

**STRATEGIC PLANNING AND PERFORMANCE OF SELECTED SMALL
AND MEDIUM ENTERPRISES IN UASIN GISHU COUNTY, KENYA**

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D53/OL/CTY/32526/2015

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS,
ECONOMICS AND TOURISM IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF BUSINESS
ADMINISTRATION (STRATEGIC MANAGEMENT) KENYATTA UNIVERSITY**

MARCH, 2024

DECLARATION

I declare that this is my original work that is yet to be submitted anywhere for degree or related award in any other institution apart from Kenyatta University.

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DEDICATION

I dedicated this project to my wife Mary Atieno, my brother Abraham Othieno and my friend Duncan Manyallah for their love, patience, and moral and financial support.

ACKNOWLEDGEMENT

I convey my heartfelt thank you to Dr. Abel Anyieni is my supervisor, family, and friends for enabling me to complete this project within the given timeframe. Their contributions, whether big or small, have played a significant role in my progress, and I am truly grateful for their assistance.

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OPERATIONAL DEFINITION OF TERMS

Environmental scanning: This the continuity with regards to monitoring the events plus trends within the external and internal environment of an institution regarding its effect on the present and the success in the future.

Evaluation and control of the strategy: This is all about the assessment process about the effectiveness of a certain strategy towards attainment of the goals of the organization, which includes monitoring progress and implementing corrective actions when necessary, during the monitoring and evaluation phase.

Performance: The measure of output compared to the input of an organization (or goals and objectives). In the study it will refer to how well the SMEs are managed and the value the SMEs delivers for customers and other stakeholders.

Small and medium enterprises: Usually according to staff headcount often defined to be less than 100 members since that information is readily available. This, therefore, refers to the literal definition of small and medium enterprises

Strategic planning: Refers to the process where organizations set a clear vision and create a plan with objectives and goals to reach that future.

Strategy formulation: This entails the process leading to the selection of the maximum course regarding an action to achieve organizational objectives and goals involves making strategic decisions aligned with the desired outcomes.

Strategy Implementation: This entails the processes leading to the implementation of the objectives plus the goals within the organization attain prolonged goals of the institution.

LIST OF ABBREVIATIONS AND ACRONYMS

CDSC:	Central Depository & Settlement Corporation
GDPs:	Gross Domestic Products
GEMS:	Growth Enterprise Market Segment
ILO:	International Labor Organization report
LED:	Local Economic Development
NCPD:	National Council for Population and Development
NSE:	Nairobi Securities Exchange
OECD:	Organization of Economic and Cultural Development
RBV:	Resource-Based View
SMEs:	Small and medium enterprises
UK:	United Kingdom.

ABSTRACT

The rapid and ever-changing nature of the global business environment necessitates strategic planning by organizations to counteract performance-threatening forces. Consequently, the success of small and medium-sized enterprises (SMEs) within Kenya is founded on the capacity whereby they address existing and emerging challenges inherent in a developing economy. Kenyan SMEs, that entails the business in the rural localities and agriculture which have resulted into the economic growth and as a result leading to the employment creation. Irrespective of the same, cases of failures have been witnessed including low levels of performance. Majority are facing threats during the first quarter of the year. Likewise, several SMEs post better performances when starting but just a section of them manage to sustain their growths during the whole cycle and become large firms. Therefore, considering the aforementioned context, this research was after assessing the effect out of strategic planning on the SMEs performance within Uasin Gishu County in Kenya. Thus, the specific types of objectives that guided the study are the assessment of the impact of the environmental scan, formulation of strategy, its implementation, evaluation and control regarding the SMEs performance in Uasin Gishu. The theoretical framework of this research was grounded in the Signaling theory, Schumpeter's Innovation Theory, and resource-based theory. On the same note, a descriptive research type of design assisted in carrying out the study. As the result, the population of target consisted of 380 SMEs within Uasin Gishu. Likewise, stratified mode of sampling assisted in selecting a sample from the 79 SMEs. Collection of data was achieved by using questionnaires through the drop-off and pick-up method. Prior to the main data collection, a pilot study was done for testing the research instruments' validities. The reliability of the instrument that the study deployed was evaluated with the aid of Cronbach alpha internal consistency coefficient. Data gathered was subjected for analysis by utilizing the descriptive statistics such as scores, percentages, standard deviations and the frequency form of distributions. The findings were presented in tables and figures which were accompanied by detailed explanations. The study employed a multiple regression model to evaluate the correlation between strategic planning components (environmental scan, strategy formulation, strategy implementation, and strategy assessment) and the performance of SMEs. Based on the model, the coefficient of determination ($R^2 = .522$) indicates that strategic planning explains 52.2% of the variability seen in the performance of SMEs. The study's findings indicated a significant positive correlation between the independent factors and the dependent variables under investigation. Therefore, this study recommends that the SMEs management should improve on decision making and the readiness into taking risks as it plays a role towards supporting the organizational capacities which spur the performance, also its managers should analyse its industrial environment to determine its opportunities as this will help in coping with any emergencies.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

SMEs are very vital in the current commercial world and the economists have concurred about their value in the development of the economy. Smaller and micro business entities have been responsible in catalyzing the development socio-economic wise. Consequently, several nations have been prioritizing on supporting the SMEs in their bid to encourage wider involvement by the private entities. At the same time, SMEs serve as the gateway of achieving the objective behind the micro-economic development on a national scope based on the creation of employment with the least cost and augmenting the apprenticeship-based training (Kombo, Murumba & Makworo, 2017). According to the United Nations Development Programme (UNDP, 2015), SMEs an estimated contribution of 60% of global employment. These entities serve vital role in driving the economies of modern societies, providing opportunities for growth (Cull, Davis, Lamoreaux, & Rosenthal, 2016). It is noteworthy that 75% of businesses worldwide fall under the category of SMEs. In today's modern world, these businesses continue to be major determinants of growth including development especially in countries that are developing (Ayanda & Laraba, 2011). SMEs have a positive impact on poverty reduction in developing countries by employing their qualified and unemployed workforce (Ayyagari, DemirgucKunt, & Maksimovic, 2018).

As cited from Peacock (2016), within the macro level, it is the SMEs that have been responsible in creating major job opportunities in Organization of Economic and Cultural Development (OECD) nations from the times of 1970s. For example, their impact towards the gross domestic product (GDP) shows 30%, 51%, 57%, and 76%

in New Zealand and Australia, USA and UK, Japan and Canada and Luxembourg in that order. SMEs constitute the major sources behind the entrepreneurial knowledge, employment and innovation. Nations that have been posting success are characterized by SMEs activities since the sector is main driver in the growth of their economies. At the same time, the opportunities in employment, decline in poverty cases and the eventual improvement in the living standards are part of the main contributions that can be attributed to the sector of SMEs. According to Adebisi and Gbegi (2017), small businesses in Nigeria are responsible for employing over 80% of the workforce, and they contribute to 97% of economic activities within the country.

The significance of SMEs sector in Kenya was initially acknowledged in a report by the International Labor Organization (ILO) from 1972. Based on the report, it emphasized the vital role of this sector in fostering income growth together with employment opportunities (African Economic Outlook, 2016). As cited from the African Economic Outlook (2016) report, the SME subsector holds substantial importance in Kenya's economic landscape, employing nearly 80% regarding the country's total employees. Despite constituting such a significant portion of the labor force, the SME subsector only contributes approximately 20% to Kenya's Gross Domestic Product (GDP). This indicates a low performance by the subsector, regardless of its capacity to contribute to equity, employment and income as highlighted in the ILO report of 1972. The underperformance of the Kenya's SMES can be attributed to various factors, including the legal and institutional framework (Karami, 2019).

The 2010 Constitution of Kenya has tried to address SMES' growth by incorporating devolution as a key tool to promote Local Economic Development (LED) initiatives

(Benneworth and Roberts, 2018). The inclusion of devolution is expected to have an impact on the fundamental factors driving the economy, particularly in relation to the SMEs. However, the policy framework for promoting the local economic development of SMEs has primarily relied on broader national policies, with limited emphasis on locally-led development strategies (Government of Kenya, 2021). Litvack, Ahmad, and Bird (2015) argue that it is essential to develop strategic planning that aligns SME policies with the devolution framework outlined in the current Constitution of Kenya (Government of Kenya, 2015).

The desire for planning strategic wise is determined by the fact that each firm competing within the market is after spending their resources which are limited in meeting their diverse growth needs (Rezaian, 2018). The aspects of turbulence and dynamism brought by the changes in the environment contribute to the non-disputable desire for planning strategic wise. Thus, the study is after examining the effect of the planning strategic wise on the SMEs performance in Kenya. Observing the current landscape, it is evident that while some SMEs thrive, others struggle to navigate the competitive external environment. Like many emerging economies, Kenya is experiencing a surge in the establishment of SMEs.

1.1.1 Strategic planning

In every level strategy refers to the determination of the resources, objectives and the ideologies falling within the admissible risks for the sake of creating the outcomes that are favorable compared to what may be existing through probabilistic chance or because of other persons (Yarger, 2016). Quinn (2017) again reiterated that strategy defines the science and art which leads to the development and deployment of tools associated with the national scope through an integrated and synchronized model with

the view of attaining the stated objectives. Firms on several occasions have been using the strategic planning as a crucial aspect of a strategy or as means that leads to the justification of an end. Likewise, it also denotes the means of positioning a firm by giving priorities to the resource utilization based on the stated goals while seeking to offer direction plus development for some time (Kriemadis & Theakou, 2020).

Tapinos et al (2018) in their studies identified that strategic planning comprises of process of planning with the view of developing the strategies that may assist in fostering the performance. Probably, this can be achieved by coming up with vital ideas that lead to better comprehension of the factors within the environment and reductio of the incidences of uncertainties. Thus, strategy awareness denotes the capacity of assessing the whole implications associated with any change.

Wang et al (2019) on the other hand views strategic planning as that aspect which entails the competitive form of advantage. Similarly, it assists firms in gaining sustainable mode of planning which is effective. Gibson & Cassar (2015) stated that the SMEs that are engaged in strategic mode of planning may attain bigger margins regarding profit or rapid growth among their employees. Mazzarol (2019) agrees that the success of SMEs is undeniably influenced by effective strategic planning. Similarly, Kiptrem et al. (2017) have recognized the importance of strategic planning for SMEs, highlighting its significance not only for larger firms but also for SMEs.

Regardless of the evidence in place supporting the benefits linked to the strategic planning, Peacock (2014) still reiterated that many SMEs are yet to implement it. Wang et al (2019) similarly established that the aspirations of the owner are very crucial to the SMEs when considering planning strategically. In this case, the concern has been attributed to the fact that it may hinder the attainment of the whole

performance and the potential growth wise which again is challenging greatly their survival. On the same note, the findings by the scholars were somehow contrasting the fact that insufficient time leads to planning being of less relevance to the founders of the enterprise compared to the rising activities within the enterprise.

The process of the strategic planning entails the whole spectrum regarding the issues up to the vital steps essential for the efficient change from the present status up to the future expected challenges. Kriemadis & Theakou (2017) on their part warned that planning strategic wise never experience smooth run beginning from first step up to the last. For example, fresh ideologies during certain meeting may result into the alteration of the previously made decisions. However, this must never be the source behind the witnessed frustrations in the organization but instead should mirror the essential innovative inputs among the members of the team. Similarly, it should be echoing the opinions that been initially presented by Stopford (2021) which stated that planning strategic wise is never a constant ideology that upon being initiated remains in its position. Instead planning strategic wise denotes a process that is continuously evolving while seeking to accommodate the ever-occurring changes within the ecosystem, whereby the implication is that strategy and change cannot be separated (Delmar & Wiklund 2018).

Firms which are successful will always be anticipating and tackling the turbulence within the environment by applying the process of strategic planning (Rezaian, 2018). Plans that that have been strategically formulated represent those that are after attaining the competitive based goals that the firm has with the view of ensuring that the organization aligns to its mission (Rezaian, 2018). As cited from Hendrik (2021) the aspect of the strategic planning goes past the longer durational financial planning

or that of the capital planning because it entails the detailed evaluation of the organization and the organization where it is operating. The planning of this nature represents that which is about fore sighting through a process that is formal. Tumusiime (2019), also mentioned about the linkage between the performance of a firm and planning strategic wise whereby the scholar noted that strategic planning leads to about 70% of the SMEs performance.

Terziovski (2019) emphasizes the significance of planning strategic wise structures and systems in SMEs as drivers of organizational capabilities and performance. As SMEs grow in size, the importance of strategic planning becomes even more pronounced (Mazzarol, Rebound, and Volery, 2016). Golann (2016) suggests that incorporating formal processes with relevant and timely measures, along with reporting mechanisms, can enhance an SME's responsiveness. Moreover, strategic planning facilitates effective coordination plus communication within the institution (Golann, 2016). Additionally, the scholars noted that planning strategic wise is crucial towards improvement process leading to reduced production costs incurred by firms internally (Terziovski, 2021). Consequently, this section offers the overview concerning the design of strategic planning practices recommended for SMEs based on research findings. Furthermore, the literature presents insights into the actual utilization of strategic planning in SMEs.

1.1.2 Performance of SMES

SMEs make significant contributions to economic growth in many countries, but they also face various challenges and opportunities. These enterprises are commonly categorized based on several characteristics, including capital investment, employee count, turnover, share within the market, location and the style of management

(Kasekende & Opondo, 2013). SMEs are firms that non-subsidary and independent which hire lesser labor force, that may vary between countries. The classification of SMEs varies across different countries and regions. For instance, in the EU, the common upper limit for SMEs is 250 employees, although some countries set it at 200 employees, while in the US, SMEs are considered to include firms with fewer than 500 employees (Achanga, Shehab, Roy & Nelder, 2016). The EU (2021) describes SMEs based on specific criteria related to their economic activity and legal form. Enterprises can be classified as micro, small, or medium-sized based on their adherence to turnover or balance sheet thresholds, without necessarily meeting both criteria simultaneously.

Each country establishes its own definition of SMEs, taking into account the role served by SMEs within the economy and the specific assistance programs designed to support them in achieving economic goals. Diverse definitions of SMEs can arise from variations within the industrial firms from diverse economic perspectives of development including similar nation (Anamekwe, 2021). For example, an organization classified as the small within micro economically developed nations such as Japan, US and UK, because of the higher intensity of capital and technological advancement may be categorized as medium or big in already nation such as Nigeria (Teece, 2018). Moreover, definitions of SMEs can evolve as time progresses because of the changes in the levels of prices, technological advancements, and other relevant factors.

The Small Business Administration (SBA, 2013) in the United States offers various definitions for small businesses based on industry classification. In the sectors such as mining and manufacturing, business who have labor force not exceeding 50 are

categorized as being small while those that do not exceed 100 are classified as wholesale trading types of enterprises. Business sectors such as construction and retail are categorized based on the revenue they generate annually. However, it is important to note that an aspect like the turnover and the volume of the output is at the same affected by the efficiency and the effectiveness regarding the management that span within the industries.

The extent of performance and the systems of control represent the formalized and information-oriented routines plus the procedures whereby the management utilize in maintaining or altering the sequences of the activities taking place in the organizations. A notable performance evaluation assist businesses in continuously defining the goals of the SMEs and then offer the feedback to the management concerning the steps made towards attaining the very goals (Teece, 2018). In this regard, the time factor for these goals may be close to a year or even less for the short duration-based goals or many years for the long term-based goals. Hence, there is need to measure performance by taking care of certain benchmarks even if it is the performance of the competitor or the target. A specified measure might be comparing with itself as time progresses or the target of the moment may be subjected to evaluation in combination with other measures.

1.1.3 SMEs in Kenya

In Kenya SMEs have significant contribution to the country's economic growth. The Sessional Paper No.2 defines the SMEs based on the total employees in an organization (Republic of Kenya, 2022). Based on the paper, organizations that have five employees and below are classified as micro enterprises. Similarly, firms with employee range of between 5 and 49 are categorized as small scale. For the

organizations that have between 50 and 99 employees the paper described them as medium scale types of enterprises while those with above 100 employees are categorized as bigger scale forms of enterprises. As a result, in Kenya Waitathu (2019) said that SME refer to the business entities that have employee range of between 6 and 50 employees and the revenues expected annually not superseding Kshs. 50 million. Many firms that are grouped as SMEs are mostly run by families and rely on the cheap energy, labor, technology, raw materials and capital. Despite the missing detailed information in Kenya about the statistics of SMEs in the nation, on the other hand estimations by Waitathu (2019) projected that close to 8 million enterprises are operating in the country which are contributing to about 45% of the GDP of the country.

Majority of the SMEs that are under the family ownership in Kenya do not prefer being listed in Nairobi Securities Exchange (NSE). Possibly, this is attributed to fears linked with relinquishing the influence they have on firms that might led their competition out of the industry (Waitathu, 2019). Likewise, they are also fearing of sharing regarding their business before the public since the law requires the disclosure of such information the moment an entity becomes public. When launching the "Review of Growth Enterprise Market Segment (GEMS) and rising accessibility of the capital market of Kenya by SMEs", Stephen Wells who also participated in drafting the report noted that the family run SMEs in Kenya fear so much the cost implicated with listing that to them is very expensive. For example, an enterprise will require a minimum of Kshs. 0.5Million and a maximum of 1Million that must be placed with the Central Depository & Settlement Corporation (CDSC) for the sake of incorporation and maintenance of share registry besides the other payment of between 2 million and 4 million together with initial charge by NSE amount which is about

0.15million for the purposes of nomination transaction and legal representation, for the listing to be finalized. Thus, the current study is after finding out the impact associated with the strategic planning towards them SMEs performance in Uasin Gishu County.

1.1.4 SMEs in Uasin Gishu County, Kenya

Recently, the county of Uasin Gishu has depicted drastic growth because of the aspects like the rise in the demand for accommodation which has spurred the increment in the county's population. Similarly, there have been notable trends in the increment SMEs of late which be linked to the well laid down infrastructure and country being situated in prime location towards its neighbours which have divers urban and semi-urban lifestyle. As a result, this lead people possibly preferring to settle in the county because of the presence of social amenities and abundance of food commodities from the farmers (Uasin Gishu County Annual Development Plan, 2016/2017). Eventually all these factors contribute to the county attracting many businesses altogether.

The county of Uasin Gishu so far represent one of the five counties in which the parks associated with the SMEs were implemented by the national government. The other four counties are Kisumu, Nairobi, Kiambu and Taita Taveta. The SMEs' based parks are after offering entrepreneurial reinforcement that stand to improving the SMEs performance and further stimulating the growing of the economy. On top the same, the county of Uasin Gishu represents part of the Kenyan five counties that has witnessed increment in its urban population. The implication of this according to Anamekwe (2021) is that many residents are engaged in business activities.

The county of Uasin Gishu is privileged to have many agriculturally based resources and the spirit of the entrepreneurship among its populace. For example, Anamekwe (2021) has ranked the county highly based on the growth of its economy in the previous years which are attributed to the spirit of entrepreneurship among the residents who are both practice both micro and SMEs. On the same note, the county government of Uasin Gishu has been scaling up programs with the intent of benefitting women, people with disabilities and also among the youths who support the SMEs drastic growth.

1.2 Problem Statement

The importance of SMEs cannot be emphasized enough, as serve vital role towards spurring the growth of the economy through job creation and generating revenue. However, SMEs in Uasin Gishu County face challenges when it comes to formulating and implementing long-term strategic plans. The inability to proactively secure a successful future has led to the closure of many SMEs and hindered their growth. The failures of small businesses in Kenya have resulted in increased levels of poverty due to the higher unemployment rate (National Council for Population and Development (NCPD), 2016). The elevated poverty levels have had a negative impact on the livelihoods of the citizens.

Despite the detrimental effects of SME failures on the Kenyan economy, small business owners and managers often face a scarcity of accessible information to facilitate the development of strategic plans that can effectively mitigate business failures. Insufficient managerial skills and a lack of growth planning leads to the closure of numerous SMEs, highlighting the need for strategies to enhance growth (Gaskill, Van Auken, & Manning, 2013). With this in mind, the study's objective is to

explore and analyze the influence of planning strategic wise on the SMEs performances.

Although there is great interest in understanding the challenges faced by SMEs, still lies limited literature about the linkage between planning strategic wise and SMEs performance in Africa. (Aldehayyat & Twaissi, 2021). Previous studies conducted in Kenya have explored various aspects of management practices and performance in different sectors, such as strategic management practices in a commercial bank (Gabow, 2019), the strategic practices of management towards the delivery of services in government agencies (Karanja and Juma, 2020), and the aspects which affect the strategic plans' implementation in SMEs (Nduati, Kariuki, & Wanjohi, 2022). However, the previous studies mentioned did not specifically center on strategic planning, which the basic focus in the current study. Further exploration is needed for understanding the linkage between planning strategic wise and performance as a determining factor. It has been suggested that small-scale enterprises such as kiosks, hawking businesses, retail shops, wholesalers, and other small firms that do not employ strategic planning are unlikely to achieve favorable performance outcomes. This research aimed to bridge gap by investigate effect the planning strategic wise on such organizations' performances.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The purpose behind the study was the investigation of the effect of the planning strategic wide on the SMEs performance within Uasin Gishu situated in Kenya.

1.3.2 Specific Objectives of the Study

- i. To assess the effects linked to the environmental scan on SMEs performance within Uasin Gishu.
- ii. To ascertain the effect of the formulation of strategy on the SMEs performance within Uasin Gishu in Kenya.
- iii. To find out the effect of the implementation of strategy on the SMEs performance within Uasin Gishu in Kenya.
- iv. To find out the impact out of the evaluation of strategy including control on SMEs performance within Uasin Gishu.

1.4 Research Hypotheses

The following null types of hypotheses were tested in the study;

- H₀₁** No major relationship exists between the SMEs performance and environment scan within Uasin Gishu
- H₀₂** No major relation connects SMES performance and formulation of strategy in Uasin Gishu.
- H₀₃** No major relationship connects the implementation of strategy and SMEs performance in Uasin Gishu.
- H₀₄** No major relationship connects the evaluation of strategy and the control of the SMEs performance in Uasin Gishu.

1.5 Significance of the Study

The primary aim of this study was to provide valuable insights to owners and managers of SMEs in Uasin Gishu County regarding the advantages of strategic planning. It enabled them to assess their businesses and align their day-to-day operations with established goals, as well as their organization's mission and vision statements. By highlighting the distinctions between companies that utilize strategic planning as a management tool and those that do not, this study allowed owners and managers to learn from their counterparts who have achieved superior performance in their respective businesses.

The Ministry of Trade in Kenya implements multiple loan schemes with the objective of supporting and promoting SMEs across the country. These schemes primarily target individuals who may not have received formal business training. Hence, the outcomes of this study hold significant value for the target group as it offers valuable insights into the effective management of SMEs. The findings served as a valuable training resource, equipping the beneficiaries with the knowledge and skills necessary to run their businesses more efficiently. Consequently, this improved management capacity may contribute to a reduced default rate for businesses receiving loans from the Ministry. Considering the limited research conducted in the area of strategic planning for SMEs, this study has the potential to make a positive impact on numerous businesses.

The findings of this study was of great value to the scholars who have interests in the exploration the process of implementing strategy within SMEs in just in Uasin Gishu but also in other counties in Kenya. As of the moment, limited research including literature was in place that explores specifically the critical role served by the

entrepreneurial perspective of the strategic planning within Kenyan SMEs. Hence, this study serves as a crucial contribution by addressing this significant gap in existing knowledge. It aims to enhance our understanding of how strategic planning and entrepreneurial orientation interact and influence the management of SMEs in Kenya. The insights garnered from this study will not only have practical implications but act as the guidance platform for the studies in future endeavours, paving the way for further investigations into this important area of study.

1.6 Scope of the Study

The research was performed within Uasin Gishu whereby the intention was the exploration of the effect of planning strategic wise on the SMEs performance. Literature was sourced from international journals, other author's research findings and management books. The research was under the guidance of Resourced based theory and Schumpeter's innovation theory. The researcher targeted 250 SMEs in Uasin Gishu County. The researcher used quantitative and qualitative research methods which includes questionnaires and interviews. The study was done between May to December 2023.

1.7 Limitations of the Study

The research process encountered certain difficulties. When administering questionnaires to participants, some individuals may exhibit resistance due to the perceived time required to fill them out. However, the researcher intends to assure the participants that responding to the questionnaires took minimal time while emphasizing the importance of honesty and accuracy in their responses. To address potential issues such as delayed or misplaced questionnaires, sufficient time was allocated for participants to complete the questionnaires, and extra copies were made

available if needed. Furthermore, assessing project managers may present challenges given their demanding schedules. To address this, the researcher proactively scheduled appointments well in advance, enabling efficient utilization of time during interviews. By being mindful of time constraints and making necessary arrangements, potential delays resulting from busy schedules can be mitigated.

1.8 Organization of the Study

The research project has three sections or chapters where the first chapter offers the overview concerning the study such its background, problem statement, the objectives of the research, the scope, research questions, its significance, the limitations plus the organization regarding the study. The second chapter offers theoretical based framework, the empirical based review, review regarding the literature, the research gaps and the conceptual framework. The research design, target audience, sampling design, data collection tools, and data collection procedures were covered in the third chapter on research methodology. Data analysis and presentation were addressed in chapter four, and a summary, conclusion, recommendations, and suggestions for more research were provided in chapter five.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This is the second chapter which offers the review of the previous studies both empirically and theoretically. In the section of the theoretical review, it covers a total of three theories that were applicable in guiding the course of this study. In the section of the empirical review, it focusses on what has been previously covered about the topic of study. Moreover, the proposal includes the framework conceptual wise which visually represents the correlation regarding the dependent and independent types of variables being investigated.

2.2 Theoretical Review

This study was anchored to the following theories; signaling theory, Schumpeter's innovation theory, resource-based theory and the balanced scorecard theory.

2.2.1 Signaling Theory

This theory focusses on the reduction of information asymmetry that exists between the two parties (Spence, 2002). This theory is grounded in the exchange and understanding information connecting the capital market together with the business entity, which ultimately determines the financial terms for accessing funds. The availability of funds for an enterprise is fundamentally influenced by the flow of information between the enterprise and the capital market (Beck, Demirgüç-Kunt, and Martinez Peria, 2008). Watson, Keasey, and Baker (2000) found, among various factors impacting the ability of SMEs to convey the value they have to the likely investors, that the disclosure estimations of earnings demonstrated a positive and significant correlation with enterprise value. Additional factors explored included the

proportion equity that the owners retain, the net gains generated through issuance of equity, the choice about the financial advisor towards an offer (the assumption in this case could be a much competent accountant, auditor or a banker may spur bigger confidence within the prospectus), and the extent of underpricing for an issue.

2.2.2 Schumpeter's Innovation Theory

Schumpeter is considered as the pioneer behind innovation. For instance, he identified the value linked to change with regards the entrepreneurial form of development. To Schumpeter, the change process is all about the creative form of destruction. Creative category of destruction occurs after the structures in the market start facing disruptions after the introduction of new commodities and services in it (Drucker, 2005). Transferring each resource available from the current business to the future one leads to the creation of wealth and businesses forming newer entities altogether. Further, Schumpeter explained the aspect of innovation as that particular ingredient linked to the entrepreneurial tool. Consequently, business venture may consider using and changing with the view of creating opportunities through providing diversified services and commodities. As emphasized by Schumpeter, entrepreneurs have a significant impact on both creating disruptions and fostering innovation, making success a vital pursuit for them.

The line of thought by Schumpeter has so far been practiced by many scholars and researchers in the business field. For example, Drucker (2005), said that an entrepreneur is ever after change and means of raising opportunities in business. Possibly this could be attributed to the response towards the shift and the exploitation of the latest frontiers that appeal to the objective mode of innovation. Lumpkin (1996) on his side established that the steps leading to the creative destruction leads to the

innovation being vital towards to the success of the entrepreneurial scope. On top of the same, the findings are in support of the relationship between the entrepreneurship and innovativeness. For instance, this according to Barney (1991) is as a result of the major innovation within the input-based motives for starting the business-based ventures.

The theory by Schumpeter appears to be siding with the ideology that development technological wise as a result of innovation is guided by the business minded person who is after making profit. The same also implies that each innovation results to the establishment of newer commodities and the processes which enable the creator to have a competitive advantage within the market against other rival businesses. Thus, the aspect of innovation results into the initial service or commodity being obsolete and the same would replicate in the future innovations as well. Barney (1991) also clarified that innovation is crucial to the entrepreneur as it is part of the growth of the economy in any nation. The response directed toward various national form of development is premised on the desire and the entrepreneur engagement with the processes that results into the combination of the holistic essential and energetically form of balance of the success and the tenability of the business altogether.

Schumpeter's theory is of great relevance to the present study because it outlines the way businesses should consider leveraging their strategic tactics within the innovation such that they can continue being dynamic in the world of business. On top of the same, the theory applies to the present study because it has shown the way growth of SMEs may be specifically assessed based on their innovation levels. On a different perspective, tenets of the Innovation Theory by Schumpeter are bordering the extent whereby the SMEs characterized by degree entrepreneurial orientation can target the

segments within the market that are deemed as premium. Also, the SMEs may consider offering their services and commodities based on skimming the market before the competitors. In fact, Barney (1991) further stressed that the theory of Schumpeter is very crucial in accelerating the performance of business via the innovative practices.

2.2.3 Resource-Based Theory

RBT stresses on the assets of an organization as the primary determinant of the performance and competition benefit wise. Based on this theoretical model, assets are grouped based on the role they serve in assisting firms in attaining their higher performance levels. Regarding the same, Barney (1991) noted about the existence of the palpable and the non-palpable category of assets. RBT takes the assumption of two types of convictions applicable in the analysis of the competitive form of benefit. In this regard it stresses that the shoulder organizations within the business field may depict variations based on the asset packages which they are regulating. At the same time, firms that are shouldering the reserve form of heterogeneity may for long time persevere because the resources utilized in the implementation of an organization's plans are not without flaws, which can hinder its competitiveness against rival firms.

Resource heterogeneity often is regarded as the desire for reserving the bundle for donating to the modest form of advantage. In concurrence with Barney (1991) a safety resource must be improperly imitable, valuable and infrequent. On top of the same, the firm must be prepared in capturing the worth within the command as the basis of the sustainable competitive form of benefit. Meanwhile RBT had in the past been crucial in studying the dynamisms leading to the changes in businesses as time progresses. Increment in competition plus the advancement with specific reference to

the information technology leads to the improvement in the commodities that should be provided. The capacity of a firm in competing is dictated by the resources it is endowed with (Barney, 1991). Thus, this current study was using the RBT in analyzing the performance of organizations and the market competitions.

The RBT perspective applies to this current study because it outlines the way organizations or SMEs for the purposes of this study may acquire rare, not replaceable, valuable and inimitable resources to attain growth based on the proactive mode of approach. On top of the same, theory relates to the SMES needs for being organized in a way that they stand a chance in exploiting their whole potential from the resources they have in case they were after attaining competitive form of advantage (Barney, 1991). On the same note, the integration of RBT within the entrepreneurship may complement with the optimization of the proactiveness and the performances of the businesses. In this regard, it would impact on SMEs with regards to maintaining competitive form of advantage against the rival firms in the market.

2.2.4 Balanced Scorecard theory

The scorecard was an invention by Robert Kaplan and David Norton in 1992, is an analytical technique that aims to translate the mission by an organization and the strategy of the business to certain and measurable types of goals. On the same note, the approach of the balanced scorecard gives the ideology for assessing the performance of an organization in relation to its goals. As John (2010) explains, this approach was developed to provide guidance to companies on the key metrics to measure in order to attain a well-rounded perspective when implementing and controlling strategic plans.

The balanced scorecard follows a detailed approach during the analysis of the performance of an organization across four key areas: financial analysis, which tracks financial value and success of the shareholder; customer analysis, which focuses on the satisfaction of the customer, retention and internal evaluation which assesses the innovation and production, growth and learning evaluations which explores the management effectiveness, the satisfaction of the employee, retention and information concerning the performance of the system.

The balanced scorecard incorporates standardized metrics that capture shared objectives across strategies, like the share within the market, satisfaction of the customer, their retention, skills of the employee and matters concerning profitability. Nonetheless, the performance drivers specific to each business unit embody the distinctive aspects of their strategy. These drivers encompass profitability drivers, target market segments, value propositions provided to customers, and internal processes as well as growth capacities and learning which lead to the attainment of the objectives of the customer and those revolving around finance.

In today's dynamic and complex business environments, organizations require a clear understanding of their objectives and efficient methods to achieve them. The balanced scorecard serves as a transformative tool that not only measures performance but also acts as a management system, aligning the efforts of individuals throughout the organization towards strategic objectives.

2.3 Empirical Review

Thematic empirical literature review was conducted in relation to the study objectives as follows.

2.3.1 Effect of environmental scanning on the performance of SMEs

Muthiani (2020) conducted research finding for the sake of investigating the effect of the factors within the environment and marketing practices performances of firms producing beverages within Nairobi County. The research findings indicated that regular scanning of the environment played a crucial role in enabling these companies to anticipate and plan for future operations. The research ascertained that firms that the performance of the firms manufacturing beverages benefited from conducting environmental scanning, primarily through the use of PESTLE analysis. While previous research has explored environmental scan within business perspectives, there exists the research gap regarding its influence on the competitive edge of marketing agencies in Kenya. This study fills this gap by providing valuable insights into about the effect of the environmental scan towards the competitive edge of the agencies handling marketing in Kenya.

In their study, Bayode, Babatunde, and Adebisi (2019) examined the influence environmental scan strategic wise on the performance of an organization within the competitive environment focusing on Nestle Nigeria Plc. and Cadbury Nigeria Plc. Data collection was done with the use of the structured type of questionnaire analysis done by using regression and correlation coefficient methods. The research findings showed major association between the environmental scan strategic wise and the performance of the organization whereby the determination coefficient of (R^2) for 0.297 was established. Thus, this affirms that 30% within the change or variation in the performance of the organization may be associated with the environmental scan strategic variations. Additionally, the study revealed external forces within the environment have positive impact on the performance of the organization

characterized with determination coefficient (R²) of value 0.30 and the implication in this case being that there is a 30% change or variation in organizational productivity can be attributed to variations in external environmental factors.

In their study, Tyler et al. (2019) explored the linkage between diverse conditions within the environment and the use of various sources of information by the management when formulating the competitive strategies. The findings revealed that through a much non predictable and more changing conditions of the environment, both the lower and richer sources of information were used less compared to stable and predictable conditions. Additionally, it was observed that lower and richer sources of information like the statements of income, letters and also memos were used on several occasions compared to the higher and riskier sources like the physical communication with the employees, suppliers, clients predictable and non-stable environments. On top of the same, the research established that the management from the selected sample of twenty-eight organizations used higher and richer content of information to a greater extent when formulating differentiation strategies compared to low-cost strategies. The results affirmed that the conditions within the environment influence the selection of information content (lower and richer against higher and richer) by the management when choosing a competitive strategy, whether it be *lower* cost mode of leadership or also identified as differentiation.

Another study conducted by Kaburi (2018) examined the responses strategic wise used by UNAITAS Sacco Society Ltd in response within the environment of the business. The made use of the content evaluation methodology for analyzing the data gathered. Thus, the research findings of the study revealed that UNAITAS Sacco faced various challenges, including the impact of new technologies, high client

expectations, increment in the checks from the government, fluctuations in weather and intensified competition. In response to these challenges, UNAITAS Sacco developed ways of continuing to being relevant, acquiring the competitive edge and expanding the share within the market. A section of such strategies implemented by the Sacco are the marketing and advertising initiatives, diversification of services, rebranding efforts, and establishing partnerships. Furthermore, the Sacco employed strategies such as differentiation, cost leadership, and diversification.

Existing empirical base studies about the environmental scan have predominantly concentrated on investigating the correlations between the behavior of scan (such as the interest, frequency and the used sources) plus the conditions within the environment like the intended threats, opportunities, and environmental uncertainty. However, there has been a scarcity of studies examining the associations between competitive strategies and environmental scanning.

2.3.2 Effect of the formulation of strategy on the SMEs performances

From research finding done by Otieno (2020), the focus was on examining the issue concerning the management practices strategic wise on SMEs within Mombasa County. In this context, a survey design of a descriptive was employed and the main data was gathered via the utilisation of questionnaires. Consequently, the outcomes from the study showed that the profitability was considered as the more vital performance within the SMEs, with the share in the market, liquidity and innovation trailing. Additionally, many firms identified the value of management issue strategic wise for the success in the future of their businesses, emphasizing the awareness among SMEs in Mombasa County regarding the significance management issue strategic wise. Furthermore, the study showed that both environmental and

managerial factors had an impact on management practice issue strategic wise towards SMEs within Mombasa County.

Njanja (2019) conducted a study aimed at investigating strategies management wise which impact on the SMEs in Kenya. In this regard, the findings they got showed that globalization factors, along with external factors like incentives, regulations, infrastructure and issue-based policies had substantial impact on the internal managerial structures plus the systems of the firms. However, it is essential to highlight that the study did not specifically explore association between the practices within the management plus the performance which served as the tenet in terms of the focus linked to the study.

In a study conducted by Muogbo (2018) on growth plus the development of a sample of manufacturing entities within the Anambra State, the impact of strategic management practices was examined. The analysis of the study's findings uncovered several noteworthy outcomes, The first key finding indicated that strategic management practices were not extensively embraced by the manufacturing firms in the region. Despite this, a major positive impact was observed on the competitiveness of the firms when strategic management was implemented. To summarize, Muogbo's (2018) study revealed that while strategic management practices were not widely adopted among the manufacturing firms in Anambra State, their implementation had a significant positive impact on the firms' competitiveness. Additionally, strategic management was found to influence employee performance and significantly increase organizational productivity in the manufacturing sector. Furthermore, it was observed management strategic wise led to the development structural wise of the firms involved in manufacturing. Meanwhile, regardless of the management strategic wise

not often used among the firms involved in manufacturing within the Anambra State, on the other hand it was found as a vital tool for supporting competitiveness, improvement in the level of performance and enhancement of the development structural wise regarding the firms involved in manufacturing in just in Anambra State but at the same within the Nigerian nation too.

In a study conducted by Yunus (2017), the focus was on examining the relationship between managerial practices strategic wise and the corporate form of performance of the sampled business entities within the Lagos metropolis. Eventually, the study found out that the management strategic wise had major effect on the share within the market of the SMEs that were investigated. Furthermore, implementing management strategic wise was established to be associated with the positive relationship with the profitability of the organization. On the other hand, the study emphasized that in order to experience these positive effects, it is crucial to establish appropriate strategic planners and ensure the presence of strategic situation, strategic analysis, and strategic choice within the organization. Following these research outcomes, it was suggested by the study for implementing the major aspects regarding management strategic wise and improvement in the performance corporate wise of the SMEs.

2.2.3 Influence on the implementation of strategy on SMEs performance.

From research finding mission done by Okwu et al. (2021) the scholars assessed the use of the transactional and transformational leadership categories among the SMEs in Nigeria. At the end, their findings affirmed that tested traits about the transformational leadership like the intellectual stimulation, inspirational based motivation and charisma had minimal linkage to the variations in performance. Meanwhile, the traits concerning the transactional leadership such as the contingent

or constructive reward, the corrective measures and the management based on exception showed major positive effect among the followers and the performance overall. Collectively, these transactional leadership traits accounted for a substantial portion of the performance variations observed. Based on the study's conclusions, it was established that style of the transactional leadership fits well in spurring the SMEs performance within Nigeria when compared to the style of the transformational leadership. As a result, the study suggested that the SMEs to at first consider adopting the style of transactional leadership when making plans for transiting to the style of the transformational leadership while progressing, growing and developing with time.

Otieno (2019) conducted a study investigating the management of strategic issues in SMEs located within the county of Mombasa. The findings from the survey done showed that the profitability was classified as the most vital measure of performance among the SMEs with the share in the market, innovation and liquidity following. The study also revealed that SMEs in the county of Mombasa concurred about the value of managerial of issues strategic wise to ensure future organizational success. Moreover, the techniques of strategically managing issues employed by SMEs in the region were found to be influenced by both managerial and environmental factors.

In a study conducted by Pournasir (2018) focusing on the major success attributes regarding the implementation of the strategies in Iranian SMEs, it was identified the human based resources serve vital role in execution of the effective plans strategic wise. However, SME"s in Iran should motivate and empower their employees on more involvement in strategic implementation. Bolden (2021) supports this whose research that was done in the South-Western region of England arrived at the conclusions that the leader in SME has to be inspired for the sake of participating

within the recognition and using the current experiences and skills. The environment regarding the SMEs is never similar to that of the bigger entities and thereby, Scholars have approached the meaning of the term "strategy" in different ways, leading to variations in the requirements for training and support provisions.

In a study conducted by Okeke, Onuorah, and Jakpa (2018), the researchers sought after assessing the impact of the variables in strategic management on SMEs performance in Nigeria, with the ultimate goal of enhancing their stability. Consequently, the study used questionnaires plus the surveys as the methodology for data collection. The results indicated that, out of the variables examined, which included strategy of the business, the structure of the organization and the analysis of the environment including the external environment emerged as the most influential factor affecting the performance of the organizations. The study emphasized the importance for SME owners or management to identify and consider the factors that are feasible and applicable in their specific circumstances. Neglecting to prioritize strategic management practices may hinder the successful operations of SMEs in Nigeria, making sustained success a challenging prospect.

2.2.4 Effect of strategy evaluation and control on the performance of SMEs

Kathuni and Mugenda (2021) conducted a study on banks in Kenya and highlighted the importance of regular strategy review and reassessment in order to maintain competitiveness and achieve organizational goals. They emphasized the significance of striving for an integrated and operationally efficient banking business. Similarly, Arasa and K'Obonyo (2012) performed studies that their major focus was the association between planning strategic wise and the performance of the organization. In this regard, the scholars concurred about the role served development through the

implementation of the programs, evaluation systems, and control mechanisms in facilitating the smooth execution and implementation of planned tasks.

Baumli (2020) did a study where the intention was assessing the influence that strategic performance management has on employee alignment and organizational in SMEs. The primary data for the study was collected through email surveys sent the owners in charge of administration and the managerial directorate for the SMEs involved in manufacturing found in Singapore and Switzerland. Based on the results got from the study, it affirmed the positive linkage between using measures and the strategic cases of alignment that led to improved organizational performance. Overall, the study revealed strategic assessment positively affected the outcomes within the organization like its performance.

In the research conducted by Nthini (2019), the focus was on investigating impact out of the strategic assessment of the state and commercial operations within Kenya. The research utilized a descriptive survey methodology and gathered data via the administration of questionnaires. Various aspects regarding the strategic form of leadership were assessed such as the determination of the corporate strategic based direction, management effective wise of the corporate resource-based portfolio, emphasis on the culture of the organization, ethical practices and the maintenance of the controls within the organization. The evaluation of the strategies in both the state and commercial corporations showed that the positive organizational based culture as determined by the shared crucial values, ideologies and the ideologies that were present. On top of the same, balanced organizational based controls depicted stronger association with the yearly turnover among the employee.

Within their respective studies, Kitonga, Bichanga, and Muema (2018) conducted studies about the relationship between evaluation strategic wise and the performance of the organization for the non-profit generating entities (NPOs). Primary data was obtained from selected NPOs and members of the top management team in Nairobi County, Kenya. The findings from the regression analysis showed a positive correlation between all components of strategic evaluation and organizational performance. Specifically, decision making strategic wise and the human capital have significant correlation with the performance of the organization, while the ethical based practices and the organizational based control never showed major correlation. Thus, the study established the strategic assessment had major and positive relationship with the performance of the organization.

2.4 Summary of Literature and Research Gaps

Table 2.1: Summary of Knowledge Gaps

Authors and context	Objective	Key Findings	Research Gaps	How the current study will fill the gaps
Okwu, Obiwuru, Akpa and Nwankwere (2021)	Comparison between transactional leadership styles and transformational leadership styles in Nigerian SMEs	The findings of the study indicated that transactional leadership traits had limited explanatory power in accounting for performance variations in contrast, the tested	The study puts emphasis on small scale enterprises to adopt transactional leadership in style tested	This study evaluated the impact of environmental issues on SMEs in Uasin Gishu

transactional leadership traits were found to possess major positive effects on the followers plus the eventual performance.

Muthiani (2020), Marketing affects the alcoholic-based beverage firms' performance within the county Nairobi. To be competitive and achieve their goals, alcoholic beverage companies did their environmental scanning through undertaking of PESTLE analysis. This study was conducted on concentrated alcoholic and SMEs located in Uasin Gishu County, Kenya. This study was conducted on concentrated alcoholic and SMEs located in Uasin Gishu County, Kenya.

Bayode, Babatunde, and Adebisi (2019) Effect of the strategic environmental scanning on the performance of the organization. The findings showed that the external environmental forces have a positive impact on organizational performance. The study was carried out at Nestle Nigeria Plc. and Cadbury Nigeria Plc. This study was conducted among SMEs in Uasin Gishu County, Kenya.

Tyler *et al* (2019) This study aims to explore the correlation between environmental conditions and competitive strategy. This study aims to explore the correlation between environmental conditions and competitive strategy. According to the study, executives tended to rely more on high rich information sources and when developing differentiation strategies compared to low-cost strategies. The study was conducted among firms and medium-sized enterprises (SMEs) located in Uasin Gishu County, Kenya.

Pournasir (2018)	To establish key success factors of strategic implementation in SME's	The study found that human resource plays a critical role in strategic implementation in Iran	The study was conducted among SMEs in Iran	This study was conducted in Uasin Gishu County, Kenya
Kaburi (2018)	strategic responses adopted by Unaitas Sacco Society Ltd changes in business environment	Unaitas experienced by challenges, the impact of new technologies, heightened client expectations, increased government supervision, weather fluctuations, and intensified competition.	Sacco various done including Unaitas new sacco Kenya	This study focused at on SMEs in Uasin Gishu County, Kenya
Yunus (2017)	strategic management practice and corporate performance of selected business enterprises in Lagos metropolis	Finding revealed that strategic management had effect on the market share of small enterprises studied in Lagos, Nigeria	The study was carried out among small enterprises in Lagos state, Nigeria.	This study was conducted among SMEs in Uasin Gishu County, Kenya

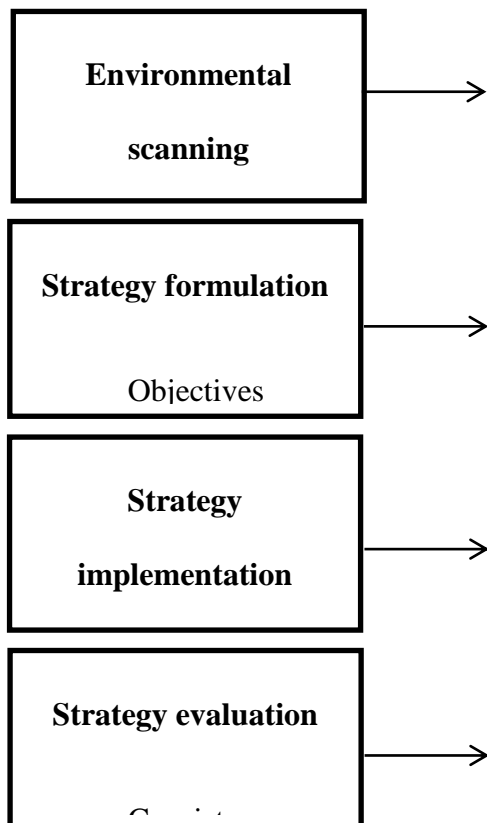
Source: Review of empirical literature (2023)

2.5 Conceptual Framework

The study is under the guidance of the conceptual framework that depicts the connection linking the dependent and independent variables. Within the study, there is the strategic planning that is the independent while the dependent variable. The link is shown below;

Independent variable

Strategic planning



Dependent variable

Performance of SMEs

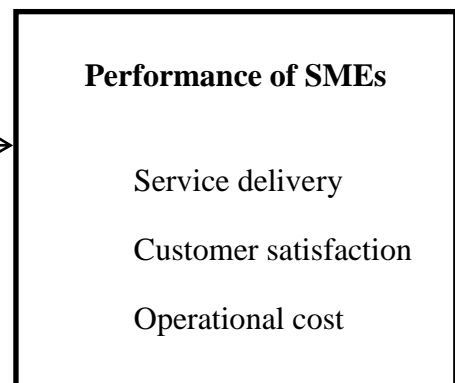


Figure 2.1: Conceptual framework

Source: Researcher (2023)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology employed to conduct the study. It encompasses the research design, study population, sampling procedure, and sample size. The instrumentation is also discussed, covering aspects such as validity and reliability testing, as well as the data collection procedures with due consideration to ethical guidelines. Furthermore, the chapter provides an overview of the data analysis methods to be utilized.

3.2 Research Design

Verschuren, Doorewaard, and Mellion (2010) define research design as being the typical framework or also the master plan concerning the action plan which outlines how data will be acquired to address *research questions*. In this case, it encompasses the organization of the research, data collection methods, and data interpretation. For this study, it deployed the explanatory research type of design to utilize to investigate the mediating effect of entrepreneurial orientation on the relationship between strategic planning and the performance of SMEs in Uasin Gishu County, Kenya. The research approach adopted a mixed-mode approach, combining both qualitative and quantitative methods. Kothari (2004) posits that research design encompasses the systematic organisation of circumstances for the purpose of collecting and interpreting data, with the aim of achieving a harmonious balance between relevance to the study objectives and procedural efficiency.

3.3 Target Population

Target population, as defined by Gillham (2008), pertains to the group of individuals, entities, or units from which a sample can be drawn. For this study, the target population consisted of 380 SMEs registered by the Uasin Gishu County in Kenya. These are entrepreneurs who have been registered to engage in various businesses in Uasin Gishu County: they include those selling shoes, charcoal, clothes, groceries, eateries, food hawking, welding, handicrafts and such other small businesses. All registered SMEs in Uasin Gishu County regardless of size was considered in the study. Mugenda and Mugenda (2003) define the target population as the complete group from which a researcher intends to draw conclusions. It represents the entire group of subjects that the researcher is interested in studying. In this study, the target population comprises SMEs, which provided the necessary information relevant to the research objectives.

3.4 Sampling Design

The study utilized stratified random sampling to select small-scale enterprises in Uasin Gishu County, Kenya. The sample size for the study was ascertained through the formula proposed by Coolican (2004), taking into account a significance level of 5%. This approach aims to minimize sampling errors and ensure representative and reliable data for the research.

$$n = \frac{N}{1 + Ne^2}$$

In the formula;

N = Population

n = Sample size

e = Error Margin (0.1)

$$n = \frac{380}{1 + 380(0.1)^2}$$

= 79 SMEs

The sample therefore consisted of 79 Small and Medium enterprises selected using stratified sampling from the list provided by the County Government of Uasin Gishu. The selection of the respondents from each small and medium enterprise was done using purposive sampling: one respondent (the proprietor/manager) was picked from each of the 79 Small and Medium enterprises. Hence, the sample size for respondents was 79.

3.5 Instruments for Data Collection

The present study was after using the questionnaire as the tool for collecting data. Gillham (2008) stated that questionnaire is document with written questions that corresponds to the subject where the research is being done. The research intended to use a close-ended questionnaire with a five-point likert scale due to its relative less costly nature, less energy needed in collecting information and the nature of standardizing the feedbacks for easy evaluation. The researcher therefore formulated the questionnaire after conducting the review of literature touching the SMEs

performance and strategic planning. The questionnaire was structured into five sections. The initial section consisted of general questions regarding the respondents and their businesses, while the subsequent four sections focused on each of the four research questions. The measurement scales employed in this study primarily was interval scales, specifically the Likert scale.

The questionnaire comprised closed-ended questions, utilizing a 5-point Likert scale. This choice is informed by the fact that interval scales, such as the Likert scale, allow for the utilization of more robust statistical measures (Kothari, 2004). The construction of the questionnaire prioritized clarity and conciseness, as highlighted by Oppenheim (2000), as this can enhance the likelihood of a higher response rate. It aimed to minimize the effort required from respondents to complete the questionnaire. Nevertheless, the questions still were sufficiently detailed to collect the necessary data and encourage comprehensive responses. Prior to finalizing the questionnaire for the study, a reliability and validity test was conducted to ensure its appropriateness and effectiveness for data collection.

3.5.1 Pilot study

Prior to the commencement of data collection, a pilot study was conducted to validate the research instruments. The pilot study involved five small and medium enterprises located in the neighboring Nandi County. Nandi County has been selected due to its similarity in terms of population, culture, and geography. The pilot study participants were asked to provide feedback and recommendations regarding their comprehension of the questionnaire items and the ease of completing the questionnaires. The feedback received from the pilot study respondents were utilized to make necessary amendments to the final questionnaire. The purpose of conducting the pilot type of

study for enhancing the reliability and the validity associated with the tool used in the research to become familiar with their application. The pilot study was crucial as it enables the identification of any shortcomings within questionnaires (Mugenda & Mugenda, 1999). Noted deficiencies were tackled by the researcher by proceeding with giving out for the actual data collection process.

3.5.2 Validity Testing

According to Robson (2002), validity pertains to the degree to which a research tool accurately and meaningfully represents the variable of interest, ensuring that the data generated is reliable and credible. It also encompasses the concept of obtaining comprehensive and meaningful insights into the knowledge and perspectives of the informants. The questionnaire was subjected to test regarding two categories of validity; that is the content and face validities. For the sake of this study, content validity is the extent whereby the questionnaire determined the variables linked to strategic planning and the SMEs performances. Thus, the test for this case was done by the supervisor who sought to know whether each construct relating to SMEs affecting their performances are factored. Robson (2002) on his part explained the face validity as the level whereby the questionnaire for the sake of this study was relevant and also effectively covering issues pertaining to the study. Again, face validity depicts if the questionnaire fits and also relevant for its intended purpose. In this scenario, evaluation of the face validity was done by the supervisor plus also via the responses that was as a result of the pretests.

3.5.3 Reliability Testing

Reliability according to Coolican (2004) is the extent of a test in eliciting same feedbacks or outcomes after recurrent cases of administrations. Following the fact

that the questionnaire was assessing strategic planning effect on SMEs performance in Uasin Gishu County, the questionnaire needs to be reliable so that responses received through the questionnaires are reliable. To evaluate the reliability of the questionnaires, the internal based consistency regarding the responses were assessed using Cronbach's alpha coefficient. A Cronbach's alpha value obtained was 0.783 which was higher than 0.7 hence considered indicative of satisfactory reliability for the questionnaire items (Kurpius & Stafford, 2006).

Reliability Statistics

Cronbach's Alpha	N of Items
.783	28

Source: Researcher (2023)

3.6 Procedure for Collecting Data

Collection of data began after designing the final questionnaire. In this regard step one entailed printing the questionnaires. This was followed by physically visiting the SMEs and talks to the owners/ entrepreneurs that were targeted one by one. The participants who agree to take part in the study were provided with the questionnaire for data collection. A date of collecting the filled questionnaire from the respondents was agreed. Moreover, respondents were asked whether they are conversant with the items and those respondents who indicated to have poor comprehension of the items were assisted in filling the questionnaires. This process continued until all the questionnaires are issued.

3.7 Data Analysis and Presentation

The data analysis was conducted utilizing the SPSS version 20 software. The collected data was subjected to various processes, including editing, coding, and classification based on similarities, followed by tabulation. According to Cooper and Schindler (2001), coding involves the creation of codes and scales from the responses, enabling their summarization and analysis in different ways. To assist in the qualitative type of analysis, the data was to change to the numerical based codes that are representing the attributes concerning the variables.

The statistical relationship between variables was determined using correlation and multiple regression methods. The four independent variables were regressed against the dependent variable to ascertain their quantitative impact. Inferential together with the descriptive statistics in this regard was utilized to summarize the data and examine relationships among the variables obtained from the administered questionnaires. Measures percentages, mean, frequency distribution and standard deviation was employed for descriptive analysis. The analyzed at last was documented on tables to offer clear picture about the findings. Correlation and regression analyses was conducted at a 95% confidence level ($\alpha = 0.05$) to assess the relationships between variables. The model of the regression was formulated as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Performance of SMEs in Uasin Gishu County

β_0 = Y Intercept

$\beta_1 - \beta_4 =$ Regression coefficients

$X_1 =$ Environmental Scanning

$X_2 =$ Strategy Formulation

$X_3 =$ Strategy Implementation

$X_4 =$ Strategy Evaluation

$\varepsilon =$ Error Term

Presenting the outcomes covering both the inferential and descriptive statistics will involve using tables, graphs and figures. In this regard it assisted in presenting the data visually which lead to it having much meaning towards the output.

3.9 Ethical Considerations

Various ethical factors were taken care of during this study. Thus, the factors entailed confidentiality, voluntary mode of participation, informed consent and the communication of the outcomes. Concerning the voluntary mode of participation, in this regard the researcher made sure that none of the participants were enticed in being part of the study by promising rewards or misrepresentation (Coolican, 2004). To ensure that the respondents participate, the researcher informed them about the purpose and the need for conducting the study. Instances of misgivings or questions that may arise from the respondents were explained to the participants by the researcher.

Concerning the informed consent, here the researcher made sure that each participant agrees into participating with the knowledge about the use and the category of data

that researcher intends to collect. The researcher never admitted fraudulent cases of consent. Instead, the researcher made sure data gathered was only applicable to the academic oriented objectives and the researcher upholds the participant's confidentiality (Robson, 2002). To further instill the aspect of confidentiality, the researcher did not collect personal information from the participants. On a last note, the researcher communicated the study outcomes. In this case, the researcher never allowed instances of falsification and the outcomes were based on those provided by the participants. Similarly, the researcher complied to all the ethical frameworks defined by Kenyatta University concerning research practice.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The analysis, conclusions, and interpretation on the goal and related debate are presented in this chapter. The main objective of the study was to evaluate the effect of the planning strategic wide on the SMEs performance within Uasin Gishu. The data was collected from a sample of 79 SMEs in Uasin gishu County, Kenya. Respondents were owners/managers of these SMEs. The results are presented through percentages, frequency distributions, and narrative descriptions.

4.1.1 Response Rate

A total of 79 self-administered questionnaires were distributed to the participants. As can be seen below, a total of 75 questionnaires were returned with considerable completion; however, 4 were not returned because the respondent had not been present for work-related activities. Table 4.1 indicated an overall response rate of 94.9%. Kothari (2007) states that a response rate of fifty percent is suitable for analysis and publication, sixty percent is good, seventy percent is very good, and more than eighty percent is an exceptional response rate. As a result, the researcher personally gave questionnaires to the respondents, who completed them, which is how the excellent response rate of 94.9% was obtained. Later, the completed questionnaires were gathered by the researcher. The willingness to reply to the research was indicated by this response rate.

Table 4.1: Response rate

Response rate	Sample size	Percent
Returned Questionnaires	75	94.9
Unreturned Questionnaires	4	5.1
Total	79	100.0

Source: Researcher (2023)

4.1.2 Profiles of the Respondents

4.1.3 Distribution of the Respondents by Their Age

The study aimed to ascertain distribution of the respondents according to their age. The findings in table 4.2 showed that 24.0% of the respondents were aged in between 17-24yrs, 22.7% were in in between 25-34yrs, 26.7% were between 35-44yrs, 20% were in between 45-54yrs and 6.6% were in above 55yrs.

Table 4.2: Distribution of the Respondents by Their Age

		Frequency	Percent
Valid	17 - 24 years	18	24.0
	25 – 34 years	17	22.7
	35 - 44years	20	26.7
	45 – 54 years	15	20.0
	Beyond 55 years	5	6.6
	Total	75	100.0

Source: Researcher (2023)

4.1.4 Distribution of the Respondents by Their education level

The research aimed to ascertain distribution of the respondents according to their education level. The findings in table 4.3 showed that 41.3% of the respondents had their education at secondary level, 29.3% had certificates and 29.3% were at diploma level.

Table 4.3: Distribution of the Respondents by Their education level

		Frequency	Percent
Valid	Secondary level	31	41.3
	Certificate level	22	29.3
	Diploma level	22	29.3
	Total	75	100.0

Source: Researcher (2023)

4.1.5 Duration engaged in the business

It was important to investigate the duration the respondents had engaged in the business. The findings in table 4.43 demonstrated that 20% of the respondents had been in business for 2 yrs, 20% had been in business for 2-4 yrs, 20% also had engaged in business for 5-7yrs, 29.3% had engaged for 8-10yrs and 10.7% have been in business for over 10yrs.

Table 4.4: Duration engaged in the business

		Frequency	Percent
Valid	Below 2 years	15	20.0
	2– 4 years	15	20.0
	5 – 7 years	15	20.0
	8 - 10years	22	29.3
	Above 10 years	8	10.7
	Total	75	100.0

Source: Researcher (2023)

4.2 Descriptive analysis

Data was collected in accordance with the study's goals. The Likert scale used a range of answers, including "strongly agree," "agree," "neutral," "disagree," and "strongly disagree," which were assigned numerical values of 1 to 5, respectively.

4.2.1 Impact of environmental scan on SMEs performance

Table 4.5: Impact of environmental scan on SMEs performance

	SA	A	N	D	SD		
	%	%	%	%	%	mean	Std.Dev
The SME analyze its industrial environment to determine its opportunities	41.3	29.3	10.7	18.7	0	3.07	1.131
The SME prepares plans to cope with dynamically changing environments	21.3	50.7	18.7	9.3	0	3.17	0.871
The SME is carried out scanning on to investigate on its threats	21.3	60.0	9.3	9.3	0	3.07	0.827
Through scanning the SME is able to develop compatible strategies to direct the organization in the adaptable way	20.0	50.7	9.3	10.7	9.3	3.39	1.196
Through scanning the SME is able to gain sustainable competitive advantages	30.7	50.7	9.3	9.3	0	2.97	0.885

Source: Researcher (2023)

According to impacts of environmental scan on SMEs performance, the findings in table 4.5 demonstrates that, 41.3% of the respondents strongly agreed that the SME analyze its industrial environment to ascertain its opportunities, 29.3% of them agreed, 10.7% were neutral and 18.7% of them disagreed but none of them strongly disagreed and obtained aggregate mean score of 3.07 and a strd dev of 1.131. 21.3% of the respondents strongly agreed that the SME prepares plans to cope with dynamically changing environments, 50.7% of them agreed while 18.7% were neutral and 9.3% disagreed but none of them strongly disagreed and evidenced by aggregate mean score of 3.17 and a strd dev of 0.871. 21.3% of the respondents strongly agreed that the SME is carried out scanning on to investigate on its threats

(mean=3.07, std.dev =0.827), 60% of them agreed as 9.3% were neutral on their answer while 9.3% disagreed but none of them strongly disagreed. 20% of the respondents strongly agreed that through scanning the SME is able to develop compatible strategies to direct the organization in the adaptable way (mean=3.39, std.dev =1.196), 50.7% of them agreed, 9.3% of them were neutral on their answer, 10.7% disagreed and 9.3% strongly disagreed. 30.7% of the respondents strongly believed that through scanning the SME is able to gain sustainable competitive advantages (mean=2.97, std.dev =0.885), 50.7% were in agreement, 9.3% were neutral while 9.3% disagreed but none of them strongly disagreed.

Majority of the respondents agreed that through scanning the SME is able to develop compatible strategies to direct the organization in the adaptable way with a mean of 3.39, std.dev of 1.196. These study findings are in line with the findings of Bayode, Babatunde, and Adebisi (2019), they affirm that 30% within the change or variation in the performance of the organization may be associated with the environmental scan strategic variations. They further revealed external forces within the environment have positive impact on the performance of the organization. Also in support to the findings Tyler et al. (2019) affirmed that the conditions within the environment influence the selection of information content (lower and richer against higher and richer) by the management when choosing a competitive strategy, whether it be *lower* cost mode of leadership or also identified as differentiation.

4.2.2 Effect of strategy formulation on SMEs performance

Table 4.6: Effect of strategy formulation on SMEs performance

Statements	SA	A	N	D	SD	Mean	Std.Dev
	%	%	%	%	%		
Strategy formulation is the foundation that improves my business processes	20	50.7	9.3	9.3	10.7	3.40	1.219
Formulation of strategies within my business plays a role towards supporting the organizational capacities which spur the performance	41.3	30.7	9.3	9.3	9.3	3.15	1.312
Being a business person, I have a lot interests on identification and monitoring of the cycles about some aspects to know about the market trends	21.3	49.3	9.3	9.3	10.7	3.39	1.229
My firm majors on the production or the services which are meeting the need of diverse markets	9.3	40	20	21.3	9.3	3.81	1.159
My business enjoys the advantages based on faster decision making and the readiness into taking risks	40.0	50.7	9.3	0	0	2.69	0.636

Source: Researcher (2023)

On effects of strategy formulation on SMEs performance findings in table 4.6 shows that 20% of the respondents strongly agreed that strategy formulation is the foundation that improves my business processes (mean=3.40, std.dev =1.219), 50.7% of them agreed, 9.3% were neutral as 9.3% disagreed while 10.7% strongly disagreed. 41.3% of the respondents strongly believed that formulation of strategies within my business plays a role towards supporting the organizational capacities which spur the performance (mean=3.15, std.dev =1.312), 30.7% of them agreed, 9.3% were neutral, 9.3% disagreed and 8.3% of them strongly disagreed. 21.3% of the respondents

strongly believed that being a business person, they had a lot interests on identification and monitoring of the cycles about some aspects to know about the market trends (mean=3.39, std.dev =1.229), 49.3% of them agreed, 9.3% were neutral, 9.3% disagreed while 10.7% strongly disagreed. 9.3% of the respondents strongly agreed that their firm majors on the production or the services which are meeting the need of diverse markets (mean=3.81, std.dev =1.159), 40% of them agreed, 20% were neutral, 21.3% of them disagreed as 9.3% strongly disagreed. 40% of the respondents strongly believed that their business enjoys the advantages based on faster decision making and the readiness into taking risks (mean=2.69 ,std.dev =0.636), 50.7% of the respondents who were in agreement with the statement but 9.3% of the respondents were neutral and none of them were against the statement.

Majority of the respondents agreed on their firm majors on the production or the services which are meeting the need of diverse markets as represented by high mean of 3.81, std.dev of 1.159. The study findings are congruent with those of Otieno (2020), who concluded that both environmental and managerial factors had an impact on formulation practice issue strategic wise towards SMEs. Also, Njanja (2019) noted that there were factors associated with strategy formulation and globalization factors, along with external factors like incentives, regulations, infrastructure and issue-based policies had substantial impact structures plus the systems of the firms.

4.2.3 Effect of strategy implementation on SMEs performance

Table 4.7: Effect of strategy implementation on SMEs performance

Statement	SA	A	N	D	SD	Mean	Std.Dev
	%	%	%	%	%		
To attain the strategic oriented goals, the strategy and culture must show compatibly to meet higher SMEs performance	40	50.7	9.3	0	0	2.69	0.636
To attain success in implementing strategy, there must be crucial tasks and roles for its success as a strategy	38.7	41.3	10.7	9.3	0	2.91	0.933
As an individual engaged in business, I need to ensure cooperation among diverse units within the organization and its activities within the unit	29.3	50.7	10.3	9.3	0	3.00	0.885
For the successful implementation of the strategy of SMEs, it has to factor the alignment and the presence of every strategy that support the elements within the organization	20	60	9.3	10.7	0	3.11	0.847
Effective leadership is essential for the effective strategy implementation.	30.7	60	9.3	0	0	2.88	0.821

Source: Researcher (2023)

Table 4.7 presents findings on effects of strategy implementation on SMEs performance, 40% of the respondents strongly agreed that to attain the strategic oriented goals, the strategy and culture must show compatibly to meet higher SMEs performance (mean=2.69, std.dev =0.933), 50.7% of them were in agreement while 9.3% were neutral but none of the respondents were against the statement. 38.7% of the respondents strongly believed that to attain success in implementing strategy, there must be crucial tasks and roles for its success as a strategy (mean=2.91, std.dev =0.933), 41.3% were in agreement while 10.7% of them were neutral as 9.3%

disagreed. On whether an individual engaged in business, they need to ensure cooperation among diverse units within the organization and its activities within the unit (mean=3.00, std.dev =0.885), 50.7% of the respondents agreed, 10.3% were neutral while 9.3% of the respondents disagreed but none of them strongly disagreed. 20% of the respondents strongly believed that for the successful implementation of the strategy of SMEs, it has to factor the alignment and the presence of every strategy that support the elements within the organization (mean=3.11, std.dev =0.847), 60% of them agreed, 9.3% were neutral on their answer as 10.7% disagreed but none of them strongly disagreed. 30.7% of the respondents strongly believed that effective leadership is essential for the effective strategy implementation (mean=2.88, std.dev =0.821), 60% of them were in agreement as 9.3% were neutral but none of them disagreed or strongly disagreed with the statement.

The findings above showed that most of the respondents believed that for the successful implementation of the strategy of SMEs, it has to factor the alignment and the presence of every strategy that support the elements within the organization with a mean of 3.11, std dev of 0.847. The findings are congruent to those of Pournasir (2018) who identified that the human based resources serve vital role in execution of the effective plans strategic wise therefore the organization should motivate and empower their employees on more involvement in strategic implementation. Also, in support to the findings of Okeke, Onuorah, and Jakpa (2018), indicated that out of the variables examined, which included strategy of the business, the structure of the organization and the analysis of the environment including the external environment emerged as the most influential factor affecting the strategy implementation in organizations.

4.2.4 Effect of strategy evaluation on SMEs performance

Table 4.8: Effect of strategy evaluation on SMEs performance

Statement	SA	A	N	D	SD		
	%	%	%	%	%	mean	Std.Dev
Being an entrepreneur, I have realized improvements in my understanding level regarding the strategies of my competitors	9.3	60	20	10.7	0	3.32	0.791
High competition in the market has reinforced my ability in making effective choices about when to leave market places and about which new ones to move into	41.3	41.3	9.3	0	0	2.68	0.640
The nature linked my business organization needs specified, preset behaviour by ways about formal direction and control for the sake of success	30.7	30.7	20	18.7	0	3.37	1.095
As an individual engaged in business, I have interests in the identification of the cycles for the sake of knowing about the market trends	41.3	30.7	9.3	9.3	9.3	3.15	1.312
My firm majors on the services or products that are satisfying the needs of diverse markets.	32	49.3	9.3	9.3	0	2.96	0.892

Source: Researcher (2023)

Findings in Table 4.8 shows that 9.3% of the respondents strongly agreed that being an entrepreneur, they have realized improvements in my understanding level regarding the strategies of my competitors (mean=3.32, std.dev =0.791), 60% of them agreed while 20% were neutral as 10.7% of the respondents disagreed but none of them strongly disagreed. According to whether high competition in the market has reinforced my ability in making effective choices about when to leave market places and about which new ones to move into (mean=2.68, std.dev =0.640), 41.3% of the respondents strongly agreed, 41.3% of them agreed as 9.3% were neutral but none of

them were against the statement. 30.7% of the respondents strongly agreed that the nature linked my business organization needs specified, preset behaviour by ways about formal direction and control for the sake of success (mean=3.37, std.dev =1.095), 30.7% of them agreed as 20% were neutral while 18.7% disagreed with the statement but none of them strongly disagreed. 41.3% of the respondents strongly agreed that as an individual engaged in business, they had interests in the identification of the cycles for the sake of knowing about the market trends (mean=3.15, std.dev =1.312), 30.7% were in agreement while 9.3% were neutral as 9.3% disagreed with 9.3% who strongly disagreed with the statement. On whether their firm majors on the services or products that are satisfying the needs of diverse markets (mean=2.96, std.dev =0.892), 32% of the respondents strongly agreed, 49.3% were in agreement with the statement as 9.3% were neutral while 9.3% disagreed but none of them strongly disagreed with the statement.

The findings further showed that most of the respondents agreed that the nature linked business organization needs specified, preset behaviour by ways about formal direction and control for the sake of success with the mean of 3.37 and std. dev of 1.095. The findings are supported by the findings of Bauml (2020) who affirmed the positive linkage between using measures and the strategic cases of alignment that led to improved organizational performance. He concluded that strategic evaluation positively affected the outcomes within the organization like its performance. Although Nthini (2019), contradicted it by establishing that evaluation of the strategies showed that the positive organizational based culture as determined by the shared crucial values, ideologies and the ideologies that were present. On top of the same, balanced organizational based controls depicted stronger association with the yearly turnover among the employee.

4.2.5 SMEs performance

Table 4.9: SMEs performance

Statement	SA	A	N	S	SD	Mean	Std.Dev
	%	%	%	%	%		
Increased efficiency in service delivery	41.3	21.3	18.7	9.3	9.3	3.34	1.334
Increased customer satisfaction	30.7	38.7	10.7	9.3	10.7	3.31	1.294
Reduction in operational cost	30.7	49.3	9.3	10.7	0	3.00	0.915
Optimized Resource utilization	10.7	50.7	29.3	9.3	0	3.37	0.802
Increased employee satisfaction.	50.7	29.3	10.7	9.3	0	3.79	0.977

Source: Researcher (2023)

Findings in Table 4.9 shows that 41.3% of the respondents strongly believed that there was an increased efficiency in service delivery (mean=3.34, std.dev =1.334), 21.3% were in agreement while 18.7% were neutral as 9.3% disagreed with the statement together with 9.3% who strongly disagreed. 30.7% of them strongly agreed that there is increased customer satisfaction (mean=3.31, std.dev =1.294), 38.7% of them agreed while 10.7% were neutral, 9.3% disagreed as 10.7% strongly disagreed with the statement. 30.7% of the respondents strongly believed that there is reduction in operational cost (mean=3.00, std.dev =0.915), 49.3% agreed while 9.3% were neutral as 10.7% disagreed with the statement. On whether there is increased employee satisfaction (mean=3.79, std.dev =0.977), 50.7% of the respondents strongly agreed, 29.3% agreed, while 10.7% were neutral as 9.3% disagreed with the statement but none of them strongly disagreed.

The findings suggested that majority of the respondents agreed on increased employee satisfaction with a mean of 3.79 and std. dev of 0.977, optimized Resource utilization with mean of 3.37 and increased efficiency in service delivery with a mean of 3.34 which shows that strategic planning increases employee satisfaction. The findings are congruent with those Golann (2016) who noted that incorporating formal processes with relevant and timely measures, along with reporting mechanisms during strategic planning can enhance an SME's responsiveness. Also Golann, (2016) concluded that strategic planning facilitates effective coordination plus communication among the employees within the institution. Additionally, Terziovski, (2021) noted that planning strategic wise is crucial towards improvement process leading to reduced production costs incurred by firms internally

4.4 Regression Analysis

Furthermore, a multiple regression analysis was performed to examine the statistical association between independent factors and the performance of SMEs. The research employed the SPSS version 26 to encode, input, and calculate the measures of the multiple regressions.

4.4.1 Regression Model

The research utilised a multiple regression model to investigate the correlation between strategic planning components (environmental scan, strategic formulation, strategy implementation, and strategy evaluation) and the performance of small and medium-sized enterprises (SMEs). The R² coefficient quantifies the extent to which strategic planning explains the variability seen in the performance of SMEs. According to the model, the coefficient of determination (R²) is 52.2, indicating that strategic planning explains 52.2% of the variance in performance across SMEs. The

predictive model used a strategic planning predictor to measure and analyse the performance variance across SMEs, as exhibited in Table 4.10.

Table 4.10: Overall model summary

R	R Square	Adjusted R Square	Std. Error of the Estimates
.722 ^a	.522	.494	.34182

Source: Researcher (2023)

4.4.2 ANOVA Model

The regression model with strategic planning as a predictor was significant (F=19.091, p value =0.000) suggests that there is a significant link between strategic planning and SMEs performance.

Table 4.11: ANOVA Model

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	8.923	4	2.231	19.091	.000 ^b
	Residual	8.179	70	.117		
	Total	17.102	74			

a. Dependent Variable: SMEs performance

b. Predictors: (Constant), environmental scan, strategic formulation, strategy implementation and strategy evaluation

Source: Researcher, (2023)

4.4.3 Hypotheses testing

The intent of this research was to examine the potential correlation between strategic planning and the performance of SMEs. The researcher sought to examine the link

between four independent study factors, including environmental scan, strategy formulation, strategy implementation, and strategy assessment, and the performance of SMEs, which serves as the dependent variable.

Table 4.12: Regression Coefficients.

Model	Unstandardized		Standardized		t	Sig.
	Coefficients		Coefficients			
	B	Std. Error	Beta			
1 (Constant)	.822	.219			3.758	.000
Environmental Scan	.408	.091	.485		4.496	.000
Strategy Formulation	.461	.080	.589		5.744	.000
Strategy Implementation	.126	.101	.122		1.252	.001
Strategy Evaluation	.078	.098	.094		.795	.002

a. Dependent Variable: performance

Source: Researcher (2023)

The study was determined by four research hypotheses that were formulated;

H₀₁ No major relationship exists between the SMEs performance and environment scan within Uasin Gishu.

The results of the research revealed a statistically significant positive association between environmental scanning and performance ($\beta=0.408$, $p=0.004$). Hence, it can be inferred that a one-unit increment in the environmental scan variable results in a performance gain of 0.408. This conclusion is supported by the statistical significance of the p-value, which was found to be less than the predetermined threshold of 0.05, as seen in Table 4.12.

H₀₂ No major relation connects SMES performance and formulation of strategy in Uasin Gishu

The results of the research indicate a statistically significant positive link between the development of strategy and the performance of SMEs ($\beta=0.461$, $p<0.001$), as shown in Table 4.12. Hence, it can be inferred that a one-unit increment in strategy formulation results in a corresponding performance improvement of 0.461.

H₀₃ No major relationship connects the implementation of strategy and SMEs performance in Uasin Gishu.

The results of the research revealed a statistically significant and positive correlation between the execution of strategy and the performance of SMEs ($\beta=0.126$, $p<0.01$). Hence, it can be concluded that a one-unit rise in the execution of strategy would result in a corresponding increase of 0.126 in the performance index of SMEs. This conclusion is supported by the statistical significance of the p-value, which was found to be less than 0.05, as shown in Table 4.12.

H₀₄ No major relationship connects the evaluation of strategy and the control of the SMEs performance in Uasin Gishu.

The results of the research revealed a statistically significant positive association between the assessment of strategy and the performance of SMEs ($\beta=0.078$, $p<0.05$). Hence, it can be inferred that a one-unit increment in strategy evaluation is associated with a corresponding rise of 0.078 in the performance index. This conclusion is supported by the statistical significance of the p-value, which was found to be less than the predetermined threshold of 0.05, as shown in Table 4.12.

Furthermore, the β coefficients for the independent variable of Strategy planning were derived employing the model to evaluate the hypotheses of the research. The t-test was used to assess the extent to which the predictor variable of strategy planning makes a statistically significant contribution to the model. The estimates of the β -value and the contribution of each predictor to the model were provided in Table 4.12. The coefficient for the β -value in connection to environmental scan, strategy creation, strategy execution, and strategy assessment was found to be positive, indicating a positive correlation with performance, as outlined in the model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

$$Y = 0.822 + 0.408X_1 + 0.461X_2 + 0.126X_3 + 0.078X_4 + \epsilon$$

Equation 4.1

Where:

$Y = \text{Sustainability}$

$X_1 = \text{Environmental Scan}$

$X_2 = \text{Strategy Formulation}$

X_3 = Strategy Implementation

X_4 = Strategy Evaluation

ε_1 = Error Term

The results indicate that the t-test conducted on the β -values yielded a statistically significant outcome. Furthermore, the predictor variable of strategy planning demonstrated a substantial contribution to the overall model. The analysis of the coefficients revealed that the estimated parameter associated with the independent variables had statistical significance. The results of the research indicated a statistically significant positive correlation between strategy planning and the performance of SMEs, with strategy formulation having the most influence.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a concise overview and discusses the constraints of the research outcomes in accordance with the study's goals. This research aimed to examine the correlation between strategic planning, including environmental scanning, strategy creation, strategy execution, and strategy assessment, and the performance of SMEs. In order to ascertain the association between variables in the research, regression techniques were used to evaluate the data.

5.2 Summary of Findings

The overall objective of this study was to ascertain the relationship between strategic planning and SMEs performance in Uasin Gishu County.

5.2.1 Impact of environmental scan on SMEs performance

The study's first objective was to establish the impacts of environmental scan on SMEs performance in Uasin Gishu County. The results indicated that the SME analysed its industrial environment to determine its opportunities also they prepare plans to cope with dynamically changing environments and that most of the carried out scanning on to investigate on its threats. Further findings showed that through scanning the SME is able to develop compatible strategies to direct the organization in the adaptable way and also through scanning the SME is able to gain sustainable competitive advantages. Furthermore, the results of the regression analysis indicate a favourable and statistically significant relationship between environmental scanning and the performance of SMEs.

5.2.2 Effect of strategy formulation on SMEs performance

The second objective was to establish the Effect of strategy formulation on SMEs performance in Uasin Gishu County. The findings showed that that strategy formulation is the foundation that improves my business processes, that formulation of strategies within my business plays a role towards supporting the organizational capacities which spur the performance, that being a business person, they had a lot interests on identification and monitoring of the cycles about some aspects to know about the market trends. Also further the findings showed that their firm majors on the production or the services which are meeting the need of diverse markets and that their business enjoys the advantages based on faster decision making and the readiness into taking risks. Additionally, the results of the regression analysis indicate a statistically significant and favourable relationship between strategy development and the performance of SMEs.

5.2.3 Effect of strategy implementation on SMEs performance

The third objective of the study was to establish the Effect of strategy implementation on SMEs performance in Uasin Gishu County. The findings showed that to attain the strategic oriented goals, the strategy and culture must show compatibly to meet higher SMEs performance, also to attain success in implementing strategy, there must be crucial tasks and roles for its success as a strategy and as an individual engaged in business, they need to ensure cooperation among diverse units within the organization and its activities within the unit. Further the findings showed that for the successful implementation of the strategy of SMEs, it has to factor the alignment and the presence of every strategy that supports the elements within the organization and effective leadership is essential for the effective strategy implementation.

Additionally, the results of the regression analysis indicate a favourable and statistically significant relationship between strategy implementation and the performance of SMEs.

5.2.4 Effect of strategy evaluation on SMEs performance

The last objective of the study was to establish the effect of strategy evaluation on SMEs performance in Uasin Gishu County. The results indicate that individuals engaged in entrepreneurship have experienced enhancements in their comprehension of competitor strategies. Furthermore, the presence of intense competition within the market has strengthened their capacity to make informed decisions regarding the optimal timing for exiting existing marketplaces and identifying promising new ones to enter. Further the nature linked my business organization needs specified, preset behaviour by ways about formal direction and control for the sake of success, also as an individual engaged in business, they had interests in the identification of the cycles for the sake of knowing about the market trends and their firm majors on the services or products that are satisfying the needs of diverse markets. In addition, the regression analysis reveals that the strategy evaluation is positively and significantly on SMEs performance.

5.3 Conclusion

This study's primary objective was to establish how strategic planning affected the performance of SMEs. Regression analysis conducted for the research showed a strong and favourable correlation between the performance of SMEs and strategic planning. According to this research, environmental scanning significantly and favourably affects the performance of SMEs. According to the study's findings, owners create plans to deal with constantly shifting environments, and the majority of

them conduct scanning to look into potential threats. SMEs also analyse their industrial environments to identify opportunities, and by doing so, they can obtain long-term competitive advantages.

Secondly, the research was to establish strategy formulation on SMEs performance. From the regression analysis, established that strategy formulation significantly relates to the SMEs performance. In conclusion, strategy formulation is the foundation that improves my business processes and also that formulation of strategies within business plays a role towards supporting the organizational capacities which spur the performance

The third goal of this study was to find out how strategy implementation affected SMEs performance. The results of the regression analysis demonstrated a statistically significant and favourable association between the execution of strategies and the performance of SMEs. This study concluded that to attain the strategic oriented goals, the strategy and culture must show compatibly to meet higher SMEs performance also to attain success in implementing strategy, there must be crucial tasks and roles for its success as a strategy and as an individual engaged in business, they need to ensure cooperation among diverse units within the organization and its activities within the unit

The study found that strategy evaluation has a positive impact on the performance of SMEs. The majority of respondents acknowledged experiencing improvements in their understanding of competitors' strategies. Additionally, the heightened competition in the market has strengthened their decision-making abilities, particularly in determining when to exit certain marketplaces and identifying new

ones to enter. The study concluded that their firm majors on the services or products that are satisfying the needs of diverse markets.

5.4 Recommendations of the Study

The study ascertained that the extent of strategic planning influence on SMEs performance was large. The study established that the most significant variable to SMEs performance were strategy formulation and environmental scanning while evaluation and implementation had some influence to a small extent. Therefore, this study recommends that;

The SMEs managers should analyse its industrial environment to determine its opportunities as this will help in coping with any emergencies. The SMEs management should prepare plans to cope with dynamically changing environments also ensure to do scanning on to investigate on its threats as this will enable them gain sustainable competitive advantages

The SMEs should identify and monitor cycles on market trends; this will help them sustain their business in times when there are changes. They should also major on the production or the services which are meeting the need of diverse markets. The management should improve on decision making and the readiness into taking risks as it plays a role towards supporting the organizational capacities which spur the performance.

To ensure better performance in the SMEs through strategy implementation, the management should ensure strategy and culture show compatibly. To attain better performance there must be crucial tasks and roles for its success as a strategy. The

management and the owners should also ensure cooperation among diverse units within the organization and its activities within the units.

To ensure enhanced SMEs performance the management and owners should realize improvements on the understanding level regarding the strategies of its competitors also reinforce their ability in making effective choices on market trends, the management should be in a position to identify cycles for the sake of knowing about the market trends and major on the services or products that are satisfying the needs of diverse markets

5.5 Contribution to knowledge

Strategic planning is the process by which a company's senior management formulates and carries out the main objectives and initiatives on behalf of the owners, taking into account available resources and evaluating the competitive internal and external environments. Strategic planning is the process of establishing the objectives of an organization, formulating effective strategies and policies to facilitate their achievement, and allocating resources to execute these plans. This comprehensive approach to planning provides the firm with a cohesive and overarching direction. Various models and frameworks have been established by scholars and professional managers to aid in strategic decision making within the intricate context of competitive dynamics and complicated settings. Strategic planning is dynamic by nature; models often include a feedback loop to track implementation and provide insights for the subsequent planning cycle.

According to the report, the majority of SMEs have implemented strategic planning practises. The strategies used are determined by the SME's strengths and weaknesses

as well as the internal and external environments. Strategic planning must begin with situational analysis, be implemented in a participative manner, and include ongoing review. In order to match strategic choices to the environment, practise and organisations must be in line with the theory of strategic management and planning. The results of the research support the hypothesis that strategic planning is dynamic and environment-dependent.

5.6 Suggestions for Further Research

The research investigated the relationship between strategic planning on SMEs performance among SMEs in uasin Gishu County. The focus was on four independent variables (environmental scan, strategy formulation, strategy implementation and strategy evaluation) which accounted for 52.2% of variations in SMEs performance. Future studies should explore other factors that can explain the remaining percentage of variations. Also the research suggest for further studies to be carried on each variable independently to explore how they affect the SMEs performance in independently.

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APPENDICES

Appendix I: Introduction Letter

Dear Participant,

RE: COLLECTION OF RESEARCH DATA

Greetings from the student who studies at the moment Masters of Business Administration course which specialization in Strategic Management at Kenyatta University. *As a component of academic requirements, I am carrying out research and preparing a management report project. The focus of my research is on the; “Effects of strategic planning SMEs performance within the county of Uasin Gishu in Kenya”.*

Attached herewith is a questionnaire that I intend to use for gathering data during my research study. I am reaching out to you a participant selected for this particular study. I humbly make a request for your participation by completing the questionnaire in an objective manner. Your response is extremely valuable, and please be assured that your input will be handled with utmost confidentiality. Your identity will remain anonymous throughout the study, and your name will not be disclosed in any report.

I sincerely appreciate your cooperation and I kindly ask for your prompt response. Your contribution to this research is highly appreciated.

Yours Faithfull,

Jeremiah Wanga Othieno

Appendix II: Questionnaire

Section A: General Information

1. Pick the category of your age based on the options provided below

17 - 24 years [] 25 – 34 years []

35 - 44years [] 45 – 54 years []

Beyond 55 years []

2. Please mark your latest attained education level

Not completed primary [] Primary level []

Secondary level [] Certificate level []

Diploma level [] Bachelor's level []

Postgraduate level []

3. For what duration have you been engaged in the business?

Below 2 years [] 2– 4 years []

5 – 7 years [] 8 - 10years []

Above 10 years []

5. Please specify the type of business you are engaged in: _____

SECTION B: OBJECTIVES

1. Please rate your concurrence with the statements below regarding the impact of environmental scan on SMEs performance in Uasin Gishu County. Use the scale provided below:

The ratings are expressed as;

5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

Statement	1	2	3	4	5
The SME analyze its industrial environment to determine its opportunities					
The SME prepares plans to cope with dynamically changing environments					
The SME is carried out scanning on to investigate on its threats					
Through scanning the SME is able to develop compatible strategies to direct the organization in the adaptable way					
Through scanning the SME is able to gain sustainable competitive advantages					

2. Please rate your concurrence with the statements below regarding the effect of strategy formulation on SMEs performance in Uasin Gishu County. Use the scale provided below: The ratings are expressed as;

5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

Statement	1	2	3	4	5
Strategy formulation is the foundation that improves my business processes					
Formulation of strategies within my business plays a role towards supporting the organizational capacities which spur the performance.					
Being a business person, I have a lot interests on identification and monitoring of the cycles about some aspects to know about the market trends					
My firm majors on the production or the services which are meeting the need of diverse markets.					
My business enjoys the advantages based on faster decision making and the readiness into taking risks.					

3. Please rate your concurrence with the below statements regarding the effect of strategy implementation on SMEs performance by using the below given scale as desirable;

The ratings are expressed as;

5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

Statement	1	2	3	4	5
To attain the strategic oriented goals, the strategy and culture must show compatibly to meet higher SMEs performance					
To attain success in implementing strategy, there must be crucial tasks and roles for its success as a strategy					
As an individual engaged in business, I need to ensure cooperation among diverse units within the organization and its activities within the units.					
For the successful implementation of the strategy of SMEs, it has to factor the alignment and the presence of every strategy that support the elements within the organization.					
Effective leadership is essential for the effective strategy implementation.					

4. Please rate your concurrence with the below statements regarding the effect of strategy evaluation on SMEs performance by using the below given scale as desirable. The ratings are expressed as;

5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly Disagree

Statement	1	2	3	4	5
Being an entrepreneur, I have realized improvements in my understanding level regarding the strategies of my competitors.					
The heightened level of competition within the industry has bolstered my capacity to make astute decisions on the optimal timing for exiting existing markets and identifying promising new ones to enter.					
The nature linked my business organization needs specified, preset behaviour by ways about formal direction and control for the sake of success.					
As an individual engaged in business, I have interests in the identification of the cycles for the sake of knowing about the market trends.					
My firm majors on the services or products that are satisfying the needs of diverse markets.					

5. How do you rate the performance of your institution?

The rating is as follows:

1 = No Extent, 2 = Little Extent, 3 = Moderate Extent, 4 = Great Extent, 5 = Very Great Extent

Statement	1	2	3	4	5
Increased efficiency in service delivery					
Increased customer satisfaction					
Reduction in operational cost					
Optimized Resource utilization					
Increased employee satisfaction					