THE EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON THE
PERFORMANCE OF MICRO AND SMALL ENTERPRISES (MSEs) IN NAIROBI,
KENYA.

By
GEOFFREY KABURU MUTEGI
REG. No: D53/OL/11074/2007

A research project submitted in partial fulfillment of the requirements for the award of
the Degree of Master of Business Administration, Department of Business
Administration, School of Business, Kenyatta University.
DECLARATION

I declare that this Research Project is my original work and that it has not been submitted to any other University or college for academic credit.

Signed: ____________________________ Date: 11th Nov 2010

Geoffrey Kaburu Mutigi

This Research Project has been submitted for Examination with our Approval as the University Supervisors.

Signed: ____________________________ Date 11th Nov 2010

J. M Kilika.

Signed: ____________________________ Date ____________________________

R. D Nzulwa.

Signed: ____________________________ Date 11th Nov 2010

S.K. Bett

Chairman, Department of Business Administration
ACKNOWLEDGEMENT

I give all glory and honour to the almighty God for giving me the strength, determination and fortitude to do this research.

Special thanks to my supervisors Mr. Kilika and Mr. Nzulwa, for the many hours they spent in thoughtful critique of my work and the endless helpful suggestions in an effort to help me do a better job. I greatly recognize their suggestions, constructive criticisms and encouragement. Their academic thoroughness is highly appreciated.

My most sincere gratitude go to my father, David Mutegi, my dear mother, Charity Gaiti and my dear friend Nelly who have continued to give me a lot of hope and support as I work on this research.

I would also like to acknowledge the efforts of my lecturers at Kenyatta University who have taken me through the class work and whose guidance has been paramount to my capability to work on my project.
ABSTRACT

The study assessed the effects of Strategic management practices on MSE’s performance in Nairobi. Generally strategic management practices and processes were designed for implementation by large private firms (Andersen, 2004). The study sought to find their application and effects within the micro and small enterprises (MSEs) sector in Nairobi. Chapter one outlines the general overview of the study. This is basically the background of the study, statement of the problem and the objectives of the study. The main objective of the study was to assess the effects of strategic management practices on the MSE’s performance in Nairobi. The specific objectives focused on the effects of environmental scanning, strategy formulation, strategy implementation and strategy control on MSE’s performance in Nairobi. The chapter also outlined the significance, scope and limitations of the study.

Chapter two has reviewed the literature review. It has discussed both the theoretical and empirical studies done within and without Kenya with respect to various variables that influence strategic management process and organizational performance. In the end of the review Gaps have been identified and a conceptual framework of the study developed.

Chapter three introduces and describes the research methodology used to carry out this study. The study was a descriptive survey with the target population being the MSE’s within Nairobi with accessible population being MSE’s within Nairobi Central District Area. Stratified random sampling technique was used and data was collected by use of a questionnaire where by five pre-test questionnaires were used to test the suitability of the tool.

This chapter four basically presents the study findings of the data collected. Data analysis involved examination, categorization and tabulation of evidence so as to address initial
propositions of the study (Yin, 1994). To analyze and present the data, the researcher used frequencies, percentages, mean and standard deviation. On the other hand, data was presented in tabular and graphic displays and specifically tables and bar graphs. The study found that strategic management is practiced in an unsystematic and uncoordinated manner by the MSEs. The initial stages of strategic management practices recorded higher prominence and down to the evaluation stage fewer MSE’s were involved. Chapter five is on discussion, conclusion and recommendations. The study observed that the above findings are attributed to lack of formal training on the strategic management process. The study therefore recommended that MSE managers and leaders be formally trained on the strategic management skills.
**TABLE OF CONTENTS**

DECLARATION .................................................................................................................. ii
ACKNOWLEDGEMENT ................................................................................................. iii
ABSTRACT .................................................................................................................... iv
TABLE OF CONTENTS ................................................................................................. vi
LIST OF TABLES ........................................................................................................... ix
LIST OF FIGURES .......................................................................................................... x
ABBREVIATIONS .......................................................................................................... xi

**CHAPTER ONE : INTRODUCTION** ............................................................................. 1
1.1 Background of the Study ....................................................................................... 1
1.2 Statement of the Problem ...................................................................................... 4
1.3 Research Objectives .............................................................................................. 6
   1.3.1 Main Objective .................................................................................................. 6
   1.3.2 Specific Objectives of the Study will be: ......................................................... 6
1.4 Research Questions ................................................................................................ 6
1.5 Significance of the Study ...................................................................................... 7
1.6 Scope of the Study .................................................................................................. 7
1.7 Limitations of the Study ......................................................................................... 7
1.8 Definition of Terms ................................................................................................ 7

**CHAPTER TWO : LITERATURE REVIEW** ................................................................. 10
2.1 Introduction ............................................................................................................ 10
2.2 The Strategic Management Process ...................................................................... 10
2.3 Environmental Scanning ....................................................................................... 11
2.4 Strategy Formulation ............................................................................................. 11
   2.4.1 Mission ............................................................................................................. 12
   2.4.2 Objectives ......................................................................................................... 13
   2.4.3 Strategies .......................................................................................................... 14
   2.4.4 Strategic Choices ............................................................................................. 15
2.5 Strategy Implementation ......................................................................................... 16
2.6 Evaluation and Control .......................................................................................... 18
2.7 Organizational Performance ................................................................................... 19
4.16 Extent to Which the Organization Has Been Engaged In Different Levels of Strategic Management Process

4.17 Level of Increase on Profitability

4.18 Outcome of Employing Strategic Management Process

4.19 Relationship between strategic management process and organizational performance

4.20 Level of Competition and Development of Organizational Strategy

4.21 Formal Training Related to Strategic Management

4.22 Whether Training Added Value to the Organization

4.23 Whether Organization was suffering for not having Received Formal Training on Strategic Management

4.24 Level of Education

4.25 Gender Distribution

CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS... 74

5.1 Introduction .................................................. 74

5.2 Discussion ................................................... 74

5.3 Recommendations ............................................. 76

5.4 Suggestions for Further Study ................................ 77

REFERENCES ................................................................ 78

APPENDIX 1: LETTER OF INTRODUCTION ................................ 82

APPENDIX II: RESEARCH QUESTIONNAIRE .......................... 83

APPENDIX III: BUDGET .................................................. 90
LIST OF TABLES

Table 3.1: Sample design ................................................................. 34
Table 4.1: Duration Which the MSE Managers Worked With the Enterprise ................. 40
Table 4.2: Number of Permanent Employees .................................................. 41
Table 4.3: Extent to Which Certain Factors Are Considered In Development of Organizational Strategies .................................................. 42
Table 4.4: Importance Attached to Elements Necessary for Achieving Competitive Advantage ........................................................................... 44
Table 4.5: Whether the Firm Has a Mission Statement ........................................... 46
Table 4.6: Whether the Firm Has Set Objectives .................................................. 47
Table 4.7: Whether the Management has Set Strategies for the Organization ............... 48
Table 4.8: Whether the Organizational Structure Changed To Cater For New Strategies .... 49
Table 4.9: Frequency at Which the Organization's Structure Changed To Cater For New Strategies ................................................................. 50
Table 4.10: Rating of the process of coordinating, directing and controlling activities of people in the organization ................................................. 51
Table 4.11: Whether Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources ................................................. 52
Table 4.12: Extent to Which Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources ................................................. 53
Table 4.13: Extent of Effect of Implementation of Strategic Management Process on Performance of the Organization .................................................. 54
Table 4.14: Whether the Organization Prepares Standards of Performance ................... 55
Table 4.16: Extent to Which the Organization Has Been Engaged In Different Levels of Strategic Management Process ................................................. 57
Table 4.17: Level of Increase in Profitability as a Result of Implementation of Strategic Management Process ................................................................. 59
Table 4.18: Outcome of Employing Strategic Management Process on the Respondents’ Business ........................................................................... 61
Table 4.19: Extent of Relationship between Strategic Management Practices and Organizational Performance ................................................................. 65
Table 4.20: Whether the Level of Competition Affects Development of the Organization’s Strategy ........................................................................... 68
Table 4.21: Whether the Respondent Ever Attended Any Formal Training Related to Strategic Management ................................................................. 69
Table 4.22: Whether the Training Added Any Value to the Organization in Relation to Strategic Management ................................................................. 70
Table 4.23: Whether the Organization Could Be Suffering From the Consequences of Not Having Such Training ................................................................. 71
Table 4.24: Level of Education ........................................................................... 72
Table 4.25: Gender of the Respondents ................................................................... 73
LIST OF FIGURES

Figure 4.1: Duration which the respondents worked with the enterprise ........................................ 40
Figure 4.2: Number of permanent employees ........................................................................... 41
Figure 4.3: Extent to Which Certain Factors Are Considered In Development of Organizational Strategies ........................................................................................................... 43
Figure 4.4: The Importance the Organization Attaches to certain Elements Necessary for Achieving Competitive Advantage ..................................................................................... 45
Figure 4.5: Whether the Firm Has a Mission Statement ................................................................. 46
Figure 4.6: Whether the Firm Has Set Objectives ...................................................................... 47
Figure 4.7: Whether the Management has Set Strategies for the Organization ...................... 48
Figure 4.8: Whether the Organizational Structure Changed To Cater For New Strategies .... 49
Figure 4.9: Frequency at Which the Organization's Structure Changed To Cater For New Strategies .................................................................................................................................. 50
Figure 4.10: Rating of the process of coordinating, directing and controlling activities of people in the organization ................................................................................................................. 51
Figure 4.11: Whether Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources ............................................................................................................ 52
Figure 4.12: Extent to Which Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources ............................................................................................................ 53
Figure 4.13: Extent of Effect of Implementation of Strategic Management Process on Performance of the Organization ............................................................................................................ 55
Figure 4.14: Whether the Organization Prepares Standards of Performance ............................ 56
Figure 4.15: Frequency of conducting evaluation on performance of the enterprise ...................... 56
Figure 4.16: Extent to Which the Organization Has Been Engaged In Different Levels of Strategic Management Process .............................................................................................................. 58
Figure 4.17: Level of Increase on Profitability ............................................................................... 59
Figure 4.18: Outcome of Employing Strategic Management Process on the Respondents' Business ........................................................................................................................................... 62
Figure 4.19: Extent of Relationship between Strategic Management Practices and Organizational Performance .................................................................................................................. 67
Figure 4.20: Whether the Level of Competition Affects Development of the Organization’s Strategy ........................................................................................................................................ 68
Figure 4.21: Whether the Respondent Ever Attended Any Formal Training Related to Strategic Management .................................................................................................................. 69
Figure 4.22: Whether the Training Added Any Value to the Organization in Relation to Strategic Management .......................................................................................................................... 70
Figure 4.23: Whether the organization could be suffering from the consequences of not having such training ................................................................................................................................. 71
Figure 4.24: Level of Education ..................................................................................................... 72
Figure 4.25: Gender of the Respondents ...................................................................................... 73
### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBD</td>
<td>Central business District</td>
</tr>
<tr>
<td>ERS</td>
<td>Economic Recovery strategy</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>KIPPRA</td>
<td>Kenya Institute for public policy, Research and analysis</td>
</tr>
<tr>
<td>MSE</td>
<td>Micro and small enterprises</td>
</tr>
<tr>
<td>SBU</td>
<td>Strategic business unit</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical package for social sciences</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, weaknesses, opportunities and Threats.</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
</tbody>
</table>
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The concept of Strategic management has been defined variously by different scholars over time. Strategic management is a process of formulation, implementation and evaluation of actions that will enable an organization to achieve its objectives. Wheelan and Hunger (1987) term strategic management as a set of managerial decisions and actions that determine the long run performance of a corporation and includes strategy implementation, evaluation and control. The study of strategic management therefore emphasizes the monitoring and evaluating of environmental opportunities and constraints in light of a corporation’s strengths and weaknesses. According to Johnson and Scholes (1999) Strategic management is concerned with complexity arising out of ambiguous and non-routine situations with organization-wide implications. It includes strategic analysis, choice and implementation. Strategic management issues require top-management decisions. This is because they require a large amount of the firm’s resources and often affect the firm’s long-term prosperity. They are future-oriented and have a multi-functional or multi-business consequence (Pearce and Robinson, 1997).

Strategic management assists in making decisions about future opportunities and threats faced by the micro and small enterprises. It also stimulates development of appropriate endeavors which serve as powerful motivators of people and enhances communication, coordination and participation in an organization. The decisions also affect the performance of organizations. As an organizational performance tool, Strategic management may use several performance indicators. The commonly used indicators and which the researcher used in this particular study, are customer satisfaction, profitability Number of customers, competitive advantage, flexibility, adaptation to change and market share.
Organizational performance refers to the ability of an organization to measure its achievements by comparing the inflow and outflow of its financial ratios as a result of strategic management practices (Burnes, 2000). A number of management approaches and techniques have been developed to improve the understanding and practice of performance management in organizations. The more significant of these include management by objectives, organizational development and operations research. In addition there is strategic planning and finally, strategic management. In most cases, these approaches and practices were initially developed and applied in large private and public sector organizational settings and attempts were subsequently made to transfer them to micro and small enterprises sector contexts. Such attempts met varying degrees of success.

All businesses including MSE’s Operate in a dynamic business environment which makes it imperative for them to adopt an anticipating stance towards changes. Cultivating a proactive management culture that will enable an organization to take advantage of opportunities that exist in its operating environment. Strategic management is an important and indispensable tool for the business organization performance, and for any organization that wants to gain competitive advantages (Aremu, 2009). Specifically various reasons have been advanced as to why strategic management is of great importance to MSE’s performance. Generally developing, articulating and sustaining the organization and its mission gives it a sense of purpose, direction and focus and enables an organization to adapt under conditions of externally imposed stress or crisis (Maurer, 1999). It has often been argued that the principles of management developed for large organizations should be applied to help the MSE sector improve its performance. Strategic management practice as an approach to management holds definite possibilities for beneficial application in the sector.
The definition of MSE (micro and small enterprise) has been a subject of much debate by academics and policy makers (Mead and Morrison, 1996). However, according to the Kenya MSE national baseline survey of 1999, three criteria are mainly used to define micro and small scale enterprises (MSEs). The first one, based on the number of employees, defines MSEs as those enterprises below a certain number of workers (it can range from more than 10 to less than 50 employees). The second criterion concerns the degree of legal formality and is mainly used to distinguish between formal and informal sectors. According to this criterion, MSEs are those enterprises that are registered and comply with the legal obligations concerning safety, taxes and labour laws. The third criterion defines MSEs by their limited amounts of capital. The degree of formality and number of employees has perhaps been the two most readily accepted criteria on which classification of MSEs is based. For purposes of this study, the researcher adopted the criterion of number of employees which was also the definition used in the MSE National Baseline Survey of 1999. In that survey, MSEs are defined as those non-primary enterprises (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the formal or informal sector which employ 1-50 people. Micro-enterprises are those that employ 10 or fewer workers and small-scale enterprises are those that employ 11-50 workers. Various reasons have been advanced as to why strategic management is of great importance to MSEs. Thus developing, articulating and sustaining the organization and its mission gives it a sense of purpose, direction and focus; it enables an organization to adapt under conditions of externally imposed stress or crisis (Maurer, 1999).

The Kenyan micro and small enterprises sector has assumed an increasingly significant role in national development. The major benefits of these enterprises include: significant contribution to the economy, creation of jobs, development of a pool of skilled and semi-skilled workers, creating demand as well as supply, contributing to increased participation of
indigenous Kenyans in the economic activities of the country, offering excellent opportunities for entrepreneurial and managerial talents, supporting industrialization policies, encouraging use of local resources and adapting quickly to market changes—Towards technology models for MSE's in Kenya (GOK 2005). The MSE sector is operating in a changing environment that demands that it operates efficiently and effectively in order to survive. Given the situation facing the sector in Kenya today, strategic management would be useful in helping managers cultivate a culture of strategic thinking and management. According to GOK (1965) sessional paper no 10 on African socialism and its application to planning in Kenya, after independence Kenya intended to mobilize its resources to attain a rapid rate of economic growth for the benefit of its people.

1.2 Statement of the Problem

Strategic management has been shown to be a critical determinant for organizational performance. For instance, a study of twenty micro and small enterprises in the United States of America (USA) concluded that effective strategic management is significantly associated with higher levels of performance in profitability and return on invested capital (Byars, 1987). In another study of ninety USA companies in clothing, chemical drugs, electronics, food and machinery industries, it was concluded that management of any profit seeking organization is delinquent if it does not engage in the strategic management practices (Byars, 1987). Similarly, Wheelan and Hunger (1992) argued that many concepts and techniques dealing with long range planning and strategic management have been developed and used successfully by business corporations but not all organizations use these tools or even attempt to manage strategically. Such organizations succeed only for a while with unstated objectives and intuitive strategies but fail in the long run. According to Morton (1996), managers in Africa relied on centralized structures and carried out ad-hoc planning. He generally saw this
as product of poor management policies, insufficient resources and hostile government policies.

Originally strategic management process was designed for implementation by large firms. However, this process has been adopted by most MSEs in countries like Germany and Britain because of their positive impact on organizational performance (Morton, 1996). For the MSE sector in Africa, strategic management constitutes an important path to successful business operations (Adegbite, 1996).

According to Lasher (1999), a significant body of knowledge exists concerning strategic management in the context of large firms as opposed to the small firms. In Kenya, most studies on MSEs provide valuable insights on performance. For instance, Sababu (2001) studied the relationship between business policy and productivity in the MSE sector in Kenya and Aosa (1992) looked only at strategy formulation and implementation as far as competition is concerned in the large manufacturing firms on Kenya. The government of Kenya has made several attempts to revamp the MSE sector activities through various sessional papers. Sessional paper No. 2 of 2005 on MSE development was passed in parliament in the 2004/2005 period and focused among others on financing and training of the MSE sector player (GOK, 2006). More recently the Kenya Institute for Public Policy, Research and Analysis (KIPPRA) focused widely on technological adaptation by the MSE sector in Kenya (Moyi 2007)

These studies, however, failed to address the issue of strategic management in MSE’s as a unique sector with different characteristics. Its unique properties include relative low capital base and poor access to finances, low numbers of employees and low levels of formality. In fact these studies hardly discuss the process of strategic management and performance of MSEs in Kenya.
Towards this end, the researcher will aim at filling the existing knowledge gap by studying the strategic management practices by MSE’s and their effects on the MSE’s performance.

1.3 Research Objectives

1.3.1 Main Objective

The main objective of this study was to investigate the effect of strategic management practices on organizational performance of MSE’s in Nairobi.

1.3.2 Specific Objectives of the Study were:

I. To establish the effect of environmental scanning on the performance of MSE’s in Nairobi.

II. To examine the effect of strategy formulation on the performance of MSE’s in Nairobi.

III. To determine the effect of strategy implementation on the performance of MSE’s in Nairobi.

IV. To establish the effect of strategy evaluation and control on the performance of MSE’s in Nairobi.

1.4 Research Questions

The following research questions guided the study:

i. What is the effect of environmental scanning on MSE performance in Nairobi?

ii. What is the effect of strategy formulation on the performance of MSE’s in Nairobi?

iii. What is the effect of strategy implementation on the performance of MSE’s in Nairobi?

iv. What is the effect of strategy evaluation and control on the performance of MSE’s in Nairobi?
1.5 Significance of the Study

The research findings will be of use to firstly the operating MSE operators and future prospective entrepreneurs. Secondly, stakeholders including the government agencies and parastatals as well as Non-governmental organizations' will find the findings of this study as a vital tool for planning and a starting point to revamp the sector. The study will in doubt expand the horizons of focus to both scholars of strategic management and practitioners as a necessary departure from the tradition limitation to the corporate sector.

1.6 Scope of the Study.

The study was limited to the Nairobi Central District (CBD) area. A sample frame comprising of 1,259 MSE’s has been developed from all the licensed MSE’s within the Nairobi CBD. The study excluded operators who pay daily operating fees to the council. These include Street vendors and hawkers.

1.7 Limitations of the Study.

Firstly, financial limitations hindered the researcher from covering a larger area or drawing a large sample. On the other hand some respondents were feared to overstate what is the ideal practice instead of the actual practice in their businesses. On the same note some owners/managers declined to divulge vital information for the study despite assurance of confidentiality if such information is perceived to be detrimental to their business. Lastly the researcher is on full time employment and hence time was a limitation as well.

1.8 Definition of Terms

**Strategic Management**

This is the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (Thomson & Strickland 2003).
Micro Enterprises

Micro enterprises are non-primary businesses (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the informal or formal sector which employ 1-10 employees. (National Baseline Survey, 1999)

Small Enterprises

Small enterprises are defined as those non-primary businesses (excluding agricultural production, animal husbandry, fishing, hunting, gathering and forestry), whether in the informal or formal sector which employ 11-50 employees. (National baseline survey, 1999).

Strategic Management Process

The strategic management process is depicted as a series of steps that involve strategy formulation (company vision and mission, company objectives and internal analysis), situation analysis and environmental scanning (competitor analysis, industry analysis, and market analysis and strategy selection); strategy implementation and strategy evaluation and control (Pearce & Robinson, 1997).

Organisational Performance

The ability of an organization to measure its achievements by comparing the inflow and outflow of its financial ratios as a result of strategic management practices (Burnes, 2000).

Strategy

This is a process that matches resources and activities of an organization to the environment in which it operates (Steiner & Miner, 1993).
Swot Analysis

This is a systematic way of analyzing the strengths and weaknesses of an organization’s internal situation and the opportunities and threats posed by the external environment (Thompson, 1994).
2.1 Introduction

This chapter represents a review of related literature to this study theoretical and empirical on the environment, formal strategic management process and organizational performance. The empirical studies on the strategic management practices in Kenya and Africa have also been highlighted. The conceptual framework of the study has been developed from the reviewed literature.

2.2 The Strategic Management Process

The strategic management process is concerned with establishing objectives and goals for an organization and maintaining a set of relationships between the organization and the environment. This enables it to pursue its objectives that are consistent with organizational capabilities, and continue to be responsive to changing business trends (Ansoff, 1990). The strategic management process is based upon the belief that key external and internal events and trends should continually be monitored. Organizations should pursue strategies that take advantage of external opportunities, minimize the impact of external threats, capitalize on internal strengths and mitigate internal weaknesses (Cole, 1996).

Cole (1996) observes that strategic management process aims at identifying, articulating or developing an organization’s uniqueness and wholeness. It also analyses business opportunities and threats, internal strengths and weaknesses or resource gaps and current values and management philosophy.

The process of strategic management involves environmental scanning, strategy formulation, implementation, evaluation and control of actions that will enable an organization to achieve its objectives (Deepak, 1999).
2.3 Environmental Scanning

Environmental scanning (analysis) is the process by which strategists monitor the environmental sectors (economic, political/legal, social/cultural, technological or ecological) to determine opportunities for and threats to the organization (Pearce and Robinson, 2009). The scanning gives planners time to anticipate opportunities and plan to take optimal responses to them thus developing appropriate measures to mitigate negative deviations. If a firm ceases to adjust its strategy to the environment, the result is lessened achievement of corporate objectives (Gabriel et al, 2005).

Before an organization can begin to formulate strategy, management must scan the environment in order to identify opportunities, threats, strengths and weaknesses of the organization. To be successful over time, an organization must be dynamic and change oriented. There must be a strategic fit between what the customer wants and what the organization has to offer, as well as between what the organization needs and what the market can provide (Powell, 1992).

2.4 Strategy Formulation

Strategy formulation is the development of long range plans for effective management of business opportunities and threats, in light of an organization’s strengths and weaknesses. It is also called strategic or corporate planning. It includes environmental scanning, defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines (Dess, 1997). Henderson et al. (1997) argued that both organizational structure and competition are clearly important in shaping strategy and performance.

Strategy crafting is largely influenced by top manager’s perception of their organization’s development agenda. Every organization has a unique agenda; even organizations within the same industry have plans unique to themselves. MSEs mix strategies as a response to customer demand or in an attempt to increase sales volume by offering greater variety.
The major tasks of managers of MSEs is to assure success (and therefore) survival of the firms that they manage. In order to achieve success, the enterprises have to adequately adjust to meet business challenges. Failure to do this will cause the enterprise to experience a big strategic problem. This problem arises out of the mismatch between the output of the enterprise and the demand in the market place. Strategy is useful in helping managers tackle the potential problems that face their firms (Aosa, 1998). Strategy is a tool, which offers significant help for coping with turbulence confronted by business firms. If the concept of strategy is to be of value, correct strategies have to be formulated and implemented appropriately.

2.4.1 Mission

An organization’s mission is a firm’s overall broad guiding statement of purpose that includes basic description of the firm, its nature and its philosophy. The specification of the organization’s mission marks the beginning of strategy analysis. It serves a crucial purpose in organizational decision-making and tries to answer the question: ‘what business are we in?’ This reveals an organization’s scope of the business activities that it pursues, that is, product or service, markets, customers and philosophy (Glueck and Jauch, 1998). Most organizations including those in the MSE sector cannot thus achieve reasonable performance without a mission whether written or inferred since all their activities would not be in line with the philosophy, objectives, strategies or functional policies of the organizations.

A mission statement is an enduring statement of purpose that distinguishes one organization from other similar organizations. A good mission statement focuses around customer needs and utilities (Andrew, 1981). According to David (1991) a good mission statement should be as precise as possible; indicate the major components of strategy; indicate how objectives are to be accomplished; define the firm’s products and functions; designate markets to be
reached, specify the means for financing operations; and describe how the goals might be attained.

A well conceived mission statement defines the fundamental and unique purpose that sets a company apart from similar organizations and identifies the scope of an organization’s operations in terms of the products offered and the markets served. The statement should also have strategic vision— a long term frame of horizon developed to set forth the organization’s mission and objectives (Wheelan and Hunger, 1992). An organizational mission statement should therefore always be displayed conspicuously throughout the organization premises, and effectively be communicated to all stakeholders.

2.4.2 Objectives

David (1986) defines objectives as the long-term results that an organization seeks to achieve in pursuing its basic mission. Indeed objectives take the generalities of the mission statement and turn them into more specific commitments. Thus objectives are vital to an organization's success because they provide direction, aid in evaluation, create organizational synergy, reveal priorities, allow coordination and are essential for the successful management of organizations (Ansoff, 1990).

Objectives are the end results of planned activity which the organization seeks to achieve through its existence and operation (Jauch and Glueck, 1998). They state what is to be accomplished by when and should be quantified where possible. Thompson & Strickland (2003) agree that objectives are an organization’s performance targets; the results are outcomes it wants to achieve. They function as yardsticks for tracking an organizations performance and progress. Therefore the objectives must be SMART (Specific, Measurable, Achievable, Realistic and Time bound).
Objectives are an integral part of the strategic management process. They ensure that the organization’s direction is converted into specific achievable performance targets. They also serve to provide more specific definitions of the organization (Glueck and Jauch, 1998). Objectives change over time as a result of alterations of goal orientations, crisis, and demands from coalition groups within the sector and normal life-cycle changes.

Without a considered, communicated and verifiable set of objectives, positive management of an organization becomes impossible. The comparison between objectives with current performance reveals the gap, if any, to be filled in the future performance of the business. The objectives set for an organization over a specific period of time must be the means used to appraise an organization, hence the requirement for specific verifiable objectives. Without objectives, organizational performance will not be achieved since there will be no direction in the activities of the organization as individuals and departments will most likely pursue different goals (Glueck and Jauch, 1998).

2.4.3 Strategies

Jauch and Glueck (1998) define a strategy as a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment. A strategy is a commitment to undertake one set of actions rather than another (Strickland et al, 2007). This is designed to ensure that the basic objectives of an enterprise are achieved through proper execution by the organization. According to Johnson and Scholes (2002), strategy is the process that matches resources and activities of an organization to the environment in which it operates.

An organization’s strategy forms a comprehensive plan stating how the organization will achieve its mission and objectives (David, 1991). According to Howe (1993) the purpose of a strategy is to take the organization from its present position towards the goals it has identified.
for itself. Strategy is the match between an organization's resources and skills and the environmental opportunities and risks it faces and the purposes it wishes to accomplish. It is meant to provide guidance and direction for the activities of the organization. This idea is in line with Ansoff's (1965) view that strategy is the 'common thread' among an organization's activities and product/markets that defined the essential nature of the business that the organization was in and planned to be in the future. It is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals (Andrews, 1987).

2.4.4 Strategic Choices

According to Johnson and Scholes strategic choice is the evaluation of alternative strategies and systematic selection of the best alternatives. In theory various strategies could be pursued but since all organizations have limited resources, strategy decisions will have to eliminate some possible courses of action and allocate organizational resources to others. Strategy enables organizations to cope with business challenges. Strategy will only make sense if the markets to which it relates to are known. Defining the company's markets is the starting point of the strategy making process.

Literature indicates that organizations can have a single strategy or many strategies, and that these strategies are likely to exist as corporate level strategies, business level strategies and functional level strategies. The corporate level strategies focuses at the relationships between the separate business units within the organization and how to add value and achieve synergy. At the business level strategic options concentrate on the competitive aspect of the organization. According to Johnson and Scholes (2002) business level strategies aim to establish bases for competitive advantage by understanding both the market the customers as well as core competences. Some of the available options at this level are cost leadership,
differentiation and focus. On the other hand, functional level strategies concentrate on resource minimization and productivity. Although literature suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized on business strategy. Indeed, on a small business perspective, a lot of concern goes to issues to do with competition. On the whole MSE’s as small firms are mainly private firms and their main issues are capital generation and thus have few strategic options to consider.

In the context of MSEs, effective business strategies depended on the type of businesses as well as the products they developed. Giglierano (1997) further claimed that MSEs which adopted particular business strategies seem to achieve better performance than those that did not adopt such strategies.

2.5 Strategy Implementation

Implementation of the chosen strategy is by any measure one of the most vital phases in the decision making process. Strategy implementation embraces all of those actions that are necessary to put the strategy into practice. David (1991) also states that strategies are not the end result of the strategic management process. Strategic thought has to be translated into strategic action. Once the strategic planning process is complete, the strategy must be implemented. No matter how creative and well formulated the strategic plan, the organization will not benefit if it is incorrectly implemented (Jay and Alec, 2005). Strategy implementation involves several dimensions of an organization. It requires changes in an organization’s behavior, which can be brought about by changing one or more dimensions, including management’s leadership ability, organizational structure, information and control systems, human resources and production technology.

In strategy implementation, the management translates strategies and policies into action through development of programs, budgets and procedures. Although implementation is
usually considered after strategy has been formulated, implementation is key part of strategic management.

Effective leadership is necessary for strategy implementation. Managers have a role to influence members of an organization to adopt the behaviors needed for strategy implementation. Proper management involves communication and motivation as well as changes in corporate values and culture. Top managers seeking to implement a new strategy may find it useful to build coalitions and persuade middle managers to go along with the strategic plan and its implementation. If leaders involve other managers during strategy formulation, implementation will be easier because managers and employees will better understand, and be more fully committed to the new strategy.

Organizational structure is typically illustrated in an organization chart. This structure indicates individual managers' responsibilities and degree of authority and incorporates jobs into departments. Structure also pertains to the degree of centralization and whether a functional, divisional or matrix approach will be utilized. Managers and employees must be rewarded for adhering to the new strategy and making it a success, or the intensity of implementation will be reduced substantially.

The human resource function plays a key role in strategy implementation. This function involves recruitment, selection, training, transfers, promotion and layoffs of employees to properly implement the strategic plan. New strategy may foster resentment and resistance among other managers and employees, and this is a matter that must be resolved quickly or it may hinder strategy implementation.

Technology relates to the knowledge, tools and equipment used to accomplish an organization's assignments. If an organization adopts a strategy of producing a new product, managers must often redesign jobs and construct new buildings and facilities. New technology, because of its efficiency, may also be required for implementing a low-cost
strategy. As with other aspects of strategy implementation, the appropriate level of technology must be found for proper implementation of the strategic plan (Porter, 1980).

2.6 Evaluation and Control

According to Pearce and Robinson (2009), evaluation and control is the process by which an organization’s activities and performance results are monitored and actual performance compared with desired performance. In evaluation of strategy, managers try to ensure that the strategy chosen is properly implemented and is meeting the objectives of the organization. Control and evaluation process helps strategists monitor the progress of a plan. As such evaluation and control processes are set up to ensure that the variance between expected and desired objectives will be closed according to the strategy (Pearce and Robinson, 2009).

Though the above information may portray formality in strategic management, a number of factors determine how much formality is needed. These factors include the management style, complexity of the business environment and the size of the organization (Pearce and Robinson, 1997). Although evaluation and control is the final phase of strategic management, it can also pinpoint weaknesses in previously implemented strategies and thus stimulate the entire process to begin again.

Basically there are four types of strategic control. Premise control is used to systematically check whether premises set during the planning and implementation stage are still valid. Implementation control is designed to assess whether the overall strategy results relates with incremental steps and actions that implement the overall strategy. There is also the strategic surveillance which is usually designed to monitor a broad range of events both internally and outside the organisation that may threaten the firm’s strategy, lastly there is the special alert control that is needed to thoroughly and rapidly to reconsider the firm’s basic strategy based on a sudden unexpected event.
2.7 Organizational Performance

All enterprises, both profit and non-profit, which find themselves in a complex and rapidly changing business world, should identify major economic trends, and particularly, possible major full-time discontinuities (breakthroughs in technology) which appear to have a major impact on an organization. The strengths and weaknesses, which develop in organizational capability mismatch, need to be identified and a list of the internal trends developed. Examples of internal trends include: size, complexity, structure systems communications and capacity, which can have positive and/or negative impact on the efficiency and effectiveness of an organization. Internal trend identification is key especially in fast-growing MSEs. Experience has it that at certain sizes, major weaknesses develop in organizational capability to handle new complexities brought about by size like the loss of control and perspective by the founding entrepreneur.

Nash (1993) claimed that profitability is the best indicator to identify whether an organization is doing things right and hence profitability can be used as the primary measure of organization success. Further, Doyle (1994) pointed out profitability as the most common measure of performance of firms in developed countries. Profit margin, return on assets, return on equity, return on sales are considered to be the common measures of financial profitability (Robinson, 1992). Abu Generally sales growth; net profit and gross profit were among the financial measures preferred by the Malaysian small firms.

Turtianen and Von Pischke (1986) emphasized that assessment of the performance of any enterprise should begin from its own premises and expectations. Similarly, in a study on performance of cooperative societies, Hyden (1973) had earlier emphasized that the framework for evaluating cooperative performances was basically relating to the cooperative objectives, their structure and the environment. Okereke (1974) gave the criteria for evaluating efficiency in the cooperatives as looking at their economic performance in terms
of profitability of the business, analyzing the improvement of the services offered to the members, assessing the cooperative's contribution to economic growth and diversification of its activities. Their arguments imply that the evaluation of performance in cooperative organizations is geared on their internal environment with regard to strategy formulation, implementation, evaluation and control in view of the business. Therefore, the onus is to every MSE to continuously assess its strategies and identify issues/factors that can impact on performance and act/manage them immediately.

A relationship exists between strategy and performance. Strategy is a set of decision-making rules for guidance of organizational behavior. The rules are yardsticks by which the present and future performance of the firm is measured (Ansoff, 1990). Aligning strategy, performance and business results gives a step by step guide to making strategy happen. This demonstrates how adapting a strategic approach to performance management can lead to a clear competitive advantage and reveals what puts some firms way ahead of others in managing strategic performance (Chitan Magazine Services, 2003).

According to Ansoff (1990) strategies are frequently not made clear. They are either privately carried out or shared only by the key management. Since management is a pragmatic results-oriented activity, strategy can usefully contribute to a firm's performance. Examples of deliberate and successful use of strategy are DuPont's deliberate and successful move from explosives into chemical in the 1920s and Henry Ford's concentrating on the Ford Model-T.

In an environment that is relatively stable in demand and stable technology in products and processes; strategy needs to change slowly and gradually. In a dynamic environment strategy has emerged as a tool for re-orienting micro and small enterprises. Organizational complexity and uncertainties of information make it impossible to approach strategy formulation in a systematic manner. This leads to strategy being more adaptive and unsystematic in such organizations (Ansoff, 1990).
Strategies may be differently related to success of businesses. Ombachi (2000) found the critical point strategy to be positively related to performance. If one is goal oriented, one can have either a top-down approach using a completely worked out plan (complete planning strategy) or one can plan locally for things of particular importance (critical point strategy). Similarly, success may lead to an increased use of the complete planning strategy because expanding activities and hiring new employees leads to the necessity to develop more sophisticated management and control techniques. Success also provides feedback about which practices are successful and which are not.

2.8 Strategic Management and MSEs

Various reasons have been advanced as to why strategic management is of great importance to MSE's. Thus developing, articulating and sustaining the organization and its mission gives it a sense of purpose, direction and focus; it enables an organization to adapt under conditions of externally imposed stress or crisis (Maurer, 1999).

Strategic management assists in making decisions about future opportunities and threats faced by the micro and small enterprises. It also stimulates development of appropriate endeavors which serve as powerful motivators of people and enhances communication, coordination and participation in an organization.

Throughout the industrialized countries, extra growth over the past several years has been largely due to growth of small businesses sector. In the United States, as per statistics published by the Small Business Administration (2001), small businesses represent 79 percent of all employers and 52 percent of the private work force. They provide most of the new jobs contribute 51 percent of private sector output and 86 percent of all export of goods. In Africa, MSEs comprise approximately 90% of all firms and constitute the greatest component of employment in the economy. In many countries, they are also responsible for driving innovation and competition (Jauch, 2001).
The development of the private sector varies greatly throughout Africa. Micro and small enterprises are flourishing in South Africa, Ghana and Egypt as a result of sound government policies that favor development of small enterprises. Elsewhere the rise of a small-business class has been hindered by political instability or strong dependence on a few raw materials.

In the Democratic Republic of Congo, for example, most MSEs went bankrupt in the 1990s— as a result of looting in 1993 and 1996 or during the civil war. In Congo, Equatorial Guinea, Gabon and Chad, the dominance of oil has slowed the emergence of non-oil businesses.

However, several African countries such as Malawi and Ghana have created healthy conditions for private-sector growth although the sector is still held back by an inadequate financial system. In South Africa, with its robust private sector, micro and very small enterprises provided more than 55 percent of all jobs and 22 percent of GDP in 2003, while big firms accounted for 64 percent of GDP. In Nigeria, where MSEs constitute 95 percent of formal manufacturing activity and are key to the economy, insecurity, corruption and poor infrastructure prevent them from being the motors of growth (African Economic Outlook, 2004/2005).

Studies have shown that Africa has the highest proportion of people living in poverty. Nearly half of the population lives below the international poverty line of US$1 per day. This persistently high level of poverty is attributed partly to the unemployment, disease and illiteracy. To date, small businesses in Africa have high failure rates which are huge negatives for African economies that have limited capital and other resources. The combined failure rates and barriers for growth affect economic development and perpetuate poverty (Kauffman, 2005).

The Kenyan micro and small enterprises sector has assumed an increasingly significant role in national development. The major benefits of these enterprises include: significant contribution to the economy, creation of jobs, development of a pool of skilled and semi-
skilled workers, creating demand as well as supply, contributing to increased participation of indigenous Kenyans in the economic activities of the country, offering excellent opportunities for entrepreneurial and managerial talents, supporting industrialization policies, encouraging use of local resources and adapting quickly to market changes (GOK, 2000). Despite this the MSE sector is operating in a changing environment that demands that it operates efficiently and effectively in order to survive. Given the situation facing the sector in Kenya today, strategic management would be useful in helping managers cultivate a culture of strategic thinking and management (Nguku, 1996).

According to the Economic Survey of 2006, the sector contributed to over 50 percent of new jobs created in the year 2005. In 2003, the sector employed more than 5.1 million people rising to 6.4 million in 2005 (Economic Survey, 2006). Despite their significance, small businesses are always faced with the threat of collapsing, with past statistics indicating that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). In Kenya today, there is a new dimension in business landscape due to factors such as political uncertainty, high inflation and interest rates, high costs of living, high costs of production, global recession and loss of consumers’ buying power.

According to GOK (1965), after independence Kenya intended to mobilize its resources to attain a rapid rate of economic growth for the benefit of its people. The major economic mobilization and reorganization of resources at this transition could not be realized without planning, directing, controlling and cooperation. One of the objectives was to have a high growth per capita income, equitably distributed (GOK, 1965).

MSEs together with large industries are critical for industrialization (GOK, 2005). The 2005 Sessional Paper No.2 framework provides a more balanced policy focus in line with national goals of fostering economic growth, employment creation, income generation, poverty

The MSE key performance indicators largely remain the same as those of larger scale enterprises. For the purpose of this study the researcher intends to use Customer satisfaction, Employee Satisfaction, Profitability, Competitive advantage, Shareholder satisfaction, Responsiveness to competition and Market share as the parameters to measure performance and hence the dependent variable for the research.

The Kenyan government pledge to create 500,000 jobs annually. This was planned set to be achieved within a framework of enhanced partnership between public and private sectors and development partners (GOK, 2005). The MSEs are expected to seize the available opportunities to invest in productive enterprises, develop a competitive industrial sector and create jobs. To accommodate Kenya’s rising population, the country had to enter a new phase of development and the provision of basic needs through renewed and rapid economic growth. A target average GDP growth of 7.6% a year was established for 1994 to 2003 (GOK, 2004).

Sessional Paper No. 2 of 1992 on Small Enterprise and Jua Kali Development in Kenya set out a comprehensive policy framework which enhanced direct assistance to MSEs, access to credit for the informal sector, access to information and an enabling policy environment through redressing licensing, tax, security of works and other regulatory restrictions on sector activities (GOK, 1992). As stipulated in Sessional Paper No. 1 of 1994 on “Recovery and Sustainable Development by the year 2010” the government was to encourage the private sector to play its rightful role in industrial transformation development and ensure that political, social and economic stability prevailed (GOK, 1994).
Despite the shared view that MSE’s should form a substantial economic driver for majority of Kenyan entrepreneurs, Sessional Paper No 2 of 2005 on development of MSEs for wealth and employment creation in major urban centres recognized the following challenges faced by the MSE sector: insufficient knowledge in strategic management, effects of dumping and low quality products, poor access to financial services, weak business linkages and lack of promotional services. While a number of studies have been done in respect to MSE’s operating environment, no attempt has been done with a focus to apply strategic management practices to MSE’s.

2.9 Empirical Review

A number of studies have been done to find out how MSE’s sector can further enhance its productivity and cement its pivotal position as a reliable economic driver.

Notably a lot of these studies are in the field of entrepreneurship with a view of addressing problems faced by small-scale businesses. Most recently Ndolo (2008) made an assessment of financial saving patterns towards capital accumulation by MSE’s in Nunguni market where he sought to find out the sources of income for MSE’s, the saving patterns and effectiveness of these patterns. Obwacha (2005) researched on the constraints facing MSE’s, a case study of selected small enterprises in Mwiki area. He categorized the major constraints as lack of training, inaccessibility to information technology, legal and operation procedures and high taxation. Micheni (2005) looked at the quality of service delivery by MSE’s in Shaurimoyo Nairobi. She found out that the industry requires professionalism by the staff in course of service delivery as well as standardization of services. On the other hard Thuo (2005) assessed the financial linkages in MSE’s. The focus was to study the connection between the MSE’s sector firms and large buyers and commercial enterprises and factor hindering such linkages. Mwakio (2005) studied the impact of business management training on performance of MSE’s in Taita taveta District after intensive business management training.
to entrepreneurs. Lastly Kirigo (2008) looked at the factors influencing credit financing of MSE’s in Nyeri town.

Mitullah (2006) looked at street trade in Kenya and policy response to the MSE sector where she observed that Street traders are a sub sector of the MSEs that dominate the Kenyan economy. Nonetheless she concludes that majority of MSE entrepreneurs are operating at the bottom of the economy, with a significant percentage falling among the 53 per cent of Kenyans. Indeed Positive policy responses depend on efficient engagement of stakeholders in dialogue and policy development, and efficient storage of information and institutional memory. In order for this to happen, she noted stakeholders should have the capacity to engage in policy development, access and store information.

Pedersen (2005) researched on trade in the small and micro-enterprise in Kenya, east and southern Africa. He noted that most small enterprise policies have focused almost entirely on the small scale producers and that the small-scale traders have generally been seen as unproductive activities with no positive role to play in development, a sign of poverty, although they are responsible for a large share of the national distribution system. His paper attempted to look at this paradox and investigate the role of the small scale traders in the small enterprise sector and in the development process.

Further a field Ishengoma (2008) observed that Ugandan micro- and small enterprises (MSEs) continues to perform poorly as compared to large enterprise sector. She thus sought to analyze the business constraints faced by these MSEs and the results revealed that MSEs’ growth potential was negatively affected by limited access to productive resources (finance and business services), high taxes, and lack of market access.

Adeya et al (2003) in their research from Ghana and Kenya indicated that small businesses in Africa lack awareness regarding ICT potentials in their operations. Their study showed that a significant percentage of MSEs are ignorant about ICT and its importance in this era of
globalization. It further showed that learning within the clusters is mainly through on-the-job exposure and informal training. They noted that there was a need to explore how necessary ICT learning can best be provided, through formal as well as informal means.

Wanjohi, et al. (2008). Sought to find out factors affecting the growth of MSEs in rural areas of Kenya: A case of ICT firms in Kiserian Township, Kajiado District of Kenya. Their study generalized that SMEs (Small and Medium Enterprises) face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. The particular challenges identified were: Lack of Managerial Training and Experience, Inadequate Education and Skills, Lack of Credit, National Policy and Regulatory Environment, Technological Change, Poor Infrastructure and Scanty Markets information.

In an attempt to look at technological models for MSEs in Kenya Moyi (2005) warns that such acquisition of new technologies should not be misconceived as a panacea for all the MSE's problems. This is because the actual issues in the sector are wide, diverse and specific to areas where these enterprises are located. As such a search for corrective measure to help MSE’s realize their potential and play their roles as economic growth engines, a multi-dimensional approach may all be crucial.

On his part Aremu (2005) examined enhancement of the Organizational performance through strategic management. His study noted that the performance of any business organization in the competitive economy is highly dependent upon the quality of its management Vis a Vis proper implementation of strategic management and that the dynamism in business environment makes it imperative for organizations to adopt an anticipating stance towards changes. According to him, Strategic management is an important and indispensable tool for the business organization performance, and for any organization that wants to gain competitive advantages. Aremu concluded that in order to achieve better performance,
business organizations need to take bold step of adopting strategic management in their various organizations. Knowing fully well that the level and intensity of the competition between the organizations is fast increasing as the level of both business organizations and individual.

While all these studies looked at varying constraints to MSE's overall output and recommended certain measures, none assessed MSE's performance in respect to strategic management practices. And while reliable literature repeatedly indicate the enhanced productivity borne out application of strategic management practices on large firm across the globe, little has been done to test such productivity on small scale enterprises. The purpose of this study was therefore to fill these knowledge gaps with a view of finding information and recommendations that will steer MSE's to desired levels of growth, reliability and sustainable productivity.

2.10 Conceptual Framework of the Study

Figure 2.1 shows the relationship between the independent and dependent variables as discussed in the literature review. The researcher will Endeavour to test the following independent variables: environmental scanning, strategy formulation, strategy implementation and Strategy evaluation and control.
Independent Variables

• Reviewing external and internal factors
• Measuring
• Performance
• Taking corrective actions

Dependent Variables

• Customer satisfaction
• Employee satisfaction
• Profitability
• Competitive advantage
• Shareholder satisfaction
• Responsiveness to market
• New products
• Market share

Figure 2.1 Conceptual frameworks of the relationships between strategic management practices and MSE performance.

Source: Author (2010)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the systematic process of collecting and analyzing information in order to increase the understanding of the phenomenon with which the researcher is concerned or interested (Leedy, 1993). Leedy (1993) further suggests that research methodology involves the interpretation of data to draw conclusions. The aim of research methodology is to produce reliable and valid data that is free from personal biases and other errors. It involves measurement that must be both reliable and valid (Cooper and Schindler, 2003) and also gives the direction to follow to get answers to issues that are of concern in research (Creswell 2003).

3.2 Research Design

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy to procedure. A good research design is characterized by flexibility, appropriateness, efficiency and economy (Kothari, 1985). The research design according to Cooper and Schindler (2003) provides answers to issues such as techniques to be used to gather data, the kind of sampling strategies and tools to be used and how to deal with time and cost constraints. A research design is a plan, structure and strategy of investigation conceived so as to obtain answers to research questions (Kerlinger 1973). The plan is the outline of the research, and includes all activities pertaining to the research from beginning to end. The various research designs are descriptive, exploratory, and experimental (Kothari, 1985) For the purpose of this study the researcher used descriptive research design.
3.2.1 Descriptive Research Design

Chandran (2004), states that a descriptive study describes the existing conditions and attitudes through observation and interpretation techniques. A descriptive research determines and reports the way in which things are. It portrays the facts as they really are i.e. if another researcher goes to conduct the same study, he/she will find a situation as it was described (Mugenda and Mugenda, 2003). A descriptive research refers to the process of collecting data to test hypothesis or to answer questions that relate to the current study. In this case, hypothesis are made but not yet tested or questions are asked but not yet answered. Hence the researcher has to collect data to test hypothesis or to answer questions to the research questions and give the appropriate recommendations (Babbie 1990).

A descriptive study depicts an accurate profile of people, situations and events (Robson, 2002). Robson further claims that descriptive research design is one of the most accurate methods of carrying out research in human contexts because it portrays accurate current facts through data collection for testing the hypothesis or answering questions with a view to concluding the study. This design is also known as the descriptive survey design (Babbie 1990). Data in descriptive research design is particularly susceptible to distortion through introduction of bias into the research design (Chandran 2004). Particular attention should be given to safe guarding the data from the influence of bias (Robson 2002).

This method was preferred because it allowed collection of large amounts of data from a sizable population in an economical manner as well as easy comparison of items in the questionnaire.

3.3 Population

Population refers to a complete set of individuals, cases or objects with some common observable characteristics, (Mugenda and Mugenda, 2003). A population can also be referred to as the total collection of elements about which the researcher wished to make some
inferences (Cooper and Schindler, 2003). Population also refers to all of a particular type of entity either limited by geographical location or one or more characteristics (Cramer and Howitt, 2004). Reinard (1997) defines a population as a universe of events from which the sample is drawn in a research study. A population entails all the cases or individuals that fit specifically for being sources of the data that is required to address the research problem. The population for the study must be carefully chosen, clearly defined, and delimited in order to set precise parameters for ensuring discreteness to the population, (Robson, 2002).

As discussed in the definition of MSE in chapter one, the researcher used the criteria of number of employees to get to the population. Therefore, the researcher’s population for this survey was those enterprises that had employed between 1 and 50 employees. Based on the above criteria, the target population for this study was 112, 985 micro and small enterprises in Nairobi. Of these 1,259 were based in the Nairobi CBD thus formed the researchers sample frame. A sampling frame in this case referred to a list, directory or index of cases from which a sample was selected. These were the MSEs registered by the Nairobi City Council. (2008)

3.4 Sample Size

A sample is a set of entities drawn from a population with the aim of estimating characteristics of the population (Cramer and Howitt, 2004). Babbie (2001) defines sampling as the process of selecting observations. A sample is defined by Somer (2003) as a subject of a population while sampling refers to the selection of a subject of cases from one population of interest. Thus sampling is a systematic process of selecting a number of individuals for a study to represent the larger group from which they are selected.

Nairobi City Council has grouped its businesses into eight categories. The researcher picked participants from seven categories of the eight council coded categories. The researcher
excluded category code 200 as part of the target population. The MSE's under this category included Hawkers, street vendors, small traders and service providers operating on the street, veranda or temporary building. These operators were not issued with operating licenses but these traders payed a daily fee to the city council from their points of operation.

For this study the researcher picked a sample size of 125 respondents. This would form the recommended ten percent (10%) of the accessible population (Mugenda, 2003) of 1,259. Indeed this was deemed to be representative of all the micro and small enterprises in Nairobi CBD since most of those MSEs had similar characteristics and shared the same challenges and expectations. The table overleaf indicated the population and sample size as per business category.
<table>
<thead>
<tr>
<th>Business Category</th>
<th>Description of the business</th>
<th>Total count</th>
<th>Sample</th>
<th>Sample Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Code 100</td>
<td>Medium Trader Shop or Retail Services</td>
<td>148</td>
<td>15</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Small Trader, Shop or Retail Service</td>
<td>87</td>
<td>8</td>
<td>0.09</td>
</tr>
<tr>
<td>Code 300</td>
<td>Medium Transport Company</td>
<td>47</td>
<td>4</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>Small Transport Company</td>
<td>38</td>
<td>4</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Independent Transport Operator</td>
<td>33</td>
<td>3</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>Medium Petrol Filing Station</td>
<td>23</td>
<td>3</td>
<td>0.13</td>
</tr>
<tr>
<td>Code 400</td>
<td>Small Agricultural Processor</td>
<td>15</td>
<td>2</td>
<td>0.13</td>
</tr>
<tr>
<td>Code 500</td>
<td>Medium Lodging House with Restaurant</td>
<td>26</td>
<td>3</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td>Medium Lodging House B/C class Basic</td>
<td>31</td>
<td>4</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>Small Lodging House B/C class Basic</td>
<td>24</td>
<td>4</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>Medium Restaurant with Bar</td>
<td>32</td>
<td>4</td>
<td>0.12</td>
</tr>
<tr>
<td></td>
<td>Small Restaurant with Bar</td>
<td>52</td>
<td>5</td>
<td>0.09</td>
</tr>
<tr>
<td></td>
<td>Large Eating house</td>
<td>38</td>
<td>4</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Medium Eating House, Snack Bar</td>
<td>143</td>
<td>14</td>
<td>0.09</td>
</tr>
<tr>
<td>Code 600</td>
<td>Medium Professional Services Firm</td>
<td>59</td>
<td>6</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Small Professional Services Firm</td>
<td>80</td>
<td>8</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Independent Technical Operator</td>
<td>35</td>
<td>3</td>
<td>0.08</td>
</tr>
<tr>
<td>Code 700</td>
<td>Small Private Health Facility</td>
<td>74</td>
<td>6</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>Health Clinic ;doctor’s surgery</td>
<td>46</td>
<td>5</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Medium Entertainment Facility</td>
<td>29</td>
<td>3</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>Small Entertainment Facility</td>
<td>21</td>
<td>2</td>
<td>0.09</td>
</tr>
<tr>
<td>Code 800</td>
<td>Small Industrial Plant</td>
<td>6</td>
<td>1</td>
<td>0.16</td>
</tr>
<tr>
<td></td>
<td>Small Workshop, Services-repair</td>
<td>112</td>
<td>10</td>
<td>0.10</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td>1,259</td>
<td>125</td>
<td>0.10</td>
</tr>
</tbody>
</table>

*Source: Nairobi City Council (2008)*
3.5 Sampling Design

A sampling method is a way of selecting a portion of the population such that the selected portion presents the population adequately (Chandran, 2004). Cooper and Schindler (2003) describe a sampling procedure as the systematic process of selecting a number of individuals for a study to represent the larger group from which they are selected. There are two main methods of sampling, namely the, non-probability and probability sampling (Kothari, 1998). In non-probability sampling, members are selected from the population in some non-random manner. Non-probability sampling allows the researcher to sample respondents according to convenience and availability (Babbie, 2001). Types of non probability techniques are purposive sampling, snowball sampling and convenient sampling.

Probability sampling, also known as random sampling on the other hand, aims at providing useful descriptions of the total population by selecting a sample of individuals who must have the same variations that exist in that population (Babbie, 2001). In probability samples, each member of the population has an equal and known probability of being selected. Under this method, the principle of equal opportunity for all members of the population for selection is a norm. Ensuring equal opportunity reduces bias (Chandran, 2004). Randomization is a method of reducing bias. The main advantage of random sampling is that sample characteristics can be generalized to the population, although with a margin of error (Levin and Rubin, 1997). The limitation with this method is that it is time consuming, complex and expensive.

Probability sampling techniques include simple random sampling, stratified random sampling, systematic sampling and cluster sampling, (Mugenda and Mugenda, 2003)

For purposes of this study, the researcher used stratified random sampling in selecting respondents. The population targeted in this survey was segregated into several exclusive sub-populations, or strata herein referred to as business categories by the Nairobi City
Council and categorized into eight businesses categories. These formed the basis of stratification for the researcher.

3.6 Data Collection Methods

Data collection involves consulting primary and secondary data sources in order to elicit information, facts, evidence, proofs or truths regarding the research problems (Babbie, 2001). Data collection also involves gathering both numeric's as well as text information so that the final database represents both quantitative and qualitative information. According to Chandran (2004), data collection involves operationalising the research design into instruments of data collection with a view to collecting data in order to meet the research objectives. Data collection methods included use of interviews, observation, and questionnaires (Chandran 2004).

3.6.1 Questionnaires

Engel (1977) describes a questionnaire in the context of communication discipline as structured, goal-oriented communication. The main purpose of a questionnaire is to communicate to the respondent what is intended and to elicit desired response in terms of empirical data from the respondents in order to achieve the research objectives (Chandran, 2004). Babbie (1989) observes that questionnaires are more appropriate when addressing sensitive issues, especially when the survey offers anonymity to avoid reluctance or deviation from respondents. Chandran (2004) argue that survey questions fall into two broad categories, depending on the research context; Structured (close-ended) or unstructured (open-ended) and disguised or undisguised questions. Structured question is one in which response alternatives are provided whereas an unstructured question does not provide response alternatives for the respondent to choose from (Chandran, 2004). In this study, the researcher opted to do data collection by the use of structured questionnaires. In this case
questionnaires were administered to MSE’s owners, managers and supervisors. The researcher opted to use structured questionnaires and likert tables as they were deemed to be easier to be used by respondents and simpler to be analyzed by the researcher.

3.6.2 Pre-Testing Of Questionnaire

A pre-test according to Robson (2002) is the testing of one’s instruments with participants who match the participants to be involved in the actual study. This is vital in ensuring that the respondents understand the questions and ensuring that the tools are measuring what they ought to. According to Mugenda and Mugenda (2003), researchers try to maximize the reliability and validity of data collected.

The questionnaires for this study were pre-tested on micro and small enterprises that had similar characteristics to those that would be covered in the study. The researcher administered five questionnaires for pre-testing.

3.7 Data Analysis and Presentation

Data analysis consisted of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study (Yin 1994). The researcher needed to rely on experience and the literature to present the evidence in various ways, using various interpretations. This became necessary because statistical analysis was not necessarily used in all studies. This study employed a series of statistical tests that helped in preparation of data to the reader. However not all studies lent themselves to statistical analysis, and in fact the attempt to make the study conducive to such analysis could inhibit development of other aspects of the study.

Miles and Huberman (1984) have suggested alternative analytical techniques of analysis in such situations, such as using arrays to display the data, creating displays, tabulating the frequency of events, ordering the information, and other methods. However this must have
been done in a way that would not lead to biased results. In qualitative data analysis, content analyses were used and this involved looking at emerging patterns. The researcher analyzed both the qualitative and quantitative data. The quantitative data findings were presented using descriptive statistics methods namely percentages and frequencies. The qualitative data from interview findings and secondary data were discussed qualitatively, using themes that would emanate from the responses. The data was analyzed using frequencies, percentages and means.

The researcher used Statistical Package for Social Sciences (SPSS) software to analyze the data and presented it. The steps followed included coding, editing and data entry. (Singleton, R.A1998). Data from the close-ended items in questionnaires were coded and edited before it was tabulated.
CHAPTER FOUR
DATA FINDINGS, ANALYSIS AND PRESENTATION

4.1 Introduction

This chapter presents the research findings of the field data gathered. Data analysis involved examination, categorization and tabulation of evidence so as to address initial propositions of the study. Data was analyzed using Statistical Package for Social Sciences (SPSS), where frequencies and percentages, means and standard deviation were used to interpret the findings. The presentation of data was done using tables and bar graphs. Response rate refers to the percentage of subjects who respond to questionnaires (Mugenda & Mugenda, 1999). A response rate of 50% is adequate for analysis and reporting, whereas that of 60% is good and that of 70% and over is very good (Mugenda & Mugenda, 1999). In this study, the researcher sent out 125 questionnaires and received 89 responses. This was a response rate of 71.2%.

4.2 Duration Respondents Have Worked with the Enterprises

The study sought to determine how long the respondents (owners/managers) had worked with their respective enterprises. Table 4.1 below shows that 20% of the respondents had worked with the enterprise for duration of less than 10 years, 30% for 11-19 years whereas 42.6% of the respondents had worked for between 20-29 years with their enterprises. Only 7.4% of the respondents had worked for 30 years and above with their enterprises. From these findings, we can conclude that majority of the MSE managers in Nairobi had worked for a period of between 20-29 years. There results show that there was relationship between the duration that one worked with the enterprise and his/her growth in the same. Barbara (1997) argues that experience in an organization increases a person’s chances of growth in it. This could probably explain why those who had worked for a long period had become managers of their respective organizations. The same information is illustrated by the Table 4.1 and the Figure 4.1 below.
Table 4.1: Duration Which the MSE Managers Worked With the Enterprise

<table>
<thead>
<tr>
<th>Duration worked with the enterprise</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10 years</td>
<td>18</td>
<td>20.0</td>
</tr>
<tr>
<td>11-19</td>
<td>27</td>
<td>30.0</td>
</tr>
<tr>
<td>20 – 29</td>
<td>38</td>
<td>42.6</td>
</tr>
<tr>
<td>Above 30 Years</td>
<td>6</td>
<td>7.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Figure 4.1: Duration which the respondents worked with the enterprise

4.3 Number of Permanent Employees

In relation to the size of firm by the number of permanent employees in the organizations, 34.9% of all respondents had between 26 and 50 employees while 32.8% ranged from 1 to 10 employees. The other 32.3% of the respondents were between 11 and 25. This indicates that although most of the permanent employees were between 26 and 50, the others related closely. This therefore implies that the number of permanent employees is evenly distributed ranging from 1 to 50 employees. This is shown in Table 4.2 below.
### Table 4.2: Number of Permanent Employees

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 10</td>
<td>64</td>
<td>32.8</td>
</tr>
<tr>
<td>11 – 25</td>
<td>63</td>
<td>32.3</td>
</tr>
<tr>
<td>26 – 50</td>
<td>68</td>
<td>34.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>195</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2010*

### Figure 4.2: Number of permanent employees
Table 4.3: Extent to Which Certain Factors Are Considered in Development of Organizational Strategies

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWOT analysis</td>
<td>3.0</td>
<td>1.6</td>
</tr>
<tr>
<td>General Economic trends</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Competitors</td>
<td>4.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Market trends</td>
<td>3.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Technological changes</td>
<td>3.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Social and Cultural trends</td>
<td>3.8</td>
<td>1.1</td>
</tr>
<tr>
<td>Organizations internal resources</td>
<td>4.3</td>
<td>1.0</td>
</tr>
<tr>
<td>Customer services</td>
<td>3.7</td>
<td>1.0</td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Table 4.3 illustrates the extent to which certain factors are considered in development of organizational strategy. Research considered several factors which included SWOT analysis, the general economic trends, competitors, market trends and technological changes. Other factors were the socio-cultural trends, organizations internal resources and customers’ services. The researcher used a five-point Likert scale where the respondent was supposed to give their views on the extent to which certain factors are considered in development of organizational strategy. On the extremes of the scale were five points for those factors, which are always considered in development of organizational strategy and one point for those factors that are never considered. Within the continuum are two points for factors considered seldom, while those factors considered occasionally and frequently were awarded three points and four points respectively. The aim of the Likert scale was to help capture fine details on the level to which the specified factors were used.
According to the table, internal organizational resources had a mean of 4.3 with a standard deviation of 1.0 while competitors had a mean of 4.1 and a standard deviation of 1.2. On the other hand, SWOT analysis had a mean of 3.0 with a standard deviation of 1.6. Other notable factors were the market trend and the socio-cultural trends, which had a mean of 3.8 each and a standard deviation of 1.0 and 1.1 respectively. These results indicates that, the most prevalent factors among the MSEs in determining the extent to which certain factors are considered in development of organizational strategy are the organizational internal resources, the competitors, the general trend of the market as well as the socio-cultural trends.

It is also clear from the table that, players in the MSE sector do not get influenced to any significant extent by political and legal developments when developing the organization strategies. The same information is summarized by the bar graph below.

Figure 4.3: Extent to Which Certain Factors Are Considered In Development of Organizational Strategies
Table 4.4: Importance Attached to Elements Necessary for Achieving Competitive Advantage

<table>
<thead>
<tr>
<th>Element</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying Competitors</td>
<td>3.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Collecting Evaluating information on competition</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Identifying potential moves by competitors</td>
<td>4.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Determining competitive SWOT analysis</td>
<td>3.8</td>
<td>1.0</td>
</tr>
<tr>
<td>Devising effective competitive strategies</td>
<td>4.0</td>
<td>0.8</td>
</tr>
</tbody>
</table>

Source: Author 2010

The table above shows the level of importance that the respondents attach to various elements necessary in achieving the competitive advantages. The researcher considered various factors like identifying competitors, collecting evaluating information on competition and identifying the potential moves by the competitors. At the same time, the researcher considered determining competitive SWOT analysis and devising effective competitive strategies. The researcher used a five-point Likert scale with ranks as stipulated: never, 1; seldom, 2; occasionally, 3; frequently, 4; always, 5.

According to the table, identifying potential moves by competitors had a mean of 4.1 and a standard deviation of 1.2 devising effective competitive strategies had a mean of 4.0 and a standard deviation of 0.8. On the other hand, identifying competitors had a mean of only 3.1 and a standard deviation of 1.1 while identifying and evaluating competition had a mean of 3.4 with a standard deviation of 1.0. This is an indication that, majority of the most important elements that MSEs consider in achieving their competitive edge are the identifying the potential moves by the competitors as well as devising effective competitive strategies. These results are also illustrated by the bar graph below.
4.5 Existence of a Mission Statement

When asked if their businesses had mission statements, 67.7% of the respondents said they had a mission statement while 32.3% of the respondents had no mission statements. This indicates that majority of the firms have a mission statement. Probably the firms without a mission statement is an indicator that the owners do not understand what a mission statement is and are micro enterprises, which is supported by a significant number of respondents who indicated they had no mission statement. This may indicate that the micro enterprises do not have a mission statement whereas the small enterprises have one (see Table 4.4 below).
Table 4.5: Whether the Firm Has a Mission Statement

<table>
<thead>
<tr>
<th>Existence of mission statement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>60</td>
<td>67.7</td>
</tr>
<tr>
<td>No</td>
<td>29</td>
<td>32.3</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

4.6 Objectives for Organizations

As to whether the target firms had set objectives, the research revealed that 81.5% of the respondents had set objectives for their organizations while 18.5% had no set objectives. This shows that majority of the firms had set objectives. This implies that that majority of MSEs in Nairobi have objectives. This has been necessitated by the dynamic and challenging business environment that calls for setting of objectives to ensure sustainability and growth (Boyd, 1991). This information is tabulated in Table 4.5 below.
Table 4.6: Whether the Firm Has Set Objectives

<table>
<thead>
<tr>
<th>Set objectives?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>73</td>
<td>81.5</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>18.5</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.6: Whether the Firm Has Set Objectives

4.7 Strategies for the Organizations

As to whether the organizations had developed strategies for operations, 77.9% of the respondents said they had developed strategies while 22.1% had not developed any strategies. Based on the previous table on objectives, it can be deduced that most firms have set objectives but have not developed strategies for operations. It may also be indicative that most of the firms with mission statements have also developed strategies for operations (see Table 4.6). We can therefore conclude that most MSEs with mission statements and set objectives tend to have developed strategies for operations.
Table 4.7: Whether the Management has Set Strategies for the Organization

<table>
<thead>
<tr>
<th>With Strategies?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>69</td>
<td>77.9</td>
</tr>
<tr>
<td>No</td>
<td>20</td>
<td>22.1</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

![Bar chart showing frequency and percent for strategies]

Figure 4.7: Whether the Management has Set Strategies for the Organization

4.8 Organizational Structure Changed to Cater for Emergent Strategies

As asked whether the organizations’ structures changed to cater for new strategies, 69.2% of the respondents said they had changed their organizational structures to cater for new strategies while 31.8% of the respondents had not. From the chapter on literature review, we can deduce that since organizations are environmentally dependent, majority of the MSEs changed their structures to adapt to the dynamic business environment (Miller & Friesen, 1983). This shows that the respondents who are responsive to new strategies are change oriented and knew the importance of application of new strategies for organizational growth and development. The 31.8% respondents who could not change their organizational structures can be said not to have clear structures and/or systems of operations especially the
micro enterprises. As previously discussed, it is the slightly bigger enterprises with strategies for operation that are able to change their structure to cater for strategies like product development, innovation and market penetration (Miller and Friesen, 1983). Additionally other factors like general economic trends, competitors and technological changes are taken into consideration when changing the organizational structure to cater for new strategies (see Table 4.15).

Table 4.8: Whether the Organizational Structure Changed To Cater For New Strategies

<table>
<thead>
<tr>
<th>Organization structure changed?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>62</td>
<td>69.2</td>
</tr>
<tr>
<td>No</td>
<td>27</td>
<td>31.8</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.8: Whether the Organizational Structure Changed To Cater For New Strategies
4.9 Frequency of Organizational Structure Change

When asked to indicate the frequency at which the organization’s structure changed to cater for new strategies, 50.4% of the respondents said they have always changed their organizations’ structures to cater for new strategies while 49.6% of the respondents said they sometimes did it. This indicates that half of the respondents have always changed their organizations’ structures to cater for new strategies whereas the other half only did it sometimes. This could be so because of cost implication and technicalities associated with restructuring. This information is shown in Table 4.8 below.

Table 4.9: Frequency at Which the Organization’s Structure Changed To Cater For New Strategies

<table>
<thead>
<tr>
<th>Frequency of change</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>45</td>
<td>50.4</td>
</tr>
<tr>
<td>Sometimes</td>
<td>44</td>
<td>49.6</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.9: Frequency at Which the Organization's Structure Changed To Cater For New Strategies
4.10 Rating of the Process of Coordinating, Directing and Controlling Activities of People in the Organization

When asked to rate the process of coordinating, directing and controlling activities of people in the organization, 67.2% of the respondents rated the process above average whereas 32.8% rated the process as average. This concludes that the management functions of coordinating, directing and controlling for most of the respondent firms are applied but at varying degrees (Cole, 1996). This information is illustrated in Table 4.9 below.

Table 4.10: Rating of the process of coordinating, directing and controlling activities of people in the organization

<table>
<thead>
<tr>
<th>Rating of the process</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Average</td>
<td>60</td>
<td>67.2</td>
</tr>
<tr>
<td>Average</td>
<td>29</td>
<td>32.8</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.10: Rating of the process of coordinating, directing and controlling activities of people in the organization
4.11 Staff Being Involved In Acquisition and Deployment of Organizational Resources

With regard to staff being involved in acquisition and deployment of organizational resources, 84.6% of the respondents indicated that their staff was involved while 15.4% of the respondents’ their staff was not involved in the activity. Table 4.12 below indicates that majority of members of staff were involved in acquisition and deployment of organization resources. This could mean that most managers realize that these resources are used by the staff. Hence failure to involve them could have a negative impact on the enterprise (Keith, 2006). It could also be deduced that involvement of members of staff in acquisition and/or deployment of resources is dependent on the level of staff in the organizational structure (Keith, 2006).

Table 4.11 : Whether Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources

<table>
<thead>
<tr>
<th>Staff involved?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>75</td>
<td>84.6</td>
</tr>
<tr>
<td>No</td>
<td>14</td>
<td>15.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Figure 4.11: Whether Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources
4.12 Extent of Staff Involvement

Regarding the extent to which members of staff are involved in acquisition and deployment of organizational resources, 49.7% of the respondents’ members of staff were sometimes involved in acquisition and deployment of organizational resources while 34.9% of the respondents’ members of staff were always involved. This shows that the majority of the members of staff were involved in acquisition and deployment of organizational resources although at varying degrees. The varying degrees as to why members of staff were not always involved in this exercise was due to the nature of activities involved and level of decision making (Keith, 2006).

Table 4.12: Extent to Which Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources

<table>
<thead>
<tr>
<th>Extent of staff involvement</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td>37</td>
<td>41.2</td>
</tr>
<tr>
<td>Sometimes</td>
<td>52</td>
<td>58.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Figure 4.12: Extent to Which Members of Staff Are Involved In Acquisition and Deployment of Organizational Resources

The study sought to determine the effect of implementation of strategic management process on performance of the organization. From the MSEs that had set strategies for operation, 69.7% of the respondents' business performances were highly affected whereas 28.3% of the respondents' business performances were affected very highly. Only 2% of the respondent's businesses were not sure if there was any effect as a result of implementation of strategic management in the performance of their organizations. This implies that most of the respondents' MSEs were highly affected by implementation of strategic management in the performance of their organizations. We can therefore conclude that adopting a strategic approach to performance management can lead to a better performance. It also reveals why some firms are way ahead of others in managing strategic performance (Chitan Magazine Services, 2003). (See Table 4.13 below).

Table 4.13: Extent of Effect of Implementation of Strategic Management Process on Performance of the Organization

<table>
<thead>
<tr>
<th>Effect of implementation of strategic management process</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>26</td>
<td>28.3</td>
</tr>
<tr>
<td>Highly</td>
<td>44</td>
<td>69.7</td>
</tr>
<tr>
<td>Not Sure</td>
<td>19</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010
Figure 4.13: Extent of Effect of Implementation of Strategic Management Process on Performance of the Organization

4.14 Standard performance

With regard to whether the organization prepared standards of performance 65.6% of the respondents noted that they prepared formal standards of performance while 34.4% of the respondents did not. This implies that most of the respondents have set standards against which they use to measure and evaluate on their performance. According to Pearce and Robinson (1997), lack of technical know-how, clear set of objectives and strategies could be attributed as some of the reasons behind failure to set standards of performance (see Table 4.14 below).

Table 4.14: Whether the Organization Prepares Standards of Performance

<table>
<thead>
<tr>
<th>Set standards of performance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>58</td>
<td>65.6</td>
</tr>
<tr>
<td>No</td>
<td>31</td>
<td>34.4</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Author 2010*
4.15 Frequency of Carrying out Evaluation on Performance

In another question, the respondents were asked to illustrate the frequency of carrying out evaluation on the performance of the enterprises. According to the findings 41.4% of the respondents said they always carried out evaluation on performance, 36.7% carried out evaluation on performance often whereas 21.9% occasionally did evaluation on performance. It can be deduced that although the majority of MSEs set formal standards of performance, the frequency of evaluation varies. Figure 4.14 below illustrates this information.

Table 4.15

<table>
<thead>
<tr>
<th>Extent</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occasionally</td>
<td>21.9</td>
</tr>
<tr>
<td>Often</td>
<td>36.7</td>
</tr>
<tr>
<td>Always</td>
<td>41.4</td>
</tr>
</tbody>
</table>

Figure 4.15 : Frequency of conducting evaluation on performance of the enterprise

56
Table 4.16 : Extent to Which the Organization Has Been Engaged In Different Levels of Strategic Management Process

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>STD DEV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental scanning</td>
<td>3.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Strategy Formulation</td>
<td>4.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Strategy Implementation</td>
<td>4.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Strategy Evaluation and Control</td>
<td>4.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Table 4.16 above illustrates the extent to which the organization has been engaged in different levels of strategic management process. These levels are environmental scanning, strategy formulation, strategy implementation and strategy evaluation and control. Likert Scale was used to illustrate the extent while the mean and the standard deviation were used to describe the extent. The Likert had the following scale: Not at all, 1; Less Extent, 2; Moderate Extent, 3; Large Extent, 4; Very Large Extent, 5.

From the research, strategy formulation, strategy implementation and strategy evaluation had a mean of 4.8, 4.5 and 4.0 respectively. Their standard deviations were 0.6, 0.7 and 1.0 respectively. Environmental scanning had a mean of 3.4 and a standard deviation of 1.0. This implies that most MSEs are keen in formulating competitive strategies but some do not implement them. Even worse, majority of those who implement the competitive strategies do not evaluate them. Majority of the MSEs do not devise effective competitive strategies. The bar graph below illustrates the same information.
4.17 Level of Increase on Profitability

As asked whether implementation of strategic management process had affected productivity, 43.4% of the respondents indicated that their business productivity had increased their monthly profit between Kshs.51,000 to Kshs.80,000 while 19.1% of the respondents’ business productivity had increased their monthly profit below Kshs.10,000. Only 16.4% of the MSEs had increased their monthly profit between Kshs.21,000 to Kshs.50,000 whereas 21.1% posted a profit of above Kshs.80,000. We can conclude that increase in profit is determined by the many factors such as cost of production, market conditions, among others but not necessarily the size of the business (Ramanujam & Venkatraman, 1989). This is illustrated in Table 4.22 and Figure 4.4 below.
Table 4.17: Level of Increase in Profitability as a Result of Implementation of Strategic Management Process

<table>
<thead>
<tr>
<th>Level of increase in profitability</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 10,000</td>
<td>17</td>
<td>19.1</td>
</tr>
<tr>
<td>21,000 – 50,000</td>
<td>11</td>
<td>16.4</td>
</tr>
<tr>
<td>51,000 – 80,000</td>
<td>26</td>
<td>43.4</td>
</tr>
<tr>
<td>Above 80,000</td>
<td>35</td>
<td>21.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Figure 4.17: Level of Increase on Profitability

4.18 Outcome of Employing Strategic Management Process

On the question of employing strategic management process in their organizations, the researcher found out that 47% and 39% indicated that the strategic management process improved financial performance to a very large extent and large extent respectively, 13% and 1% to a moderate and less extent respectively. With regard to improved financial position, 46% and 28% did it to a very large extent and large extent, 17% to a moderate extent, 2% to a less extent and 7% indicated that it did not. With regard to cost reduction 54% and 19%
agreed that it did so to a very large and large extent respectively, 13% to a moderate extent and 11% to a less extent. Only 3% did not agree to cost reduction after employing strategic management process. This indicates that most of the respondents agree that employment of strategic management process improves the financial performance of the enterprise. Harrington, et al., (2004) confirm that application of strategic management process assists in cost reduction and improves an enterprise’s financial performance and situation.

On product innovation, 45%, 31% and 13% indicated that it facilitated to a very large, large and moderate extent respectively. 10% reported that it affected it to a less extent. Only 2% indicated that it had no effect on product innovation. As to quality of products/services, 43% and 46% indicated that it led to higher quality by a very large and large extent and 11% to a moderate extent. On whether it increased productivity (yield), 58% reported that it did to a very large extent, 33% to a large extent whereas 7% affected it moderately. Stacy, (2000) highlights that effective strategy implementation has an effect of improving the quality of a product/service.

With regard to staff motivation, 34% and 25% of the respondents reported that employing strategic management process resulted in improved staff motivation to a very large and large extent respectively. Another 25% of the respondents stated that strategic management process improved staff motivation to a moderate extent, 5% to a less extent but 11% did not agree that it improved staff motivation at all.

With regard to it advanced social responsibilities, 38% and 31% indicated that it did to very large and large extent respectively whereas 31% and 4% indicated that it did it to a moderate and less extent respectively. Only 16% reported that it did not advance social responsibilities.

As to whether strategic management process had an effect on customer satisfaction, 64% and 33% of the respondents indicated that there was improvement in customer satisfaction to a
very large extent and large extent respectively. Only 3% noted that the process improved customer satisfaction to a moderate extent. Tavakoli and McKiernan (1999) state that customer satisfaction is a major component to any organization’s well-being and should be incorporated in strategy development. Table 4.23 below illustrates this information.

### Table 4.18: Outcome of Employing Strategic Management Process on the Respondents’ Business

<table>
<thead>
<tr>
<th>Outcome of strategic management practices</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Financial Performance</td>
<td>4.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Improved Financial Position</td>
<td>4.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Increased Productivity (Yield)</td>
<td>4.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Improved Staff Motivation</td>
<td>3.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Higher Quality Product/Service</td>
<td>4.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Improved Customer Satisfaction</td>
<td>4.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Advanced Social Responsibilities</td>
<td>3.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Developed Product Innovation</td>
<td>4.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Cost Reduced</td>
<td>4.1</td>
<td>1.2</td>
</tr>
</tbody>
</table>

*Source: Author 2010*

Table 4.18 is an illustration of the effects of employing strategic management process in respondents’ organizations. The research used a five points Likert Scale where factors with the highest benefits were awarded five points while those with lowest benefit were given only one point. Within the extremes were four points for great extent, three points for moderate extent and two points for less extent.

According to the findings, improved customer satisfaction had a mean of 4.6 with a standard deviation of 0.5 while increased productivity had a mean of 4.5 with a standard deviation of
0.8. Other variables with high benefits from employment of strategic management process were improved financial performance, higher quality service/product; cost reduced as well as developed product innovation which had a mean of 4.3, 4.3, 4.1 and 4.1 respectively. The standard deviations for these factors were 0.7, 0.7, 1.2 and 1.1 respectively. On the other hand, improved staff motivation and advanced social responsibility had a mean of 3.7 each and a standard deviation of 1.3 and 1.5 respectively. This implies that employment of strategic management process improves customer satisfaction and productivity of a firm to a very great extent. The same information is illustrated by the bar graph below.

![Figure 4.18: Outcome of Employing Strategic Management Process on the Respondents' Business](image-url)
4.19 Relationship between strategic management process and organizational performance

The researcher was interested in establishing the extent to which strategic management process enhanced consistency of performance, whether it allowed acceptability of organizational policies by the various stakeholders and whether it ensured proper planning in organization. In addition, effectiveness of management was also put into consideration. Moreover the researcher also examined the ability of strategic management process to offer cushion to a small enterprise against turbulence in the global market as well as integration of long-range and mid-range goals.

With regard to performance, 52% of the respondents indicated that the relationship enhanced consistency of performance to a very large extent. Another 38% indicated that the relationship enhanced consistency of performance to a large extent and 9% indicated that it enhances consistency of performance to a moderate extent. Only 1% reported that the strategic management process enhanced consistency of performance to a less extent.

On whether the process of strategic management process allows acceptability of organizational policies, 7% of the respondents indicated that it did not allow at all. Another 46% of the respondents indicated that the process allowed acceptance to a less extent. 28% of the respondents reported that employment of strategic management process allowed acceptability to a moderate extent whereas 17% and 2% indicated that it allowed acceptability to a large extent and a very large extent respectively.

On proper planning, 78% of the respondents indicated that the process of strategic management ensured proper planning to a very large extent. Another 16% indicated that the employment of strategic management process ensured proper planning to a large extent and 6% indicated that the process ensured proper planning to a moderate extent. According to Greenley (2004), proper planning is key to attainment of organizational objectives.
With regard to improvement in effectiveness of management, 51% of the respondents indicated that the strategic management process resulted in improvement of effectiveness of management to a very large extent. Another 34% agreed that it improved effectiveness of management to a very large extent. 13% of the respondents reported that the process resulted in improved effectiveness of management to a moderate extent. Only 1% reported that the process improved effectiveness of management and another 1% did not see any relationship between strategic management process and organizational performance with regard to improvement of management’s effectiveness. Greenley (2004) further identifies strategic management as an important factor in improving effectiveness of management.

On whether employment of strategic management process offers cushion against turbulence in the global market, 37% of the respondents said that it offered cushion to a very large extent. Another 46% of the respondents indicated that the process offered cushion against turbulence to a large extent. 14% agreed that it offered cushion to a moderate extent whereas 3% indicated that it offered cushion to a less extent.

Enhancing integration of long range and mid range goals is also part of Table 4.21 below with 34% of respondents reporting strategic management process enhanced integration of both the long-range and the medium-range goals to a very large extent. Another 30% of the respondents indicated that the relationship enabled the integration to a large extent and 28% reported that it enabled integration to a moderate extent. Only 8% of the respondents reported that the process of strategic management enabled integration of long range and mid range goals to a less extent. No respondent indicated that there was no relationship between the strategic management process and organizational performance in relation to enabling integration of long range and mid range goals.

Majority of respondents were of the opinion that, strategic management process ensures proper planning in an organization. Other factors which were highly enhanced by strategic
management process were consistency of performance and effectiveness of management. On the other hand, this could mean that organizations that have well defined strategic management process also have proper planning of activities and hence consistency of performance. This information is illustrated in the Table 4.19 below.

| Table 4.19: Extent of Relationship between Strategic Management Practices and Organizational Performance |
|-------------------------------------------------------------|-------------------|
| Enhances Consistency of Performance                          | Mean 4.4 Std. Dev. 0.7 |
| Allows Acceptability of organizational policies              | Mean 2.6 Std. Dev. 0.9 |
| Ensures Proper planning                                      | Mean 4.7 Std. Dev. 0.6 |
| Improves Effectiveness of Management                         | Mean 4.3 Std. Dev. 0.8 |
| Offers Cushion against Turbulence in the Global Market       | Mean 4.2 Std. Dev. 0.8 |
| Enables Integration of Long-Range and Mid-Range Goals        | Mean 2.1 Std. Dev. 1.0 |

*Source: Author 2010*

Table 4.17 illustrates the extent of relationship between strategic management process and organizational performance. The researcher used Likert scale to analyze the data where those factors which were highly influence by strategic management process were awarded higher scores while those with little influence were awarded low scores as shown below: Not at all,1; Less extent,2; Moderate extent,3; Great extent,4; Very great extent,5

The researcher was interested to know the extent to which strategic management process enhanced consistency of performance, whether it allowed acceptability of organizational policies by the various stakeholders and whether it ensured proper planning in organization. In addition, effectiveness of management was also put into weight. Moreover the researcher
also examined the ability of strategic management process to offer cushion to a small enterprise against turbulence in the global market as well as integration of long-range and mid-range goals.

According to the table, majority of respondents were of the opinion that, strategic management process ensures proper planning in an organization (mean of 4.7 and a standard deviation of 0.6). Other factors which were highly enhanced by strategic management process were consistency of performance and effectiveness of management which had a mean of 4.4 and 4.3 respectively. Their standard deviation was 0.7 and 0.8 respectively. On the other hand, majority of respondents (with a mean of 2.1 and a standard deviation of 1.0) said that the relationship between strategic management process and integration of both the long-range and the medium-range goals was very little, as was the case in acceptability of organizational policies, which had a mean of 2.6 and a standard deviation of 0.9. This implies that organizations that have well defined strategic management process have proper planning of activities and thus consistency of performance. The same information is also illustrated by the bar graph below.
Extent of relationship between strategic management process and organizational performance

Figure 4.19: Extent of Relationship between Strategic Management Practices and Organizational Performance

4.20 Level of Competition and Development of Organizational Strategy

When asked about their opinion on whether the level of competition affected the development of the organization strategy, 96.4% of all the respondents said that competition affected the development of the organization strategies while the remaining 3.6% said it did not affect the development of organizational strategies as shown in Table 4.18. This is an indication that, the level of competition highly affects the development of organizational strategy. This is a confirmation that strategies of competitors are highly interdependent and so competitor’s position is a crucial determinant of the choice of strategy (Thompson & Strickland, 1998).
Table 4.20: Whether the Level of Competition Affects Development of the Organization’s Strategy

<table>
<thead>
<tr>
<th>Does competition affect development of organization’s strategy?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>85</td>
<td>96.4</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.20: Whether the Level of Competition Affects Development of the Organization’s Strategy

4.21 Formal Training Related to Strategic Management

When asked if they had received any training related to strategic management, 29.2% of the respondents indicated that they had received training whereas 70.8% had not (see Table 4.19). Research shows that a significant body of knowledge exists with regard to strategic management in context of large firms as opposed to small firms (Lasher, 1999). This concludes that majority of the respondents despite being owners and managers of micro and small enterprises had not attended any workshop, forum, seminar or class where strategic management was taught as a course.
Table 4.21: Whether the Respondent Ever Attended Any Formal Training Related to Strategic Management

<table>
<thead>
<tr>
<th>Attended any class, workshop forum or seminar on strategic management</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>26</td>
<td>29.2</td>
</tr>
<tr>
<td>No</td>
<td>63</td>
<td>70.8</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.21: Whether the Respondent Ever Attended Any Formal Training Related to Strategic Management

4.22 Whether Training Added Value to the Organization

When the researcher further enquired on opinion as to whether the training that the respondents underwent added any value to their respective organizations specifically to strategic management, 96.5% of the respondents indicated that the training they had undergone had added value to the organization. The 3.5% who had attended such formal training and indicated that it was not of value to their organizations probably did not
understand what they were learning. The results indicate that training adds value to a firm’s productivity and performance (see Table 4.25).

Table 4.22: Whether the Training Added Any Value to the Organization in Relation to Strategic Management

<table>
<thead>
<tr>
<th>Did training add value to the organization?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>85</td>
<td>96.5</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.22: Whether the Training Added Any Value to the Organization in Relation to Strategic Management

4.23 Whether Organization was suffering for not having Received Formal Training on Strategic Management

Asked whether their organizations could be suffering from the consequences of not receiving formal training, 89.1% of the respondents said that the organization could be suffering from the consequences of not having such training while only 10.9% of the respondent’s said that the organization could not be suffering from the consequences of not having such training. Despite employing strategic management practices without any formal training in strategic
management, majority of the respondent organizations could be enjoying higher productivity than their current production if the managers/owners had received formal training. Thus their suffering emanates from achieving less in productivity than probably higher productivity had they attended such training. This concludes that majority of the respondent’s in MSEs in Nairobi could be suffering from the consequences of not having such training.

Table 4.23: Whether the Organization Could Be Suffering From the Consequences of Not Having Such Training

<table>
<thead>
<tr>
<th>Suffering for not receiving formal training?</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>79</td>
<td>89.1</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>10.9</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author 2010

Figure 4.23: whether the organization could be suffering from the consequences of not having such training

4.24 Level of Education

Regarding their level of education, 15.4% of the respondents had primary school education while 19.5% of the respondents had secondary level of education. Another 34.8% of the
respondents had college level of education and 23.1% of the respondents had university education while only 7.2% had post-graduate education. This indicates that majority of the micro and small enterprise managers have college level education. We can therefore conclude that education plays a very important role in the success of any MSE through understanding of the relationship between the process of strategic management and organizational performance. This information is presented in Table 4.2 below.

Table 4.24 : Level of Education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>16</td>
<td>15.4</td>
</tr>
<tr>
<td>Secondary</td>
<td>18</td>
<td>19.5</td>
</tr>
<tr>
<td>College</td>
<td>23</td>
<td>34.8</td>
</tr>
<tr>
<td>University</td>
<td>21</td>
<td>23.1</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>11</td>
<td>7.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>89</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Author 2010*
4.25 Gender Distribution

The study sought to determine the gender distribution of the respondents. Table 4.1 below shows the respondents' gender. 61% comprised of male whereas 39% comprised female. This can be construed to mean that most MSEs are owned/managed by men.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>54</td>
<td>61</td>
</tr>
<tr>
<td>Female</td>
<td>35</td>
<td>39</td>
</tr>
<tr>
<td>Total</td>
<td>89</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Author 2010*

![Gender of the Respondents](image)

*Figure 4.25: Gender of the Respondents*
5.1 Introduction
This chapter outlines the conclusion and recommendations of the study and makes suggestions for further research. The purpose of this study was to explore the effects of strategic management process on organizational performance on MSEs in Nairobi, Kenya. The findings of the study were concluded in relation to the research objectives and theories.

5.2 Discussion
To satisfy the objectives of the study, data was collected from eighty nine micro and small enterprises in Nairobi and from each MSE the owner/manager was targeted as the respondent. A self administered questionnaire was used as a major tool for data collection. The aim of the questionnaire was to capture data on the effects of employing the strategic management process on organizational performance, productivity and the owner/manager’s opinion on issues related to their respective enterprises.

From the analysis it was concluded that strategic management process affected all organizations and MSEs were no exceptional. This process included environmental scanning, strategy formulation, strategy implementation and evaluation and control. According to Hick and Gullet (1978) these phenomenon had necessitated radical changes in organizations which led to formulation and implementation of new strategies. Thus, organizations that have a well defined strategic management process had proper planning of activities hence consistency of performance. Central to the study was the need to find out how strategic management process influenced organizational performance and hence productivity.
Descriptive research design was preferred for the presentation of findings. In this case data was analyzed using the frequencies and percentages. Tables and graphs had been used to show the spread of the variables which eased comparison and interpretation of results.

In respect to environmental scanning the research established that majority of the MSE’s involve themselves in the activities of environmental scanning. Specifically 84% of the participants indicate that they did environmental scanning to a very large extent.

Generally respondents indicated that they do engage in environmental scanning and the effect is that this improves customer and employee satisfaction, profitability and responsiveness to market. However this process is mainly done routinely and by bits. This means that not conscious effort is systematically applied in respect to the principles of strategic management.

Indeed the study established that formal training in respect to strategic management is lacking. This conforms to Obwacha argument (2005) who categorized the major constraints facing MSE’s as lack of training, inaccessibility to information technology, legal and operation procedures and high.

On the other hand the results of this study showed that majority of the participants are involved in application of strategy formulation activities of developing the mission, objectives and strategies and indeed these have shown to have improved the MSE’s Performance. Notably out of those MSE’s that indicated that they scanned their environment fewer formulated the strategies. This again points to the fact that the strategic management activities are not applied per known strict guild lines and lack of professionalism. Micheni (2005) looked at the quality of service delivery by MSE’s in Shaurimoyo Nairobi. She concluded that the industry requires professionalism by the staff in course of service delivery as well as standardization of services.

The research established that a relatively smaller number of MSE’s are involved with implementation (40%) as compared to environmental scanning (84%) and strategy
formulation (63%). That notwithstanding the study established that MSE’s that carried out strategy implementation had been shown as having improved. However due to the MSE low capital base (Moyi, 2005) implantation stage becomes an issue as it sometimes call for large resource mobilization and factors in finances. This shows there is need to have a steady financial base for MSE’s per Sessional Paper No 2 of 2005 on development of MSEs for wealth and employment creation in major urban centres (GoK 2005).

In respect to strategy evaluation and control As such most of the respondents have set standards to measure and evaluate on their performance. As per the to the study 41.4% of the respondents indicated that they always carried out evaluation on performance, 36.7% carried out evaluation on performance often whereas 21.9% occasionally did evaluation on performance. It can be deduced that although the majority of MSEs set formal standards of performance and this improves the performance. From among those that perform strategy formulation, fewer implement them. However, not all MSEs that implement the strategies evaluate them. Generally the high number of respondents that evaluate strategies as compared to those who don’t indicates that evaluation indeed impacts on performance positively.

5.3 Recommendations

Micro and small enterprises, like all other organizations, operate in a competitive environment and hence strategic management process is a tactic for survival. The volatile nature of current markets makes strategic management critical. From this study it is recommended that firstly the Government of Kenya and key players in the MSE sector should not only come up with a mechanism/legislation that will streamline MSEs operating environment, but also put up mechanism for having such policies implemented. On their part MSEs need to consciously engage in a systematic environment scanning, develop effective mission statements, objectives and commit themselves unto strategies implementation, evaluation and control. This is because despite the study showing that the MSE’s do engage
themselves with individual strategic management practices, the flow and coordination of the entire strategic management process has not been practiced yet.

At the same time MSEs need to develop feedback mechanisms to evaluate failure or success of strategic management process through identifying weaknesses and executing modifications if necessary and/or feasible.

5.4 Suggestions for Further Study

The study was established a un systematised way in which practices of strategic management are followed by the respondents. The researcher suggests that further study be done on factors hindering full application of strategic management process. The should also study be extended to MSEs in other parts of the country which may be facing different unique challenges. Due to the complex nature of the process of strategic management, no single study can test it entirely. Future research should therefore identify more variables associated with strategic management that are assumed to affect organizational performance.
REFERENCES


Dear Respondent,

RE: A QUESTIONNAIRE ON THE EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON MICRO AND SMALL ENTERPRISES PERFORMANCE IN NAIROBI.

My name is Geoffrey Mutegi, a final year Master of Business Administration (MBA) student in Strategic Management at Kenyatta University. As part of my course requirements, I am conducting a research entitled: "The effects of strategic management practices on Micro and Small Enterprises performance in Nairobi.

Your business has been chosen to participate in this study. Please assist achieve the research objective by answering the following questions.

The results of this survey will form a basis for formulating ways of promoting better management of these enterprises.

In answering the questions, you are assured that your responses will be kept confidential and answers are intended for research purposes only and therefore do not indicate your names on the questionnaire. Please read each question carefully and follow instructions preceding each section.

Thank you for your cooperation,

Yours Faithfully,

Geoffrey Kaburu Mutegi
APPENDIX II

RESEARCH QUESTIONNAIRE

Organizational Information

1. Please indicate how long you have worked with your enterprise.
   - I. Less than 10 years
   - II. Between 11 years and 19 years
   - III. Between 20 years and 29 years
   - IV. Above 30 years

2. Please state the size of your firm in terms of permanent employees.
   - 1-10
   - 11-25
   - 25-50

Environmental Scanning

3. Indicate the extent to which the following factors are considered in evaluating the firm’s environment: Please rate them using the following criterion (Tick appropriate Box) Never, Seldom, Occasionally, Frequently and Always)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Never</th>
<th>Seldom</th>
<th>Occasionally</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) SWOT Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Market trends Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Issue Analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Competitors analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Technological changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) Social and Cultural trends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(h) Customer focus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(j) General Economic trends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Indicate the importance your organization attaches to the following elements necessary for achieving competitive advantage. Rate the factors using the criteria given.

(Never, seldom, occasionally, frequently and always)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Never</th>
<th>Seldom</th>
<th>Occasionally</th>
<th>Frequently</th>
<th>Always</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Identifying competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Collecting evaluating information on competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Identifying potential moves by competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Determining competitors SWOT analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Devising effective competitive strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strategy Formulation

5. Has your firm developed a mission statement?

Yes ☐

No ☐

6. Has your firm got set Organizational objectives? Tick the appropriate Box.

Yes ☐ No ☐

7. Has your organization developed strategies for operation?

Yes ☐ No ☐
Strategy Implementation

8 (a) Do your organization’s structure change to cater for new strategies?

Yes □ No □

(b) If yes, how often is your organization’s structure changed to cater for new strategies?

Always □ Sometimes □ Never □

(a) If no, why doesn’t your organizational structure change to cater for new strategies?

________________________________________________________________________

________________________________________________________________________

9. How would you rate the process of coordinating, directing and controlling activities of employees within your organization?

Above Average □ Average □ Below Average □

10. Are members of staff involved in acquisition and deployment of organizational resources?

Yes □ No □

(a) If yes, please state the extent to which members of staff involved in acquisition and deployment of organizational resources?

Always □ Sometimes □ Occasionally □

11. To what extent has implementing the strategic management practices in your business affected performance of your organization?

Very high □

Highly □

Not Sure □

Not improved at all □
Strategy Evaluation and Control

12. Does your organization prepare formal standards of performance?

Yes ☐  No ☐

13. How often do you carry out evaluation on performance of your enterprise?


Strategic management Process and MSE Performance

14. To what extent has your organization been engaged on the following strategic management practices? Kindly tick where applicable on the following ranking:

1) Not at all  2) Small extent  3) Moderate extent  4) Large Extent  5) Very Large extent

<table>
<thead>
<tr>
<th>Level</th>
<th>Not at all</th>
<th>Small Extent</th>
<th>Moderate Extent</th>
<th>Large Extent</th>
<th>Very Large Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Environmental Scanning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Strategy formulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Strategy implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Strategy Evaluation and control</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
15. State the extent to which monthly profit in Ksh has improved as a result of applying strategic management practices?

Below 10,000  
11,000 -20,000  
21,000-50,000  
51,000-80,000  
Above 81,000

16. To what extent has employment of the strategic management practices benefited your business in regards to the following variables:

<table>
<thead>
<tr>
<th>Level</th>
<th>Not at all</th>
<th>Small Extent</th>
<th>Moderate Extent</th>
<th>Large Extent</th>
<th>Very Large Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Customer Satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Employee satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Competitive Advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(e) Responsiveness to market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(f) Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
17. To what extent do you agree with the following statements with regards to the relationship between strategic management process and your business performance?

(Kindly tick the appropriate box)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Not at all</th>
<th>Less Extent</th>
<th>Moderate Extent</th>
<th>Large Extent</th>
<th>Very Large Extent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhances Consistency of Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allows Acceptability of organizational policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensures Proper planning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improves Effectiveness of Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offers Cushion against Turbulence in the Market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enables Integration of Long-Range and Mid-Range Goals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

18. Has the level of competition affected the development of the organization strategy?

Yes  ☐       No  ☐

19. Have received any training related to strategic management?

Yes  ☐       No  ☐

20. If yes, has training on strategic management practices added value to your organisation?

21. Is your Organization suffering for not Having Received Formal Training on Strategic Management practices?

Yes  ☐       No  ☐
Personal information (Optional)

22. What is your level of education?
   - Primary
   - Secondary
   - College
   - University
   - Post Graduate

23. Please state
   a) Your sex; Male ☐ Female ☐
   b) Occupation _________________________________

THANK YOU FOR YOUR CO-OPERATION
### APPENDIX III

**BUDGET**

<table>
<thead>
<tr>
<th>ITEM DESCRIPTION</th>
<th>COST (KSH)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stationery</td>
<td>12,000</td>
</tr>
<tr>
<td>2. Typing, printing and Photocopying</td>
<td>9,000</td>
</tr>
<tr>
<td>3. Internet Cost</td>
<td>8,000</td>
</tr>
<tr>
<td>4. Travelling Expenses</td>
<td>8,000</td>
</tr>
<tr>
<td>5. Telephone Expenses</td>
<td>13,500</td>
</tr>
<tr>
<td>6. Miscellaneous Expenses</td>
<td>12,000</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>62,500</strong></td>
</tr>
</tbody>
</table>