a structured training and capacity building as way of strengthening this very important contributor of economic growth.
2.1 Introduction

This chapter is devoted to review of literature related to the study. It will give the theoretical foundation of the study, strategic management concept, strategic management process and various strategic management practices employed by small enterprises.

2.2 Theoretical Foundation of the Study

Resource based theory focuses on the idea of costly to copy attributes of the firm as sources of business returns and the means to achieving superior performance and competitive advantage (Barney & Conner, 1991). Prehald (1990) suggested that firms match their resources, skills and expertise into core competences and distinctive competence to gain competitive advantage. From their definition, core competence are those activities that a organization does best in relation to other while distinctive competence is what a firm does better that all its competitors. A strategy acts as an integral role between the organization’s goals and objectives in an organization, strategy acts as a plan that links together an organization’s major goals, policies and action sequences towards achieving a common goal.

A well organized and formulated strategy plays a significant role in assembling and allocating an organization’s resources into a unique and viable posture based on its relative inner competencies and shortcomings, anticipated changes in the external environment and contingent moves by intelligent opponents. Mintzberg (1987) defined a strategy with a broad viewpoint: as a plan, pattern, and position and finally as a perspective which the organization or individual has in mind towards achieving a certain goal.

Hrebinjak (2006) argues that strategy as a plan involves how leaders organize themselves in order to establish a direction that is compatible with the organization’s goals and objectives. Strategy as a ploy takes us to the realm of direct competition which is intended to give an organization a competitive edge against its competitors. Strategy isthe concept which exist in the mind of an individual or an organization that want to implement a strategy to remain competitive in the market or attract prospective customers. A major issue in strategy formulation is how to read the collective mind and to understand how the intentions diffuse
through the system called an organization in order to be shared through exercising actions directed towards achieving a goal.

Strategic management is one of the most essential aspects in the performance of small enterprises. In essence, the success or failure of these kinds of organizations is strongly dependent on the established frameworks of management. The role of strategic management can be evaluated on the basis of different platforms. Efficiency in each of the different platforms caters for high standards of performance in the entire enterprise. In view of such perspectives, strategic management is pivotal towards determining how a small-scale entity performs both in the short term and in the long-term. This paper zeros in on the different roles of strategic management practices in small organizations based on six different platforms.

2.3 The Concept of Strategy

Strategy formulation forms the basis of a challenging task where most managers and implementers of strategies must be at the forefront in articulating sensitive issues involved in implementation of strategies for example: restructuring, technological changes, change of policies, resource mobilization as well as leadership changes. If the process of strategy implementation is not well managed the organization may fail to achieve its strategic plan. A strategy could be well thought but its implementation may be poor and thus the strategic objective for which the strategy was meant may not come to pass. A well designated, developed and executed strategy brings success in a firm’s operations (Wooldridge, 1990).

Strategic management is a very important activity in a firm. According to Johnson,(1987), it is evident that almost all organizations have strategies. Nonetheless, out of 100 companies, only 20 can successfully implement strategies. Therefore strategy can be effectively operationalized and institutionalized in the organization to enhance effective implementation. Strategy implementation is the process by which strategies and functional policies are put into action through functions development, plans, goals, procedures, structures etc, to facilitate allocation of resources and a working culture in the organization. Therefore, strategy implementation is inward looking through use of managerial and organizational resources in directing resources towards accomplishing strategic results. It entails converting strategic plan into action and then results. Implementation of strategy can be a success if the
organization is able to achieve its goals and objectives through a platform of functional policies.

Strategy as a process focuses mainly on monitoring the effectiveness of set objectives as well as the functional policies with respect to the mission and the function of employees of the firm. It is therefore apparent that the nature of decision and the level of the organization in which it is taken, this decision can only be deemed effective if it receives full support of its implementers and achieves the objectives it is related to (Sababu, 2007). Managing implementation and execution of any strategy must take into account operations of the organization through making things happen which is aimed at shaping the performance of core business activities in a strategic manner. Strategy implementation is indeed the most demanding and time consuming part of a strategy management process. The process of converting strategic plans into actions and results basically tests the abilities of a manager influencing organizational change, motivating employees, leading by example strengthening organization’s competencies, creating a strategy supportive of work climate as well as meeting performance targets (Thomson et al, 2006).

Strategy implementation is such a difficult task that requires leaders who have the capacity and the capability to influence and make important decisions that are in line with the organizations strategy. The speed and efficiency through which implementation of strategy is achieved calls for a leader with the capability to influence employees in focusing their efforts in similar directions for example: unity of direction through team work spirit. Leaders should lead by examples in exercising leadership and more importantly giving guidance and directions in implementing strategies. Transformational type of leaders is mostly preferred in implementation of strategies since they can easily accommodate new change (Sababu, 2007).

Proper leaders provide a vision, initiative, motivation and inspiration in steering organization to undertake changes that are essential for strategy implementation. Managers at top level in the organization should cultivate team spirit in enhancing cohesiveness and unity in the implementation process. Managers from other departments should team up with the directors in implementing strategies and developments in the organization. Managers should be the role models in motivating and showing commitment towards the process of strategy implementation. Some strategies may require change in leadership through the process of transfers, retirements, demotions, promotions, hiring, and training in order to pave way for
desired leadership (Yabs, 2007). Implementation of a strategy is an integrated process that entails proper allocation of resources to support selected strategies. It includes various management activities that are necessary to put strategy into motion, institute strategic controls that monitors progress to achieve the goals of the organization. In order to enhance effective and efficient use a firm’s resources and different methods of rewarding employees, leadership and budgeting should be put in place to facilitate implementation of strategy.

Thompson (2006) argued that a strategy focuses on creating strong fits between strategy and organizations capabilities in order to enhance compatibility. The stronger the fits, that is, the more the organization’s capabilities, culture, reward structure, and internal operating systems facilitate and promote proficient strategy implementation, the better the implementation and higher the organisation’s odds of achieving its performance targets.

### 2.4 Strategic Management Process

Kaplan and Norton (1996) despite the need to modify an organization’s strategy, executing approaches to the particulars of its situation, certain management bases have to be covered no matter what the circumstance. Eight managerial tasks crop up repeatedly in an organization’s efforts to execute a strategy successfully; marshalling sufficient money and people behind the drive for the strategy execution; instituting policies and procedures that facilitate rather than impeded strategy execution; adopting best practices and pushing for continuous improvement in how value chain activities are performed; installing information and operating systems that enable organisation personnel to carry out their strategic roles proficiently; tying rewards directly to the achievement of strategic and financial targets and to good strategy execution; instilling a corporate culture that promotes good strategy execution; and finally exercising strong leadership to drive execution, and achieve forward, keep improving on the details of execution, and achieve operating excellence as rapidly as feasible (Wooldridge, 1990). How well managers perform the tasks has a decisive impact on whether the outcome is spectacular success, a colossal failure or something in between (Thompson et al, 1992).

In devising an action agenda for implementing and executing strategy, managers can start by probing an assessment of what the organization intends to do differently and better to carry out its strategy successfully. They should consider precisely how to make the necessary internal changes as rapidly as possible. Successful implementers of strategies have a knack for diagnosing what their organizations need to do to execute the chosen strategy well and
figuring out how to get things done. They are masters in promoting results oriented behaviours on the part of the organizational personnel and following through on making the right things happen in a timely fashion (Macmillan, 1986).

In big organization with geographically scattered operating units, the action agenda of senior executives mostly involves communicating the case for change to others, building consensus on how to proceed, installing strong allies in positions where they can push implementation along key organizational units, urging and empowering subordinates to keep the process moving, establishing measures of progress and deadlines, recognizing and rewarding those who achieve implementation milestones, directing resources to the right places, and personally leading the strategic change process. Thus, the bigger the organization, the more successful strategy execution depends on the cooperation and implementation skills of operating managers that can push needed changes at the lowest organizational levels and deliver results (Govindarajan, 1998).

In small organizations, top management deals directly with frontline managers and employees, personally orchestrating the action steps and implementation sequence, observing firsthand how implementation is progressing, and deciding how hard how fast to push the process along. Regardless of the organization’s size and whether implementation involves sweeping or minor changes, the most important leadership traits are a strong, confident sense of what to do and how to do it. Having a strong grip on these two things comes from understanding the circumstances of the organization and the requirements for effective strategy execution (Thomson et al, 1992).

Building an organization capable of good strategy execution entails three types of an organization building actions: staffing the organization, assembling a talented management team, and recruiting and retaining employees with the needed experience, technical skills, intellectual capital: building core competencies and competitive capabilities that will enable good strategy execution and updating them as strategy and external conditions change; and structuring the organization and work effort, organizing value chain activities and business processes and deciding how much decision making authority to push down to lower level management and frontline employees (Bryson, 2005).
2.5 Strategic Management Practices

Formulating appropriate strategies is not enough to guarantee business performance. For a successful strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure reward system, organizational culture, resources and leadership. Just as the strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation (Raps & Kauffman, 2005). According to Reed & Buckley, (1988), implementation of strategy is a way in which an organisation creates the organizational arrangement that allows it to pursue its strategy most effectively. Successful strategy implementation therefore must consider issues central to its goals. Some strategies used by small organisations include investment in personnel and skills, reaction to competitor actions, ensuring customer loyalty, product differentiation e.t.c.

2.5.1 Investment in Personnel and Skills

A notable strategic management practice is investment in right personnel and skills. Human resources are integral role-players in any enterprise. Employees are central to the performance of an enterprise. Strategic management aims at ensuring that the different employees in the enterprise are adequately skilled to handle tasks as required (Sadler, 2003). In essence, employees are fundamental assets in the company. An effective workforce ensures that the enterprise attains the highest standards of competitiveness. In contrast, an ineffective workforce is a platform for retrogressive performance and organizational challenges.

The world’s most successful corporate establishments are associated with technically gifted employees who maintain exceptional standards of professionalism (Cesnovar, 2006). The attainment of the different goals and targets of a small enterprise is strongly determined by the performance of employees. The strength of a company’s image is also dependent on how it has invested in personnel and skills. Among the most notable platforms for boosting the performance of the workforce is motivation. Strategic management facilitates for the relevant methods of motivating employees for their different tasks. For instance, it is crucial to offer attractive salaries to the personnel. This helps in terms of enhancing their loyalty towards the enterprise.
Delegation of duties is also a crucial aspect that facilitates for excellent standards of motivation. Delegation acts as an indicator of the organization’s confidence with its workforce (Hill & Jones, 2012). Consequently, the high ranking executives must integrate other employees into the decision-making process. Teamwork is also an essential platform that promotes the efficiency of employees. When employees work in teams, they develop one another while also establishing professional relationships. This can easily steer an enterprise towards success. Investment in personnel is also strongly associated with excellent standards of innovation. In the modern business sector, innovation is crucial in terms of productivity and competitiveness in the market.

Skilled employees are highly innovative, and this is greatly beneficial to an enterprise. An effective workforce is an essential catalyst for cost mitigation. All enterprises aim at reducing operational costs in order to boost performance (Spillan, 2003). Based on such perspectives, it is vital to have a workforce that is aligned to the company’s values and missions. This is facilitated for by strategic management by investing in skills and personnel. Skilled personnel alleviate total costs because they are highly efficient in using minimal resources for maximum performance. From another angle, an effective workforce is also vital in that it boosts internal marketing.

2.5.2 Reaction to Competitor Actions

The entry of new entities in any market increases the levels of competition. While businesses should focus on their own performance, it is crucial to control new entrants. This can be achieved through the strategic management practice of evaluating the legal credibility of new entrants. Firstly, this practice of strategic management plays a massive role in terms of evaluating the attainment of compliance standards by the new entrant (Hill & Jones, 2012).

When a new enterprise has not complied with the stipulated guidelines, its entry into the market can be questioned. The identification of such entrants would be difficult if the enterprise does not have adequate platforms for strategic management. Apart from compliance, it is crucial that the new entrant does not jeopardize or threaten other businesses. In the event that a new enterprise threatens the existing entities in any way, legal action may be taken (Jeffs, 2008). Consequently, strategic management is massively crucial from the perspectives of blocking new entrants into the market.
It is fundamentally pertinent for any business organization to have adequate mechanisms for dealing with competition. This is because of the inherent role of competitiveness towards the realization of success in a business (Sadler, 2003). Strategic management plays an integral role in terms of catering for the achievement of high standards of competitiveness. Firstly; it provides the basis for an enterprise to evaluate the most notable competitors in the market.

An enterprise cannot attain efficiency in the market if the immediate competitors are not identified. In view of such a stipulation, the platform provided by strategic management is immensely crucial. Strategic management is also pertinent in terms of evaluating the crucial environmental factors that have direct implications on the competitiveness of a business. These factors include the demand for products, market prices, and similar businesses among others (Freeman, 2010). Based on such information, the enterprise can efficiently design its marketing blueprint. Innovativeness acts as another platform for competition especially in the modern business environment.

When an enterprise produces innovative products on a consistent basis, it becomes easier to gain an excellent foothold in the market. Additionally, innovativeness is also vital in terms of accentuating the overall intent of an enterprise in the market. When competitors introduce new products in the market, strategic management caters for the relevant mechanisms of introducing a better product. In essence, this is an indicator of the massive role played by strategic management in order to remain competitive in a highly dynamic environment. If a business fails to respond to competitor actions, it can easily be rendered uncompetitive.

Clients are always looking for an enterprise that can suit their different requirements (Hill & Jones, 2012). It is also vital to outline that strategic management facilitates for the evaluation of how customers would respond to different strategies for competition. This action is strongly aligned to the framework of strategic planning. When an organization wants to introduce new strategies, they might not necessarily bear the intended outcomes. However, strategic management caters for exceptional levels of efficiency within the framework of the entire strategy for competition. It is immensely crucial for enterprises to implement different actions for competition based on the highest standards of business ethics. Ethics reflect the values held by an enterprise towards its partners and clients (Cesnovar, 2006). The entire framework for strategic management is enshrined on the maintenance of the best ethical standards. For instance, it is against the principles of business ethics for an enterprise to use
deceptive adverts in order to hoodwink its respective clientele even if it is reacting to competition. Strategic management ensures that an enterprise is ethically competitive. While a given promotional plan might be highly efficient for one audience; it might not necessarily work for another audience. Based on such an aspect, strategic management enables an enterprise to identify the most feasible and efficient marketing platform. Such an approach has been used extensively by some of the world’s most competitive corporate entities (Witcher & Chau, 2010).

2.5.3 Customer Loyalty

According to Spillan, (2003), Customer loyalty is an inherent component of success in the business world. Customer loyalty is about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring other customers. Loyalty is built by keeping touch with customers, treating customers well, and reward schemes e.t.c. A business with loyal customers can easily attain its goals or surpass the stipulated targets. On the other hand, the lack of loyalty among customers leads to the downfall of a business. It is thus crucial to evaluate the role played by the strategic management practice of ensuring customer loyalty. The integration of strategic management practices within a small enterprise creates an excellent avenue for boosting communications with clients (Hill & Jones, 2012). Communication is widely considered in the business world as the single-most important determinant of customer loyalty.

All customers want to stay in touch with the enterprise. Communication makes the clients to feel as though they are integral role players in the enterprise. This emphasizes why strategic management facilitates for excellent levels of customer loyalty through communication. Additionally, communication with customers makes them to feel valued by the enterprise.

While communication acts as a pertinent element of customer loyalty, it also benefits the enterprise in terms of acquisition of feedback. The feedback provided by customers helps a business to strengthen its operational framework and hence becomes more competitive. The role of strategic management in the enhancement of customer loyalty can also be evaluated in terms of the contribution it makes towards reliability (Jeffs, 2008). In order to achieve the required levels of loyalty, customers should be fully convinced that the enterprise is reliable. The customers must feel that they can always count on the enterprise for their different
requirements either in terms of products or services. Through strategic management, the standards of reliability within a business are strongly enhanced. For instance, it ensures that business is always stocked so that customers can access the products they require. Quality acts as another essential element of reliability.

The quality of services and products offered by an enterprise should always match the expectations of clients. Quality enhances customer loyalty because it makes them feel confident about the enterprise. In essence, quality facilitates for some sense of trust from the client towards the enterprise. In the absence of strategic management practices, it is massively complex for any enterprise to maintain the quality expected by customers (Cesnovar, 2006). Such an aspect undermines the entire framework for reliability and hence customer loyalty. Consistency acts as another pertinent ingredient of customer loyalty. Consistency applies to both quality and the nature of prices set by the enterprise for different products and services. Strategic management provides an elaborate plan for the enterprise to attain high standards of consistency and hence customer loyalty (Freeman, 2010).

Reciprocity is also massively essential with regard to boosting customer loyalty in an enterprise. In essence, reciprocity pertains to the ability of an enterprise to appreciate the customers. Within the framework of strategic management, numerous platforms for reciprocity are available. This includes free samples, discounts, and after-sales services. When an enterprise appreciates the customers, they are drawn closer towards it. This is highly effective in terms of strengthening the capacity of a business to enhance the loyalty of customers. In some cases, rewarding customers can also cater for high levels of loyalty. For instance, an enterprise might establish a framework for rewarding the customers using free coupons (Sadler, 2003). The aspects emphasize how strategic management facilitates for exceptional standards of customer loyalty in an enterprise.

2.5.4 Product Differentiation

Product differentiation underlines another important platform that encompasses strategic management. Fundamentally, product differentiation ensures that a small enterprise is relevant and successful even in a highly competitive environment. The most notable aspect of product differentiation in strategic management is that it facilitates for the development of unique products which are just slightly different from what is being offered by competitors (Hill & Jones, 2012).
The practice of product differentiation is highly essential because it enhances interest in the products offered by an enterprise. It is massively crucial to underscore the fact that product differentiation has been used successfully by numerous corporate entities including multinational establishments. This is an indicator of the significant role played by the strategic management practice of product differentiation. The ability of an enterprise to offer unique products is inherently associated with success (Cesnovar, 2006).

On the other hand, the lack of product differentiation hampers the competitive attributes of a small enterprise. In an environment dominated by numerous enterprises that offer similar products, it is more or less inevitable that an enterprise must be associated with some sense of uniqueness in order to remain competitive (Freeman, 2010). The fundamental principles of strategic management provide a reliable blueprint for evaluating the most suitable ways of improving a product. This might include packaging a product differently, changing the color, or even the promotional framework. Such strategies make a massive difference in terms of gaining an upper-hand in the modern competitive market.

It is also essential to highlight that product differentiation focuses on the expectations or needs of different target markets. The expectations of different target markets are associated with high standards of variation. In view of such aspects, it is crucial to zero in on the specific preferences and tastes of each target market (Thompson, 2010). This acts as a helpful platform for efficiency from the perspective of competition. Based on these aspects, it is notable that product differentiation is an essential element within the entire framework of strategic management.
2.6 The Conceptual Framework

Figure 2.1 Conceptual Framework

**Independent Variables**  

*Strategic Management Practices*

- Investment in personnel and skills
- Reaction to competitor actions
- Customer loyalty
- Product differentiation

**Dependent variable**

Performance of small scale enterprises (Profitability perceived return and regular clientele)

*Source Author, (2013)*
3.1 Introduction

This chapter focused on research design, and description of the target population, the sample design, data collection, analysis and presentation.

3.2 Research Design

The study used a survey since the data was collected from a sample of firms selected to represent a larger population (Litondo, 2010). According to Orodho (2003), a descriptive design is a method used to collect information by interviewing or administering a questionnaire to a sample of individuals and give an account of the status at that point. Descriptive research design attempts to determine, describe or identify relationships of variables at a given time. It uses description, class measurement and comparison to illustrate a situation. Its main characteristic is that the researcher has no control over the variables.

3.3 Target Population

According to Cooper and Schindler (2001), a population is the total collection of elements which the researcher wishes to make inferences. The target population of the study comprised of Small Scale enterprises in Kitui Town. The total population of these enterprises was 7,246 according to Kitui Municipal Council (October, 2013).

3.4 Sampling Design

According to Kombo and Tromp (2006), sampling design involves the research plan on how cases will be selected for observation. The researcher used stratified sampling technique to identify 99 small enterprises in Kitui town. This sample was drawn from a population of 7,247 calculated at 90% confidence level. The 99 enterprises were selected from the categories as shown in table 3.1. The statistical formulae used to calculate this population was as below:
\[ n = \frac{N}{1 + Ne^2} \]

Where

\[ n = \text{Required sample} \]
\[ N = \text{Total population} \]
\[ e = \text{Margin of error} \]

In this case at 90% confidence level, the margin of error is 10% i.e. 0.1

Thus

\[ N = \frac{7,246}{1 + \{7,246(0.1)^2 \}} \]

\[ = 98.63871 \]

Table 3.1: Stratified Sampling table

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Population</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 General Trade, Wholesale, Retail, Stores</td>
<td>4,454</td>
<td>61</td>
</tr>
<tr>
<td>2 Transport, Storage, And communication</td>
<td>736</td>
<td>10</td>
</tr>
<tr>
<td>3 Informal sector-Hawkers</td>
<td>203</td>
<td>3</td>
</tr>
<tr>
<td>4 Agriculture, Forestry, and Natural resources</td>
<td>404</td>
<td>6</td>
</tr>
<tr>
<td>5 Accommodation and catering</td>
<td>825</td>
<td>11</td>
</tr>
<tr>
<td>6 Professional &amp; Technical Services</td>
<td>282</td>
<td>4</td>
</tr>
<tr>
<td>7 Private Education, Health, and Entertainment</td>
<td>72</td>
<td>1</td>
</tr>
<tr>
<td>8 Industrial Plants, factories, workshops</td>
<td>270</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,246</strong></td>
<td><strong>99</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2013*

### 3.5 Data Collection Method

Primary data was collected using a questionnaire, a copy of which is attached to the report as an appendix. The main respondents of the questionnaire were either the owners or managers of small enterprises. The questionnaire constituted of closed ended, open ended and Likert-type scale questions. It was subdivided into the following sections; Part I: which comprised of the demographic information, Part II comprised identification of various strategic management practices employed by small scale enterprises, while Part III captured the relationship between Strategic Management Practices and Business performance. The questionnaire was administered through drop and pick later method.
3.6 Data Analysis and Presentation

On receiving the feedback from the respondents, the questionnaires were checked to ensure for completeness and accuracy. The data was sorted and coded then entered into the Statistical Packages for Social Sciences (SPSS). Mean and standard deviation were used to analyse the various strategic management practices employed by small enterprises. Statistical analysis methods were used to explain how strategic management practices affected business performance using the model: \( S = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + e \). Where: \( S \) = Business performance; \( a \) = the \( S \) intercept when \( x \) is zero; \( b_1, b_2, b_3, b_4 \) and \( b_5 \) are regression weights attached to the variables; \( x_1 \) = Investment in personnel and skills; \( x_2 \) = Reaction to competitor actions; \( x_3 \) = Customer loyalty; \( x_4 \) = Product differentiation; \( e \) = error term. Data was presented in frequency tables and pie charts.
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains the data analysis of the study. The data is presented in the form of diagrams and tables. The data has been analyzed using descriptive statistics to generate frequencies of responses and inferential statistics to determine the relationship of the variables under study.

4.2 Response Rate

The target sample for the study was 99 enterprises from various small enterprises operating within Kitui County. Ninety nine questionnaires in physical hard copies were circulated. Out of 99 self administered questionnaires, 66 were duly completed and returned. This represents a response rate of 67%. According to Borg, Gall and Gall (2004) and Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from scholars 66% response rate is adequate for the study. The response rate is presented on Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>66</td>
<td>67%</td>
</tr>
<tr>
<td>Unreturned</td>
<td>33</td>
<td>33%</td>
</tr>
<tr>
<td>Total</td>
<td>99</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.3 Characteristics of Respondents

This section consists of information that describes basic characteristics such as position in business, gender, age, education level of the respondents, attendance of any training and kind of enterprise in small scale enterprises.
4.3.1 Position in Business of the Respondents

Results on Figure 4.1 show that 59% were owners only, 27% were managers only and 14% were both owners and managers. This implies that the small scale enterprises were operated by the owners hence the effectiveness of the strategic management practices.

![Figure 4.1: Position in Business](image1)

4.3.2 Gender of the Respondents

Results on Figure 4.2 show that 56% were male while 44% were female. These results are indicative of a slightly male dominated field.

![Figure 4.2: Gender Distribution](image2)
4.3.3 Age of the Respondents

Results on Figure 4.3 show that the dominant age of the respondents was between 31 to 40 years who comprised 51%, another 32% was between 22-30, 9% were aged below 21 years followed by ages 41 to 50 years (8%). This implies that young people run the small scale enterprises.

Figure 4.3: Age Distribution

4.3.4 Education Level

Results on Figure 4.6 indicate that 51% were college level, 33% were secondary level while both university and primary were 8%. This implies that college level of education is middle level education of respondents, it also implies that the respondents are neither very highly educated nor very lowly educated. It may imply that those in business may not get high paying jobs or in a culture where university education is common, they may be unable to find good paying jobs and hence resort to starting businesses.
Figure 4.4: Education Level

4.3.5 Attendance of training of the Respondents

Results on Figure 4.4 indicate that 92% of the respondents had attended some form of business management training, structured or otherwise, while only 8% seemed not to have attended the management training. This implies that the respondents were well informed.

Figure 4.5: Management training
4.3.6 Kind of Enterprise of the Respondents

Results on Figure 4.5 indicate that 58% were in partnership, 30% were in sole proprietorship while 12% were others. This implies that partnerships are more ideal than sole proprietorships since the partners may take strategic positions in the business depending on each partner’s strengths and also may have better decision making since they are able to critique each other’s decisions, give feedback and hence avoid the problem of self talk.

![Figure 4.5: Kind of Enterprise](image)

4.4 Descriptive Analysis

This section is arranged based on the objectives of the study.

4.4.1 Strategic Management Practices

The study had one dependent variable (strategic management practices) and four predictor variables. Table 4.2 displays results of responses regarding strategic management practices. Majority of the respondents (75.8%) agreed to a great extent that employing qualified staff who possesses the right skills had improved business performance, majority (93.9%) agreed to a very great extent that continuous employee training had improved employee productivity and (86.3%) agreed to a very great extent that the level of delegation of duties to staff had increased output. Another (89.4%) agreed to a very great extent that the management
had ensured a highly motivated workforce to improve results, (94%) agreed to a very great extent that the business tried to sell innovative products to services makes the business stand above others while majority of the respondents (78.8%) agreed to a very great extent that the management ensured high levels of efficiency for higher returns. (93.9%) agreed to a great extent that the organization engaged in promotional activities as a reaction to competitor actions, (84.9%) agreed to very great extent that the organization tried to block new market entrants to make more profits while another (92.4%) agreed to a great extent that maintenance of Ethical standards in competing with other organizations had helped the organization improve its performance. (77.2%) agreed to a very great extent that the organization communicated with clients often as a way of ensuring their loyalty, (84.9%) of the respondents agreed to a great extent that the management actively collected feedback from customers in order to continually satisfy them, (95.5%) of the respondents agreed to a great extent that the management tried to improve standards and reliability to make customers come back for more business. Majority (78.8%) of the respondents agreed to a great extent that the organization had maintained levels of consistency in product nature and prices to improve customer loyalty, (93.9%) of the respondents agreed to a very great extent that the organization appreciates customers through a loyalty scheme to maintain them, (90.9%) agreed to a great extent that the business sold unique products which lead to high returns while another (78.8%) of the respondents agreed to a very great that the organization lowers prices for products in order to maintain cost leadership and maintain a high turnover. The mean score of the responses was 4.29 which means that the respondents agreed with the statements on the questionnaire regarding strategic management practices. The responses were spread within 0.88 standard deviation.

The findings agree with those in Reed & Buckley (1988) who found out that implementation of strategy is a way in which an organisation creates the organizational arrangement that allows it to pursue its strategy most effectively. Successful strategy implementation therefore must consider issues central to its goals. Some strategies used by small organisations include investment in personnel and skills, reaction to competitor actions, ensuring customer loyalty, product differentiation.
<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employing qualified staff who possess the right skills has improved business performance</td>
<td>6.1%</td>
<td>10.6%</td>
<td>7.6%</td>
<td>25.8%</td>
<td>50.0%</td>
<td>4.03</td>
<td>1.25</td>
</tr>
<tr>
<td>Continuous employee training has improved employee productivity</td>
<td>0.0%</td>
<td>1.5%</td>
<td>4.5%</td>
<td>30.3%</td>
<td>63.6%</td>
<td>4.56</td>
<td>0.66</td>
</tr>
<tr>
<td>The level of delegation of duties to staff has increased output</td>
<td>4.5%</td>
<td>3.0%</td>
<td>6.1%</td>
<td>42.4%</td>
<td>43.9%</td>
<td>4.18</td>
<td>1.01</td>
</tr>
<tr>
<td>The management has ensured a highly motivated workforce to improve results</td>
<td>1.5%</td>
<td>3.0%</td>
<td>6.1%</td>
<td>53.0%</td>
<td>36.4%</td>
<td>4.20</td>
<td>0.81</td>
</tr>
<tr>
<td>The business tries to sell innovative products to services makes the business stand above others</td>
<td>0.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>27.3%</td>
<td>66.7%</td>
<td>4.58</td>
<td>0.70</td>
</tr>
<tr>
<td>Management ensures high levels of efficiency for higher returns</td>
<td>3.0%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>57.6%</td>
<td>21.2%</td>
<td>3.85</td>
<td>0.96</td>
</tr>
<tr>
<td>The organization engages in promotional activities as a reaction to competitor actions</td>
<td>1.5%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>24.2%</td>
<td>69.7%</td>
<td>4.59</td>
<td>0.76</td>
</tr>
<tr>
<td>The organization tries to block new market entrants to make more profits</td>
<td>3.0%</td>
<td>3.0%</td>
<td>9.1%</td>
<td>37.9%</td>
<td>47.0%</td>
<td>4.23</td>
<td>0.96</td>
</tr>
<tr>
<td>Maintenance of Ethical standards in competing with other organizations has helped the organization improve its performance</td>
<td>1.5%</td>
<td>0.0%</td>
<td>6.1%</td>
<td>30.3%</td>
<td>62.1%</td>
<td>4.52</td>
<td>0.75</td>
</tr>
<tr>
<td>The organization communicates with clients often as a way of ensuring their loyalty.</td>
<td>4.5%</td>
<td>12.1%</td>
<td>6.1%</td>
<td>34.8%</td>
<td>42.4%</td>
<td>3.98</td>
<td>1.18</td>
</tr>
<tr>
<td>Management actively collects feedback from customers in order to continually satisfy them</td>
<td>1.5%</td>
<td>9.1%</td>
<td>4.5%</td>
<td>48.5%</td>
<td>36.4%</td>
<td>4.09</td>
<td>0.96</td>
</tr>
<tr>
<td>The management tries to improve standards and reliability to make</td>
<td>0.0%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>28.8%</td>
<td>66.7%</td>
<td>4.61</td>
<td>0.63</td>
</tr>
</tbody>
</table>
customers come back for more business
The organization has maintained levels of consistency in product nature and prices to improve customer loyalty
The organization appreciates customers through a loyalty scheme to maintain them
The business sell unique products which lead to high returns
The organization lowers prices for products in order to maintain cost leadership and maintain a high turnover

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>customers come back for more business</td>
<td>3.0%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>56.1%</td>
<td>22.7%</td>
<td>3.86</td>
<td>0.97</td>
</tr>
<tr>
<td>The organization has maintained levels of consistency in product nature and prices to improve customer loyalty</td>
<td>1.5%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>22.7%</td>
<td>71.2%</td>
<td>4.61</td>
<td>0.76</td>
</tr>
<tr>
<td>The organization appreciates customers through a loyalty scheme to maintain them</td>
<td>0.0%</td>
<td>4.5%</td>
<td>4.5%</td>
<td>36.4%</td>
<td>54.5%</td>
<td>4.41</td>
<td>0.78</td>
</tr>
<tr>
<td>The business sell unique products which lead to high returns</td>
<td>3.0%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>42.4%</td>
<td>36.4%</td>
<td>4.00</td>
<td>1.05</td>
</tr>
<tr>
<td>The organization lowers prices for products in order to maintain cost leadership and maintain a high turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.29</td>
<td>0.88</td>
</tr>
</tbody>
</table>

4.4.2 Investment in personnel and skills

The first objective of the study was to examine the effect of investment in personnel and skills as a strategic management practice to performance of small enterprises operating in Kitui Town. Table 4.3 indicates that majority (80.3%) agreed to a great extent with the statement that employee qualifications and skills affected strategic management practice to performance of small enterprises. (89.4%) of the respondents agreed to a great extent that continuous employee training affected strategic management practice to performance of small enterprises, majority (74.3%) agreed to a great extent that the level of delegation of duties to staff affected strategic management practice to performance of small enterprises to a great extent, and another (89.4%) agreed to a great extent that employee motivation affected strategic management practice to performance of small enterprises. This is supported by a mean score of 4.08 and a standard deviation of 0.89. This implies that majority agreed with the statements regarding investments in personnel and skills affects strategic management practices.
The findings agree with those in Spillan (2003) who asserted that skilled employees are highly innovative, and this is greatly beneficial to an enterprise. An effective workforce is an essential catalyst for cost mitigation. All enterprises aim at reducing operational costs in order to boost performance. Based on such perspectives, it is vital to have a workforce that is aligned to the company’s values and missions. This is facilitated for by strategic management by investing in skills and personnel. Skilled personnel alleviate total costs because they are highly efficient in using minimal resources for maximum performance. From another angle, an effective workforce is also vital in that it boosts internal marketing.

The findings concur with those in Hill & Jones (2012) who asserted that delegation of duties is also a crucial aspect that facilitates for excellent standards of motivation. Delegation acts as an indicator of the organization’s confidence with its workforce (Hill & Jones, 2012). Consequently, the high ranking executives must integrate other employees into the decision-making process. Teamwork is also an essential platform that promotes the efficiency of employees. When employees work in teams, they develop one another while also establishing professional relationships. This can easily steer an enterprise towards success. Investment in personnel is also strongly associated with excellent standards of innovation. In the modern business sector, innovation is crucial in terms of productivity and competitiveness in the market.

Table 4.3: Investment in personnel and skills

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee qualifications and skills</td>
<td>1.5%</td>
<td>6.1%</td>
<td>12.1%</td>
<td>53.0%</td>
<td>27.3%</td>
<td>3.98</td>
<td>0.89</td>
</tr>
<tr>
<td>Continuous employee training</td>
<td>0.0%</td>
<td>6.1%</td>
<td>4.5%</td>
<td>39.4%</td>
<td>50.0%</td>
<td>4.33</td>
<td>0.83</td>
</tr>
<tr>
<td>The level of delegation of duties to staff</td>
<td>6.1%</td>
<td>9.1%</td>
<td>10.6%</td>
<td>65.2%</td>
<td>9.1%</td>
<td>3.62</td>
<td>0.99</td>
</tr>
<tr>
<td>Employee Motivation</td>
<td>1.5%</td>
<td>3.0%</td>
<td>6.1%</td>
<td>33.3%</td>
<td>56.1%</td>
<td>4.39</td>
<td>0.86</td>
</tr>
<tr>
<td>Average</td>
<td><strong>4.08</strong></td>
<td><strong>0.89</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.4.3 Reaction to competitor actions

The second objective of the study was to examine the import of reaction to competitor actions as a strategic management practice to performance of small enterprises operating in Kitui Town. Table 4.3 indicates that majority (51.5%) agreed to a great extent that innovative products and services affected strategic management practice to performance of small enterprises, (80.3%) of the respondents agreed to a very great extent that the levels of efficiency affected strategic management practice to performance of small enterprises, majority (94%) agreed to a great extent that the maintenance of ethical standards affected strategic management practice to performance of small enterprises, and another (83.3%) agreed to a great extent that new market entrants affected strategic management practice to performance of small enterprises. This is supported by a mean score of 4.02 and a standard deviation of 0.96. This implies that majority agreed with the statements that reaction to competitor action as strategic management practice affects performance of enterprises.

The findings agree with those in Jeffs (2008) who asserted that when a new enterprise has not complied with the stipulated guidelines, its entry into the market can be questioned. The identification of such entrants would be difficult if the enterprise does not have adequate platforms for strategic management. Apart from compliance, it is crucial that the new entrant does not jeopardize or threaten other businesses. In the event that a new enterprise threatens the existing entities in any way, legal action may be taken. Consequently, strategic management is massively crucial from the perspectives of blocking new entrants into the market.

The findings concur with those in Cesnovar (2006) who found out that when an enterprise produces innovative products on a consistent basis, it becomes easier to gain an excellent foothold in the market. Additionally, innovativeness is also vital in terms of accentuating the overall intent of an enterprise in the market. When competitors introduce new products in the market, strategic management caters for the relevant mechanisms of introducing a better product. In essence, this is an indicator of the massive role played by strategic management in order to remain competitive in a highly dynamic environment. If a business fails to respond to competitor actions, it can easily be rendered uncompetitive.
Table 4.3: Reaction to competitor actions

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Mean</th>
<th>Standard Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovative products and services</td>
<td>19.7%</td>
<td>16.7%</td>
<td>12.1%</td>
<td>21.2%</td>
<td>30.3%</td>
<td>3.26</td>
<td>1.53</td>
</tr>
<tr>
<td>Levels of efficiency</td>
<td>1.5%</td>
<td>6.1%</td>
<td>12.1%</td>
<td>53.0%</td>
<td>27.3%</td>
<td>3.98</td>
<td>0.89</td>
</tr>
<tr>
<td>Maintenance of ethical standards</td>
<td>0.0%</td>
<td>0.0%</td>
<td>6.1%</td>
<td>57.6%</td>
<td>36.4%</td>
<td>4.30</td>
<td>0.58</td>
</tr>
<tr>
<td>New market entrants</td>
<td>4.5%</td>
<td>6.1%</td>
<td>6.1%</td>
<td>34.8%</td>
<td>48.5%</td>
<td>4.17</td>
<td>1.09</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4.02</td>
<td>0.96</td>
</tr>
</tbody>
</table>

### 4.4.4 Customer Loyalty

The third objective of the study was to determine the outcome of customer loyalty as a strategic management practice to performance of small enterprises operating in Kitui Town. Table 4.3 indicates that majority (93.3%) agreed to a great extent that communications with clients affected strategic management practice to performance of small enterprises, (97%) of the respondents agreed to a very great extent that response to customer feedback affected strategic management practice to performance of small enterprises, majority (78.8%) agreed to a great extent that the standards of reliability affected strategic management practice to performance of small enterprises, (93.9%) agreed to a great extent that consistency of products and services affected strategic management practice to performance of small enterprises and another (72.7%) agreed to a great extent that business reciprocity affected strategic management practice to performance of small enterprises. This is supported by a mean score of 4.24 and a standard deviation of 0.96. This implies that majority agreed with the statements that customer loyalty as strategic management practice affected performance of enterprises.

The findings are concur with those in Spillan (2003) who asserted that communication is widely considered in the business world as the single-most important determinant of customer loyalty. All customers want to stay in touch with the enterprise. Communication makes the clients to feel as though they are integral role players in the enterprise. This emphasizes why strategic management facilitates for excellent levels of customer loyalty through communication. Additionally, communication with customers makes them to feel valued by the enterprise.
The findings also agree with those in Cesnovar(2006) who found out that the quality of services and products offered by an enterprise should always match the expectations of clients. Quality enhances customer loyalty because it makes them feel confident about the enterprise. In essence, quality facilitates for some sense of trust from the client towards the enterprise. In the absence of strategic management practices, it is massively complex for any enterprise to maintain the quality expected by customers (Cesnovar, 2006). Such an aspect undermines the entire framework for reliability and hence customer loyalty. Consistency acts as another pertinent ingredient of customer loyalty. Consistency applies to both quality and the nature of prices set by the enterprise for different products and services. Strategic management provides an elaborate plan for the enterprise to attain high standards of consistency and hence customer loyalty (Freeman, 2010).

Table 4.5: Customer Loyalty

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Mean</th>
<th>Standa rd Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications with clients</td>
<td>1.5%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>22.7%</td>
<td>71.2%</td>
<td>4.61</td>
<td>0.76</td>
</tr>
<tr>
<td>Response to customer feedback</td>
<td>0.0%</td>
<td>1.5%</td>
<td>1.5%</td>
<td>27.3%</td>
<td>69.7%</td>
<td>4.65</td>
<td>0.59</td>
</tr>
<tr>
<td>Standards of reliability</td>
<td>3.0%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>51.5%</td>
<td>27.3%</td>
<td>3.91</td>
<td>1.00</td>
</tr>
<tr>
<td>Consistency of products and services</td>
<td>1.5%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>33.3%</td>
<td>60.6%</td>
<td>4.50</td>
<td>0.77</td>
</tr>
<tr>
<td>Business Reciprocity</td>
<td>1.5%</td>
<td>6.1%</td>
<td>19.7%</td>
<td>60.6%</td>
<td>12.1%</td>
<td>3.76</td>
<td>0.80</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4.4.5</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>4.24</strong></td>
<td><strong>0.82</strong></td>
</tr>
</tbody>
</table>

### 4.4.5 Product Differentiation

The fourth objective of the study was to determine the effect of product differentiation strategic management practice to performance of small enterprises operating in Kitui Town. Table 4.3 indicates that majority (95.5%) agreed to a great extent that uniqueness of products affected strategic management practice to performance of small enterprises, (78.8%) of the respondents agreed that to a very great extent that product improvement affected strategic management practice to performance of small enterprises, while (94%) agreed to a great extent that cost leadership affected strategic management
practice to performance of small enterprises. This is supported by a mean score of 4.26 and a standard deviation of 0.81. This implies that majority agreed with the statements that product differentiation as strategic management practice affected performance of enterprises.

The findings agree with those in Hill & Jones (2012) who found out that product differentiation underlines another important platform that encompasses strategic management. Fundamentally, product differentiation ensures that a small enterprise is relevant and successful even in a highly competitive environment. The most notable aspect of product differentiation in strategic management is that it facilitates for the development of unique products which are just slightly different from what is being offered by competitors.

The findings also agree with those in Freeman (2010) who notes that On the other hand, the lack of product differentiation hampers the competitive attributes of a small enterprise. In an environment dominated by numerous enterprises that offer similar products, it is more or less inevitable that an enterprise must be associated with some sense of uniqueness in order to remain competitive (Freeman, 2010). The fundamental principles of strategic management provide a reliable blueprint for evaluating the most suitable ways of improving a product. This might include packaging a product differently, changing the color, or even the promotional framework. Such strategies make a massive difference in terms of gaining an upper-hand in the modern competitive market.

### Table 4.6: Product Differentiation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Not at all</th>
<th>To a little extent</th>
<th>To a moderate extent</th>
<th>To a great extent</th>
<th>To a very great extent</th>
<th>Mean</th>
<th>Standard Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniqueness of products</td>
<td>0.0%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>37.9%</td>
<td>57.6%</td>
<td>4.52</td>
<td>0.64</td>
</tr>
<tr>
<td>Product improvement</td>
<td>3.0%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>40.9%</td>
<td>37.9%</td>
<td>4.02</td>
<td>1.06</td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>1.5%</td>
<td>1.5%</td>
<td>3.0%</td>
<td>37.9%</td>
<td>56.1%</td>
<td>4.45</td>
<td>0.77</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4.26</strong></td>
<td><strong>0.81</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.5 Inferential Statistical Analysis

This section presented the correlation and regression analysis.

4.5.1 Bivariate Correlation

Table 4.10 displays the results of correlation test analysis between the dependent variable (business performance) and independent variables and also correlation among the independent variables themselves. Results on Table 4.10 show that business performance was positively correlated with all the independent variables. This reveals that any positive change in personnel skills, competitor action, customer loyalty and product differentiation led to increased performance of small scale enterprises.

Table 4.7: Bivariate Correlation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Personnel skills Correlation</th>
<th>Competitor action Correlation</th>
<th>Customer loyalty Correlation</th>
<th>Differentiation Correlation</th>
<th>Performance Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnelskills</td>
<td>Pearson Correlation 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitoraction</td>
<td>Pearson Correlation 0.787</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customerloyalty</td>
<td>Pearson Correlation 0.649</td>
<td>0.515</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td>Pearson Correlation 0.919</td>
<td>0.681</td>
<td>0.687</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance</td>
<td>Pearson Correlation 0.711</td>
<td>0.759</td>
<td>0.603</td>
<td>0.596</td>
<td>1</td>
</tr>
</tbody>
</table>

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

4.5.2 Regression Analysis

In order to establish the statistical significance of the independent variables on the dependent variable (Business Performance) regression analysis was employed. The regression equation took the following form.

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \mu \]
Where

\[ Y = \text{Business Performance} \]

\[ X_1 = \text{Investment in personnel and skills} \]

\[ X_2 = \text{Reaction to competitor actions} \]

\[ X_3 = \text{Customer loyalty} \]

\[ X_4 = \text{Product differentiation} \]

In the model, \( \beta_0 = \) the constant term while the coefficient \( \beta_i = 1, \ldots, 4 \) was used to measure the sensitivity of the dependent variables \( Y \) to unit change in the predictor variables. \( \mu \) is the error term which captures the unexplained variations in the model.

Table 4.11 shows that the coefficient of determination also called the R square is 66.8%. This means that the combined effect of the predictor variables (investment in personnel skills, competitor action, customer loyalty and product differentiation) explains 66.8% of the variations in business performance. The correlation coefficient of 81.8% indicates that the combined effect of the predictor variables has a strong and positive correlation with business performance.

**Table 4.8: Regression Model Fitness**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.818</td>
</tr>
<tr>
<td>R Square</td>
<td>0.668</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.287</td>
</tr>
</tbody>
</table>

Analysis of variance (ANOVA) on Table 4.12 shows that the combined effect of investment in personnel skills, competitor action, customer loyalty and product differentiation was statistically significant in explaining changes in business performance. This is demonstrated by a p value of 0.000 which is less than the acceptance critical value of 0.05.
Table 4.9: ANOVA

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.126</td>
<td>4</td>
<td>2.532</td>
<td>30.745</td>
<td>0.000</td>
</tr>
<tr>
<td>Residual</td>
<td>5.023</td>
<td>61</td>
<td>0.082</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15.149</td>
<td>65</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.13 displays the regression coefficients of the independent variables. The results reveal that investment in personnel skills; competitor action, customer loyalty and product differentiation are statistically significant in explaining business performance.

Table 4.10: Regression Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>Beta</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1.349</td>
<td>0.294</td>
<td>4.588</td>
<td>0.000</td>
</tr>
<tr>
<td>Personnel skills</td>
<td>0.428</td>
<td>0.182</td>
<td>2.348</td>
<td>0.022</td>
</tr>
<tr>
<td>Competitor action</td>
<td>0.348</td>
<td>0.089</td>
<td>3.904</td>
<td>0.000</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>0.27</td>
<td>0.089</td>
<td>3.019</td>
<td>0.004</td>
</tr>
<tr>
<td>Differentiation</td>
<td>0.312</td>
<td>0.0147</td>
<td>21.2249</td>
<td>0.038</td>
</tr>
</tbody>
</table>

4.6 Summary of Key Coefficients

The summary of the results are shown on Table 4.14 which indicate that investment in personnel skills; competitor action, customer loyalty and product differentiation are key determinants of business performance. However in general the respondents agreed that all the variables of this study were important in influencing business performance of small scale enterprises.

Table 4.11: Summary of Key Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean Score</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Personnel Skills</td>
<td>4.08</td>
<td>0.022</td>
</tr>
<tr>
<td>Competitor Action</td>
<td>4.02</td>
<td>0.000</td>
</tr>
<tr>
<td>Customer Loyalty</td>
<td>4.24</td>
<td>0.004</td>
</tr>
<tr>
<td>Product Differentiation</td>
<td>4.26</td>
<td>0.038</td>
</tr>
</tbody>
</table>
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter finalizes the study by proving the summary of key findings, conclusions and recommendations. The summary, conclusions and recommendations are aligned to the specific objectives of the study.

5.2 Summary of Key Findings

One of the key findings was that enterprises from Kitui town had employed strategic management practices for the performance of their enterprises. This was demonstrated by the extent of agreement with the statements in the questionnaire in support of the strategic management practices.

5.2.1 Investment in Personnel and Skills

The first objective was to establish the effect of investment in personnel and skills as a strategic management practice to performance of small enterprises. Results indicated that investment in personnel and skills was a key determinant in influencing strategic management practice to performance. This was supported by majority of the respondents who agreed with the statements regarding investment in personnel and skills. The findings were also supported by the regression coefficients and correlation results. There was a positive and significant relationship between business performance and investment in personnel and skills.

5.2.2 Reaction to Competitor Actions

The second objective of the study was to ascertain the import of reaction to competitor actions as a strategic management practice to performance of small enterprises. Results indicate that innovative products and services, levels of efficiency, maintenance of ethical standards and new market entrants influenced performance to a great extent. The results were supported by majority who demonstrated with high mean score. The findings were also supported by the regression coefficients and correlation results. There was a positive and significant relationship between business performance and reaction to competitor actions.
5.2.3 Customer Loyalty

The third objective of the study was to determine the outcome of customer loyalty strategic management practice on performance of small enterprises. The study findings reveal that majority of the respondents agreed with the statement that Communications with clients, Response to customer feedback, Standards of reliability, Consistency of products and services and Business Reciprocity were important to a great extent in influencing performance. This was supported the regression coefficients and correlation results. There was a positive and significant relationship between business performance and customer loyalty.

5.2.4 Product Differentiation

The fourth objective of the study was to determine the effect of product differentiation strategic management practice, to performance of small enterprises. The study findings reveal that majority of the respondents agreed with the statement that uniqueness of products, Product improvement and Cost Leadership were important to a great extent in influencing performance. This was supported the regression coefficients and correlation results. There was a positive and significant relationship between business performance and product differentiation.

5.3 Conclusions

Based on the objectives and the findings of the study the following conclusion can be made.

i) Investment in personnel and skills is a key determinant on performance of small enterprises. It has been supported by other scholars and hence highlighting the intensity of investing in personnel and skills to improve business performance. It is also possible to conclude that delegation of duties is also a crucial aspect that facilitates for excellent standards of motivation.

ii) Reaction to competitor actions was found statistically significant in explaining business performance. It is also possible to conclude that the entry of new entities in any market increases the levels of competition and the identification of such entrants would be difficult if the enterprise does not have adequate platforms for strategic management.

iii) It is possible to conclude that communication acts as a pertinent element of customer loyalty, it also benefits the enterprise in terms of acquisition of feedback and that
quality enhances customer loyalty because it makes them feel confident about the enterprise.

iv) It is possible to conclude that product differentiation ensures that a small enterprise is relevant and successful even in a highly competitive environment.

5.4 Recommendations

Based on the results, findings and conclusions the following recommendations have been deciphered.

i) It is recommended that businesses owners should adopt strategic management practices that facilitate for the relevant methods of motivating employees for their different tasks as this helps in terms of enhancing their loyalty towards the enterprise.

ii) It is recommended that businesses organizations should enhance communication as this will make the clients to feel as though they are integral role players in the enterprise; business should offer good quality and services to customers and should always match the expectations of clients

iii) It is recommended that businesses organizations must develop new methods to overcome customer loyalty and retention challenges while identifying new customer purchasing and behaviour insights

iv) It is recommended that businesses organizations need to continually differentiate their products from their competitors.

5.5 Areas for Further Study

Arising from the findings and the gaps in the study a replica study is recommended in another town, in order to test whether the conclusions of this study will hold true.

In addition, further studies should focus on the internal aspects of small business. These internal aspects enhance the internal efficiency of the business and may have positive spillover effects on customer loyalty, employee skills and competitive advantage. For instance future studies should concentrate on the effect of internal controls on the performance of the businesses. In addition, the influence of working capital management on business performance is also an internal aspect of the organization that can be researched on.
Furthermore, future studies can use other methodologies for classifying strategic practices and estimate how these practices affect business performance. An example is reactive, passive and innovative strategic reactions and their effect on performance.
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Kenyatta.

November, 2013

Dear Respondent,

RE: MBA RESEARCH PROJECT

The questionnaire is designed to gather information regarding strategic Management Practices in small enterprises that are operating within Kitui Town. Your organisation has been chosen to participate in this study. This study is being carried out for an academic project paper as a requirement in the partial fulfilment of the award of the Degree of Master in Business Administration (MBA), Kenyatta University. Your responses will be treated in strict confidence and in no instance will your name be mentioned in the final report. Your cooperation will be highly appreciated.

Yours faithfully,

Bridget Mutemi
RESEARCHER
Kenyatta University Mombasa Campus,
P.O. Box 16778-80100
Nkrumah Road, Mombasa
APPENDIX 2: QUESTIONNAIRE

INSTRUCTIONS

This questionnaire seeks to collect information on strategic management practices and how these affect performance of small businesses in Kitui Town. Please provide information in the spaces provided by ticking or circling the appropriate boxes. All the information received will be treated confidentially and will only be used for academic purposes.

A. GENERAL INFORMATION

Name of Business (Optional)  ________________________________

Please tick your selection

1. Are you the manager, owner or both of this business?

<table>
<thead>
<tr>
<th></th>
<th>Owner only (the business is managed by someone else)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Manager only (the business is owned by someone else)</td>
</tr>
<tr>
<td>C</td>
<td>Both Owner and Manager (you own and manage the business)</td>
</tr>
</tbody>
</table>

2. Please indicate your gender

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Female</td>
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</table>

3. Please indicate your age

<table>
<thead>
<tr>
<th></th>
<th>Below 21 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>Between 22-30 years</td>
</tr>
</tbody>
</table>
4. Please indicate your highest level of education

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>A</td>
<td>Primary</td>
</tr>
<tr>
<td>B</td>
<td>Secondary</td>
</tr>
<tr>
<td>C</td>
<td>College</td>
</tr>
<tr>
<td>D</td>
<td>University</td>
</tr>
<tr>
<td>E</td>
<td>Post Graduate</td>
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</table>

5. Have you attended any management training?

<p>| | |</p>
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<tbody>
<tr>
<td>A</td>
<td>Yes</td>
</tr>
<tr>
<td>B</td>
<td>No</td>
</tr>
</tbody>
</table>

If your answer to question 5 is yes, please specify

________________________________________________________
________________________________________________________
________________________________________________________
6. What kind of an enterprise is the business?

A  Sole proprietorship
B  Partnership
C  Other

7. How long have you owned or managed this business___________________Years.

8. Please indicate the approximate % increase or growth in profits from last year ____

Part II. Strategic Management Practices in Kitui Town

Using the scale below, please indicate (By circling) the level to which you think the following Strategic management practices affect business performance.

<table>
<thead>
<tr>
<th>Not important</th>
<th>Important to a little extent</th>
<th>Important to a moderate extent</th>
<th>Important to a great extent</th>
<th>Important to a very great extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Investment in personnel and skills

1. Employee qualifications and skills 1 2 3 4 5
2. Continuous employee training 1 2 3 4 5
3. The level of delegation of duties to staff 1 2 3 4 5
4. Employee Motivation 1 2 3 4 5
### Reaction to competitor actions

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1 2 3 4 5</th>
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</thead>
<tbody>
<tr>
<td>5</td>
<td>Innovative products and services</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>6</td>
<td>Levels of efficiency</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>7</td>
<td>Maintenance of ethical standards</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>8</td>
<td>New market entrants</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

### Customer Loyalty

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<tr>
<th></th>
<th></th>
<th>1 2 3 4 5</th>
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</thead>
<tbody>
<tr>
<td>9</td>
<td>Communications with clients</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>10</td>
<td>Response to customer feedback</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>11</td>
<td>Standards of reliability</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>12</td>
<td>Consistency of products and services</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>13</td>
<td>Business Reciprocity</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

### Product Differentiation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>1 2 3 4 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Uniqueness of products</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>15</td>
<td>Product improvement</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>16</td>
<td>Cost Leadership</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
**Part III: Strategic Management Practices and Business Enterprise Performance**

Please indicate the extent to which you concur with the following statements concerning the relationship that exists between strategic management practices and the performance of your business enterprise.

Use the scale of: 1= strongly agree 2= Agree 3= Undecided 4= Disagree 5= strongly disagree.

<p>| | | |</p>
<table>
<thead>
<tr>
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<th></th>
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</thead>
<tbody>
<tr>
<td>1.</td>
<td>Employing qualified staff who possess the right skills has improved business performance</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>2.</td>
<td>Continuous employee training has improved employee productivity</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>3.</td>
<td>The level of delegation of duties to staff has increased output</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>4.</td>
<td>The management has ensured a highly motivated workforce to improve results</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>5.</td>
<td>The business tries to sell innovative products to services makes the business stand above others</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>6.</td>
<td>Management ensures high levels of efficiency for higher returns</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>7.</td>
<td>The organisation engages in promotional activities as a reaction to competitor actions</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>8.</td>
<td>The organisation tries to block new market entrants to make more profits</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>9.</td>
<td>Maintenance of Ethical standards in competing with other organizations has helped the organization improve its performance</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>10.</td>
<td>The organization communicates with clients often as a way of ensuring their loyalty.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td></td>
<td>Management actively collects feedback from customers in order to continually satisfy them</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>12</td>
<td>The management tries to improve standards and reliability to make customers come back for more business</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>13</td>
<td>The organisation has maintained levels of consistency in product nature and prices to improve customer loyalty</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>14</td>
<td>The organisation appreciates customers through a loyalty scheme to maintain them</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>14</td>
<td>The business sell unique products which lead to high returns</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>15</td>
<td>The organisation has continuously improved products to gain market excellence</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>16</td>
<td>The organisation lowers prices for products in order to maintain cost leadership and achieve a high turnover</td>
<td>1 2 3 4 5</td>
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</tbody>
</table>

17. Other than the above what other strategic management practices have you employed to assist improve the profits of your organisation?

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

Thank you for participation