

**STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE
OF SMALL AND MEDIUM-SIZED ENTERPRISES IN KITUI
COUNTY, KENYA**

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Award of the Degree of Masters of Business Administration (Strategic Management),**

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DECLARATION

This project is my original work and has not been presented for a degree in any other University.

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DEDICATION

This work is dedicated to my dad, Geoffrey Joseph and mum, Benedater Ndumi for their encouragement to further my studies.

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OPERATIONAL DEFINITION OF TERMS

Organizational Performance refers to a measure of standard of effectiveness, efficacy, and ecological accountability including waste reduction, productivity, regulatory conformity, and cycle time. Organizational performance entails three things; financial performance, market performance, and shareholder return. In this study, performance was measured using both financial and non-financial indicators.

Small and Medium-Sized Enterprise refers to a business with staff ranging from 50 to 99. In this study, businesses with employees ranging from 50 to 99 were surveyed.

Strategic Management is a continuous process of planning, follow-up, analysis and evaluation of all that is needed for a business entity to accomplish its desired objectives.

Strategic Management Practices Actions involved in the continuous process of planning, follow-up, examination and evaluation of all that is needed for a firm to accomplish its goals and objectives. In this study, the specific practices were services delivery, ICT and customer service.

Strategy Identification of the long-term goals and objectives of a firm and the execution of varied courses of action, as well as, the resource allocation to carry out the goals.

ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
HR	Human Resource
ICT	Information Communication Technology
IM	Information Management
IT	Information Technology
MFS	Mobile Financial Services
SM	Strategic Management
SME	Small and Medium Enterprise
SMP	Strategic Management Practice
SPSS	Statistical Package for Social Sciences

ABSTRACT

Globalization in today's era of information and technology has significantly affected the business environment. Firms, therefore, must take planned measures in order to grow and maintain their businesses and also make the necessary changes and adjustments to gain competitive advantage. Small and Medium Enterprises-sized (SMEs) in Kenya and the world in general, play a major role in improving the economy. The main problem, however, lies with small entities that lack the capacity and financial resources to implement strategic management practices. The main objective that the study was to attain is to investigate the strategic management practices and performance of small and medium enterprises in Kitui County, Kenya. The study was guided by the following specific objectives: To establish how services delivery, the adoption of ICT and customer service affects the performance of small and medium-sized enterprises in Kitui County, Kenya. The study used a descriptive research design. The study adopted the stratified random sampling and targeted 442 SMEs in Kitui Town, which have the necessary structures to implement strategic management practices. The sample size was 111 small and medium sized enterprises, 30 per cent of the target population. Data was collected using primary and secondary sources. Questionnaires were the main source of primary data and Cronbach's Alpha was used to test the validity and consistency of the research instrument. Data analysis was done using Statistical Package for Social Sciences (SPSS) and descriptive statistical tools were used for presentation. The study found that service delivery, ICT and customer service have a positive and significant effect on the performance of small and medium-sized enterprises in Kitui County, Kenya. Based on the findings of the study, it was concluded that small and medium enterprises in Kitui County, Kenya have adopted strategic policies or practices. However, they were being affected by factors such as economic, political, environmental, and technological factors, as well as, competition. The study likewise concluded that most SMEs in Kitui Town have adopted the various strategic management policies and practices such as Market Strategy, Service Delivery, Product Pricing, Cost Control, Customer Service, Product and Service Innovations, ICT etc. The main goal of this is for them to attain a competitive advantage. It was further concluded that most of the SMEs in Kitui County appreciate the financial and non-financial indicators of performance. The study concluded that performance of SMEs based on the financial and non-financial indicators has been largely influenced by the adoption of strategic management practices. The study therefore, recommends entrepreneurs to place their focus on services offered to customers and should maximize on use of Information Technology in their business operations.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Small and Medium-sized Enterprises' (SMEs) vital role and contribution in creating employment and economic development worldwide has attained an increased attention. According to Zacharakis, Neck, Hygrave and Cox (2002), the SME sector is progressively being acknowledged as the key driver for economic growth in the developing and developed countries. It is a significant source of job creation, technological development, revenue creation, and innovativeness and thus, a key asset in the economy at large. In most nations across the world, the degree of economic dependence on SMEs has risen in recent years (Barney, 2002). Specifically, the need for strategic management practices in SMEs to improve performance has been an area of debate and focus as most policy makers feel that these are important in improving the SMEs sector and the economy in general.

Small and Medium-sized Enterprises play an essential role in the world (Eden & Ackermann, 2013). As market conditions are more dynamic and competition is tighter, many SMEs in Indonesia and other countries establish their efforts to understand how SMEs can maintain and improve their financial and marketing performance. Some policy and strategic experts have encouraged firms to implement strategic management practices in order to be able to compete. There is still, however, an unresolved debate regarding the effect of SMP on the overall corporate execution (Eden & Ackermann, 2013).

The SME sector according to a study carried out in Western Uganda by Ayozie, Jacob, Umukoro and Ayozie (2013) revealed that it forms a vital fraction of the country's economy. There is evidence to support the same especially by looking at areas such as farming, iron smelting and cottage industries. SMEs started many years ago in the country and are developed using numerous state policies and programmes. According to Ayozie et al. (2013), the performance of most firms, both the large corporations and SMEs is highly attributed to the strategies that the companies have adopted in their operations. For this reason, most SMEs lack the needed resource capacity to implement in their operations. Consequently, they fail to enjoy the benefits linked to the implementation of strategic management practices in terms of improved performance within the organisation.

One of the main concerns of most policy makers in Nigeria is how to improve the economy through the aid of SMEs in order to sustain the country's economic development. Thus, a major focus to policy makers is to establish an appropriate strategy in order to support and improve SMEs. To deal with global challenges that hinder sustainable development, world leaders developed the Millennium Development Goals, MDGs in 2000, which were expected to be achieved by 2015 (Etuk, Etuk, & Baghebo, 2014). One of the MDGs was to 'eradicate severe poverty and hunger'. It became important for countries to establish strong socio-economic structures that would ensure that the goal is attained. Countries including Nigeria have since then been working to improve the standards of living of its citizens to achieve the goal according to Etuk et al. (2014). The role of SMEs in Nigeria can be enormous since the country's economy is dominated by SMEs in manufacturing, construction, commerce and industry, trading, services, and agricultural industries.

SMEs are critical in the economic growth of the developing and developed countries and provide job opportunities to many people. In Nigeria, SMEs contribute 60 per cent of GDP and 70 per cent of the overall employment (SMEs Development Agency of Nigeria, 2012). SMEs are extremely vulnerable and the rate of failure is also high such that no country can ignore it. Maduka (2018) observed that 60 per cent of SMEs crumple during their first three years of operations. In the United States, 80 per cent fail in their first five years. In the Nigerian case according to Abidemi (2018), approximately 70 per cent of Nigerian SMEs fail in the first five years of existence.

This being the situation, there is a need for greater efforts in order to reduce the rate of ‘mortality’ for SMEs. Eventually, a more robust SME sector will aid in building the nation’s wealth resulting in the general improvement of the economy. Even though most nations have instituted support programmes to help their SMEs and entrepreneurs, efforts tend to be focused on determining the industry’s performance (Tobora, 2015). It is the cautious selection and right application of suitable technique which establishes the success of SMEs. Strategic management practices offer the overall direction to SMEs and entail identifying the objectives of the organization, developing plans and policies designed to attain the objectives and then apportioning the necessary resources to implement the policies and plans.

Even though there are numerous benefits associated with the adoption of strategic management practices, there are still a number of SMEs that do not use them as they believe that they are only helpful in large firms. It is a well-known fact that SMEs have significantly contributed to the Kenyan economy as observed by Mueni (2008). According to the scholar, the sector has set a record of 75 per cent in job creation. This way, SMEs

have played a key responsibility in poverty eradication given the type of advantages of the sector.

It is essential to recommend strategic management practices that can assure and guarantee firms' existence and survival (Ndambuki, 2010). In relation to the distribution of Kenyan SMEs, most of them are located in Nairobi County, Kenya's capital and they operate in all types of industries. A research by one Mburu (2009) investigating the reasons for trade deficits by SMEs in Nairobi established that most SMEs are still at the formative phase.

The main role of SMEs in any region across the globe has been methodically acknowledged as a way of ensuring fast development and industrialisation, which forms the foundation of this study particularly in relation to how to ensure strategic management to guarantee business sustainability. Strategic management is an unending process that assesses the business and sectors in which the firm operates and sets goals to meet stakeholder needs (Pushpakumari & Watanabe, 2010). The SME sector has a vital role to play in developing the economy, creating employment, technological advancement and innovation. The SME sector faces challenges such as accessing finance, training, technology changes, and markets. Even though there are many benefits of employing strategic management practices in business operations, some SMEs are not able to implement them because of the high costs involved (Pushpakumari & Watanabe, 2010). Moreover, there are only a few studies that have been conducted in Kenya on the effect of strategic management practices on SMEs, as well as, their contribution to the country's economy. It is, however, evident that there is a growing concern for scholars to understand the role of the strategies in enhancing performance of SMEs especially now that the SME sector keeps growing day in day out.

There are less systematic studies to support various strategies and policies to assist SMEs, mainly due the lack of existing data. Studies into SMP and their adoption have become central in SMEs owing to their vital role in improving the economy. There is, however, a major dispute on whether SMEs should create strategic plans as some scholars hold that formal SMP are mostly unsuitable for small businesses that lack adequate cash flow (Analoui & Karami, 2003). In Kenya, according to Kenya Economic Survey (2016), SMEs contribute to job creation and wealth creation resulting in economic improvement. However, the role of strategic management practices cannot be ignored because SMEs have proven to be a major asset in the economy of SMEs in Kitui and Kenya at large.

1.1.1 Organizational Performance

There are diverse conceptualizations of performance in the SMEs context. According to Wakaba (2015), performance can be looked at in the context of looking at what identifies, makes and communicates success factors, organisational learning and offers a source for evaluation and rewards. It may also be evaluated in the context of a role of the organisation's capacity to attain its goals and objectives by exploiting of the available resources in an effective and efficient way (Osoro, 2012). Performance can also be conceptualised as the firm's ability to make and serve what the customers need at a specific period and effectiveness, which implies attaining the goals at the most minimal cost with optimal gains (Kirigo, 2008). It is the result of the organisation's strategies and operations. Systems of measuring performance provide the basis to create strategic actions and plans, evaluate a company's completion of goals and objectives (Barney, 2002).

Richard, Devinney, Yip and Johnson (2008) hold that organisational performance entails three things; financial performance, market performance, and shareholder return. Abera (2012) holds that performance has been conceptualised, operationalised and tested in various ways and notes that there are varied measures of organisational performance including growth in employment, profitability, productivity levels, innovativeness and sales. Nyaga (2015) noted that organisations could gauge their performance using both monetary and non-monetary measures. The monetary measures include turnover and profit before tax whereas non-monetary measures tend to focus on matters relating to consumer satisfaction and employees' turnover as noted by Osoro (2012). Amurle (2013) conceptualises performance as success in relation to effective internal business processes, learning and growth, financial profitability and competitive advantage. Following this concept, Njanja (2009) indicated that the growth of SMEs is mostly viewed in relation to accumulation of assets, employee growth, financial growth, return on assets, sales growth, and return on equity. For the purpose of this research, the researcher adopted the definition proposed by Richard et al. (2008). So, the performance of SMEs was measured by monetary, market and shareholder proxies.

The SMP adopted by a firm affect its returns. Lawal, Omone and Oludayo (2012) argue that the implementation of SMP improve the relative standing and performance of a firm with different political and societal issues. Consideration in the adoption of strategy process can be an obstacle to achieving the desired firm returns. David (1997) came to a conclusion that firms that had effectively implemented strategic management policies and practices had enhancements in profit reports, a rise in consumer base and the overall

market share. Effective strategic management practices also rely on the efficiency of the development, implementation and assessment of the strategy, according to Njanja (2009). Firms perceived SMPs are vital in the ensuring success of the organization (Otieno, 2013).

SMEs are regarded as the major drivers of economic growth (Barney, 2002), therefore, it has been a keen interest of researchers to decipher the factors influencing their performance. Although there has been discussion on various factors which influence the performance of SMEs, an all-inclusive understanding of the impact of these factors is missing. Most of the research done fails to investigate the effect of strategic management practices on improving the performance of SMEs especially in areas outside Nairobi. Thus, this study examined the effect of strategic management practices on improving the performance of SMEs in Kitui County.

1.1.2 Strategic Management Practices

Strategic Management (SM) refers to the recognition of an organization's plans and actions towards attaining its aim. It comprises actions that determine the organization's long-term performance (Srivastava & Verma, 2012). It is an unending process which assesses and controls the business operations and the markets in which the business entity operates, assesses its rivals in the industry and establishes strategies and goals to meet the requirements of all the stakeholders. The core of SM is to attain, as well as, to sustain a competitive advantage. The main issue that surrounds strategic management is why some business entities attain greater performance levels. Strategic management provides varied approaches for accounting the variations in performance between and among firms. A number of the scholars hold that a better performing firm may have a competitive edge and a better market position than its competitors (Witcher & Chau, 2010).

There are also others who hold that firms need to have exclusive core competencies and capabilities to gain and sustain a competitive advantage. There are others who posit that to realize competitiveness; organizations should to occupy an influential market position in a network of firms. Another approach also suggests that firms should align strategies and structures that fit well with the challenges posed by the market and industry of operation to sustain competitive advantage. According to Bennett (1992) the way to sustain competitive advantage is through minimising transaction costs in the organisation (Bennett, 1992).

Strategic management focuses on long term and broad future of an enterprise and the way in which the organization will prepare for any environmental change to the degree that change is seen as a requirement for future survival and growth (Ansoff, 2007). Strategic plans and decisions are, therefore, subject to much uncertainty than either operational or administrative decisions. Strategic management plays an integration and coordination role seeking the approval of the public sector and strategies such as Information Technology (IT) and Human Resource (HR) workspace and guaranteeing the suitability of the strategic management. Strategic administration growth in the past 20 years has been spectacular according to Fink (2005) and the trend continues to persist. Due to the nature of the strategy, there is no universal truth that can be documented through scientific proofs and theorems (Jenkins, Ambrosini, & Collier, 2007). Most studies in strategy focus on the scope of the organisation and the implication on performance. Strategic management, however, addresses the issue of why some organisations fail or succeed and it tackles the causes for the same. Research has revealed that SMP focus on choosing a plan and executing it.

According to Adongo (2008), any strategic management practice involves strategic choice phase that entails the creation of action points, assessment and implementation phase that is concerned with planning how the choice can be put into action. Planning entails all sections of an organisation and is a basic part of the strategic administration process. It results to significant changes in the manner in which the firm is operated and aims to attain management excellence (Lockett & Thompson, 2007). An organisation, therefore, should demonstrate such excellence in the effecting of the strategy as the outcome of the planning can affect the success or failure of the firm in its industry. Because there is no firm with unlimited resources, strategic managers should choose the most appropriate strategies to reap major benefits (White, 2004). A strategy, therefore, reflects managerial choices among other options and indicates organisational commitment to certain markets, products, ways of running the organisation and competitive approaches (Lockett & Thompson, 2007). Moreover, different organisations in different markets and environments are likely to stress varied elements of the strategic management process.

There are only few studies that investigate the association between SMP and the performance of SMEs. SMEs are vital for business development and economic growth through creation of jobs. The organizations' sustainability is therefore crucial (Coulter, 2008).

1.1.3 Small and Medium-sized Enterprises (SMES)

There is no general definition of what makes up Small and Medium-sized Enterprise (SME) as the meaning varies in different parts of the globe whether a person looks at it from the perspective of developing and developed nations. In countries such as Britain and Canada, SME is recognized with businesses having below 200 workers while in most countries in Sub-Saharan states such as Kenya, it is identified with businesses with staff ranging from 50 to 99 according to (Otieno, 2013). It is not debatable that SMEs are the most vital economic drivers around the globe in relation to their contribution to the exchequer and in terms of offering job opportunities. In Kenya, for instance, the government continually makes efforts to offer an enabling environment for the SMEs through giving tax rebates, creating inputs and infrastructure such as electricity. The SMEs sector in contributes more than 18 per cent of the GDP and provides more than 80 per cent of the Kenyan workforce (Kenya Economic Survey, 2016).

As business competition is tighter and market conditions are more dynamic, many SMEs in Indonesia and in other states develop their efforts to understand how SMEs can maintain or improve their marketing and financial performances (Barney, 2002). In order to be able to compete, some strategic and policy management experts have encouraged companies to implement strategic management practices. The need for SMEs to acknowledge the significance of strategic management has become quite relevant especially due to the ever-changing worldwide economic environment. Indeed, strategic management is even more crucial for firms operating in countries such as Zimbabwe, given the uncertain nature of the state's economic environment (Laukkanen, 2007). If adopted and implemented suitably, strategic management develops the management of a

company's resources, efficiently minimizing possibilities of business failure and weaknesses.

Appropriate strategic management practices enable business owners to disconnect business operations from personal operations, hence developing financial management. Generally, entrepreneurs tend not to employ strategic management practices in their businesses, whereas some do not recognize the value of strategy and strategic planning procedure. A number of SME business persons use their personal account as the business account or vice-versa. A significant proportion of SMEs in Zimbabwe operate without any written business plans to direct their business activities (Laukkanen, 2007).

SMEs are critical in the resource mobilization as stated by the Kenya Economic Survey (2016). The segment contributes to more than 50 per cent of jobs. Thus, there is a need to undertake a practical study that can result in sector sustainability. It is important to note that prudent SMP is essential for the success of businesses (Menon, 2011).

Kitui County has more than 8000 SMEs with 1500 located in the central business district (Kitui Town). The study targeted 442 SMEs as they have the necessary structures to implement SMPs in their operations.

1.2 Statement of the Problem

The business failure rate continues to rise due to numerous hindrances to performance. Such hindrances include poor service delivery, inadequate cash flow, laws and regulations, leadership gap, lack of ICT, general economic conditions, inadequate customer service, poor locations and vital factors such as corruption, poor infrastructure, failure to implement appropriate strategies, poverty, and low demand for goods and services. The performance of SMEs across the world and Kenya in particular has not been impressive.

The association between business strategy and organisational performance has been a topic of attention in the strategic management field. Irrespective of this development, there has not been much thought given to the relative evaluation of the association.

Typically, SMP are linked to large corporations. SMEs are generally operated and run by the owners who also act as managers and make strategic decisions mainly based on practical perceptions than academic ones. The business leadership should make effort to address strategic concerns including restructuring, resource mobilization, process changes, technological changes, leadership shifts and cultural alterations. Well-established strategies together with appropriate implementation will lead to the success of the organisation. Whereas the contributions of SMEs to development are usually recognized, players in the sector face myriad challenges which hinder the firms' growth.

Numerous studies have focused on SMEs both globally and locally. Chilala (2014) carried out a research on Ghanaian SMEs and the problems they face in foreign market Chen, Windasari & Pai (2013) carried out a research on SM in SMEs of East Asia. Stonehouse and Pemberton (2002) investigated SMEs strategic planning in the United Kingdom even though such may not apply to the Kitui context. Mulinge (2009) carried out a study on marketing practices that SMEs adopt in dealing with clothing and footwear in Makueni District whereas Muua (2009) studied the importance of acquiring skills to be efficient in marketing by SMEs. Nkondi (2014) carried out a research on the causes of the degree to which the operational and running costs impact the competitive performance of textile SMEs in Kenya.

From the studies, none focused on the influence of strategic management practices on the performance of SMEs. Again, there is a noticeable supposition that SMEs have formal strategies in place, which is not the case. Moreover, there is the issue of location as most of

the studies conducted were mainly in concentrated towns such as Nairobi, and in which the case may be different for smaller towns such as Kitui.

1.3 Objectives of the study

1.3.1 General Objective

To investigate the strategic management practices and performance of small and medium enterprises in Kitui County, Kenya

1.3.2 Specific Objectives

- i. To establish how services delivery affects the performance of SMEs in Kitui County, Kenya.
- ii. To assess how the adoption of ICT affect the performance of SMEs in Kitui County, Kenya.
- iii. To examine how customer service affects the performance of SMEs Kitui County, Kenya.

1.4 Research Questions

The study aimed at answering the following questions:

- i. How does services delivery affect the performance of SMEs in Kitui County, Kenya?
- ii. How has the adoption of ICT affected the performance of SMEs in Kitui County, Kenya?
- iii. How does customer service affect the performance of SMEs in Kitui County, Kenya?

1.5 Significance of the study

The study may be beneficial to small business owners in Kitui County as it may help them understand the importance of SMPs in influencing firm profitability. This is because contributors of the study may offer information into issues related to the management of SMEs of Kitui County including how they evaluate productivity and performance, personnel management and succession planning. Moreover, they may be able to establish the most appropriate strategies to adopt for their firms. The study may also be of help to scholars as it may add knowledge to the field of strategic management. The research may provide room for further studies on improving the adoption of SMPs among SMEs of Kitui and Kenya in general. Interested investors may also benefit from the study as they may be able to carry out an external business analysis and know where to invest in the County. The study maybe important for legislators and policy makers as it may offer information related to SMEs in Kitui County and how laws can be generally improved to sufficiently cater for the SME sector. Moreover, the County government of Kitui may be able to formulate the best and appropriate policies to increase the performance of the SMEs, as this may also mean an improvement in the economy of the County.

1.6 Scope of the study

The study was done in Kitui County and consisted of 1400 SMEs. Kitui Town has more than 1400 SMEs but the target population was limited to 442, which had the necessary

structures for ensuring effective implementation of SMPs. The target population for this study was the owners and/or managers of SMEs.

1.7 Limitations of the Study

Because of the nature of the business, it may have been hard for the owners to give confidential information. The researcher carried a letter from Kenyatta University for purposes of introduction and guaranteed the respondents that the information would be used only for research. The study also experienced literacy challenges as some of the business owners and/or managers were semi-literate. To solve this, the researcher used simple language for understanding. Moreover, the researcher was available to offer clarity where necessary.

1.8 Organization of the Study

Chapter one provided the study background, statement of the problem, research objectives, significance of the study, scope, and the limitations that the researcher met in the course of the study. Chapter two provided empirical literature review on the SMPs adopted by SMEs in Kitui, theoretical literature review, and a conceptual framework on the same. Chapter three presented the research methodology that was employed in the study. The fourth chapter presented data analysis, presentation and interpretation. Finally, the fifth chapter outlined the summary of findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focused on a review of literature related to the area of study. It covered the theoretical literature review and empirical literature review. In the theoretical literature review, the study explored three major theories related to the study (McKinsey's Model, Resource Based Theory and Ansoff Strategies Success Theory), which addressed the independent variables. The empirical literature review touched on SMPs adopted by SMEs. This section also addressed the conceptual framework and show ways of measuring the independent variables.

2.2 Theoretical Literature Review

This research was anchored on three theories: McKinsey's 7S, Ansoff Strategic Success Theory and Resource Based Theory.

2.2.1 McKinsey's 7'S Mode

McKinsey's 7'S Model was developed by McKinsey and Company, a consulting firm in the early 1980s. This model is widely applied by academics and practitioners to analyse hundreds of firms. There are seven variables that surround this theory. Structure refers to the firm's skeleton or the chart while strategy is the course of action or plan in resource allocation to attain goals and objectives (Peters & Waterman, 2004). Systems are the procedures and processes followed in the organisation while staff is the human resource.

Skills are the capabilities of the personnel in the organisation whereas style is the manner in which organisational managers behave in attaining organisational goals. Style also encompasses the organisational cultural style.

Shared values are the significant meanings or the concepts that guide people in the organisation. Strategy, systems, and structure (hard elements) are usually feasible and can be identified easily in the organisation since they are well documented (Peters & Waterman, 2004). The rest are, however, difficult to understand as they keep on developing and changing. This means that the four aspects, also referred to as the soft elements, have to be studied very closely, usually through carrying out interviews and observation.

Some relationships can, however, be made between the two classes of 'S'. For instance, it is observed that a rigid structure results in a bureaucratic culture. Overcoming staff resistance to change and changing the organisational culture can at times prove challenging but if it is done effectively, then this can have a significant effect on the hard components (structure, strategy, and system) of the organizations (Peters & Waterman, 2004). The model is important as it has been used by organisations to improve their performance, to examine the possible effects for future organizational changes, to align processes and departments in mergers and acquisitions and to establish how best to implement proposed strategies. This theory is relevant to the study because for strategic management practices to be adopted, the 7 elements need to function interdependently and effectively.

2.2.2 Resource Based Theory

This theory was advanced by Wernerfelt (1984) to stress that the idea of a firm's strategy is a result of the resources that the company holds. It states that a firm will have a high

chance of succeeding if it has the most appropriate and the best stock of resources that are relevant for its strategy and business. Thus, strategic management practices will depend on the resources of the firm. This describes a company in relation to the resources the company integrates. Often, the term resource is limited to those features that promote a firm's effectiveness and efficiency (Wernerfelt, 1984).

The theory's implication to this study is that SMPs on different SMEs in Kitui will depend on the resources that the organisations have which more often than not is influenced by the SMEs legal formation, industry, and size. As a result, the performance of the SME will depend on the strategic management policies adopted. The theory, however, tends to leave out the smaller firms that may lack the necessary resources to indulge in strategic management practices.

2.2.3 Ansoff Strategic Success Theory

Ansoff strategic success theory was proposed by Ansoff (1984) and advanced by Ansoff and McDonnell (1990). The theory holds that high performance of a firm is guaranteed when the responsiveness of a firm's strategy matches environmental turbulence and when the firm's capacity matches assertiveness of its strategy. This theory holds that a firm's performance potential is maximum when the above conditions are met. The elements of a firm's capability should be supportive of each other. This approach is used to determine the adjustments that need to be made to a strategy of a firm and its internal capacity in order to guarantee a firm's future success. The implication of this research is that strategic management practices have an impact on a firm's performance, but only when the adoption conditions are adequately met.

2.3 Empirical Literature Review

2.3.1 Services Delivery and Performance of Small and Medium-sized Enterprises

Service delivery and people refusal or the unwillingness to use cell phones, are largely because of supposed risk (Mwangi & Brown, 2015) or perceived credibility. Through the study of consumer attitudes toward mobile and online banking, Laforet and Li (2005) established that perceived risk was the most critical cause preventing the use of mobile banking. Croucher (2013) distinguished perceived risks and trust from perceived credibility. Valtakoski and Witell (2018) and Mwangi and Brown (2015) supported privacy and security as two significant dimensions under the concept of perceived credibility. In addition, empirical studies by Valtakoski and Witell (2018), as well as, by Mwangi and Brown (2015) show that perceived credibility considerably affected human intention to use mobile banking. In Kitui County, many SMEs have utilized mobile banking and online payment methods as strategies to ease and fasten business dealings. This greatly reduces turnaround time of the customer as processing is done priory.

Studies have revealed that there have been restrictions in the pace of implementation of mobile financial services (MFS) in various regions of the globe. One major factor influencing future mobile banking is the cost effectiveness. Frequently, wireless capacity is built into the software platform of financial institutions, which leaves upgrades and maintenance as the only additional costs (Obokoh & Goldman, 2016). IT consultants, International Data Corporation, anticipate mobile banking to be the quickest growing industry of total IT spending on electronic banking with a 129 per cent compound annual growth rate.

A study was carried out to establish the link between services and growth of SMEs in Uganda. The research applied multiple regressions model (Karadag, 2015). Results show

that there is a significant connection between micro credit, socio-economic characteristics, age of the business and business growth. It is recommended that there is need to establish an authority to address challenges affecting SMEs and formulate strategic plan on SMEs operations.

2.3.2 Information Communication Technology and Performance of Small and Medium-sized Enterprises

Clarke (2009) investigated ICT in Small and Medium-sized Enterprises. He found out that the inclusion of ICT into business operations of SMEs has an important technique to ensure growth, competitive advantage and survival of organizations. He noted that the SMEs that had adopted ICT in their operations have already witnessed its impact in the overall competitive position in whatever industry of operation. Modimogale and Kroeze (2011) investigated the role of ICT within SMEs in Gauteng, which is a Province in South Africa. They established that ICT greatly contributes to the economy and thus, it is important for SMEs to take part in the economy to compete and flourish in the future. They argued that the main problem is that SMEs still use traditional techniques to remain competitive. According to Modimogale and Kroeze (2011), SMEs should take advantage of the ICT power to take on the competition at whatever level. Both the traditional and ICT techniques are extremely vital for the organization's competitiveness. They followed a qualitative research method and used questionnaires in data collection. The reasons why SMEs may fail to implement ICT techniques according to the scholars are insufficient knowledge, insufficient tools, limited funds, and lack of skilled staff.

With the globalization era, almost every business has adopted the use of ICT in its operations. Globalization puts SMEs under considerable pressure and in order for them to remain competitive and survive, the adoption of ICT is necessary. Through the drastic

spread of ICT, markets across different regions of the world have become more integrated. Thus, one important question is whether the application of ICT in business operations can help businesses cope with the challenges that globalisation poses.

According to Piget & Kossai (2013), information asymmetries are among the main causes of high costs of transaction and uncertainties and thus, market failure. Reducing the information asymmetry results in the creation of new opportunities and hence enhances the effectiveness of resource allocation.

A study conducted by Mamman, Baydoun, Alharbi and Kanu (2015) in Tanzania revealed that regardless of its late start in 1994, the country has almost stopped the use of fax machines. The business entities that use various kinds of ICT rate their impact mostly positive. Computer applications' usage is leading and they have been identified as important tools in improving management efficiency, as well as, competitiveness by 88% and 76 per cent respectively. Moreover, cell phones are also a major contributor to regional market growth by most firms, followed by faxes and fixed phones (Mamman et al., 2015). For all sectors in both Kenya and Tanzania, the average size of business entities is generally larger for users of more developed ICTs. Also, the average years of schooling also increases with the application of advanced ICTs with only little variations between sectors.

A research conducted on the application of ICT by SMEs in Ogun State Nigeria by Apulu (2012) revealed that SMEs have evolved as opportunities to reduce and eliminate the rate of unemployment. Increasing the rates of technological development has changed the forces of business environments. SMEs in developing nations, however, are yet to wholly discover and enjoy the benefits offered by ICT. A survey was carried out in 75 SME that use ICT in Otta and Abeokuta through stratified random sampling method and structured

questionnaire. Regression analysis (data analysis technique) revealed that demographic variable considerably influences the use of ICT among SMEs whereas service delivery was not a contributing factor in the use of ICT.

The results of the research has implications for SME owners, the stakeholders, academic researchers, and the government in developing nations as it can offer patterns to aid in bridging the gap among SMEs in Nigeria (Apulu, 2012).

2.3.3 Customer Service and Performance of Small and Medium-sized Enterprises

Albro (2011) recognized trust as an important component in developing and maintaining the association between buyers and sellers. Trust can be created through proactive resolution of conflicts and complaints, effective communication, as well as, ensuring reliability and integrity. Relationship marketing attempts to create and reinforce the relation between a firm and its consumers through developing a long term bond with them. The overall goal is to improve long term sales although it also helps service and product repositioning and grasp consumers from rival companies (Gallagher & Rozner, 2008). The supreme aim of relationship marketing is to create, maintain, and develop the relationship with consumers, which are beneficial. Therefore, it is essential for relationship managers to examine the best relation that is worth the time and effort, although how to establish the best relation is the hardest thing.

Comprehending the nature of services that a business offers to consumers allows for an appreciation of how the consumers see the services offered. In their study, Gichohi, Onyancha and Dulle (2017) established that in any client service interaction, consumers' perception is essential to one's capacity to ensure that they get satisfaction beyond what they expect. This, according to the authors helps to give consumers unique services and meets numerous consumer needs.

Gichohi et al. (2017) established that the demand for services by customers and expectations of consumers have increased substantially. As clients are more enlightened, they demand new products, more responsive services, and better delivery. Consequently, in order to increase competitiveness, “mtaani” agents should comprehend consumer expectations and needs and fulfill them through the provision of excellent services.

Wamuyu (2015) noted that in Kenya, SMEs business model is built around customer focus. SMEs have adopted an open-door and technological customer feedback approach where its senior personnel are readily available to its clients. There exists a customer care help desk that works round the clock. SMEs have helped their agents in creating a satisfying work environment through the development of an organisational architect that inspires its personnel even at branch level and virtual support to its customers through automatically coded responses to some of the standard queries (Wamuyu, 2015). This step not only ensures job satisfaction but it also creates consumer contentment because of quick decision making process. The mobile services provider have recently introduced the use of till number to businesses as a way of increasing money transaction without petty cash handling, which in turn has improved the SMEs profitability.

An assessment of the application of customer service in SMEs in the WA Municipality, Ghana by Mensah (2014) revealed that the consumer role has been identified as a prime role in the organizations. Because of stiff competition among firms, marketing managers employ numerous consumer service activities developed to ensure their services or products meet consumer expectations (Mensah, 2014). The SME sector dominates the economic operations of the WA Municipality with stiff rivalry among firms. However,

there has been a lack of research over the years on the application of quality consumer services.

This study sought to contribute in filling the lacuna in literature on how SMEs offer services with consumer service practices in the WA Municipality. The survey was carried out on 83 managers of SMEs chosen randomly in the WA Municipality. The analysis of results was done using descriptive statistics and nonparametric (Kendall's Coefficient of Concordance Test) statistical procedures. It was observed that firms shared mixed characteristics in that they find good communication and consumer service that match with deliveries vital in their business achievement. The findings indicated that firms, however, lack application of appropriate SMPs of ensuring quality consumer service delivery.

It was observed from the survey that business owners and managers have now recognized the role of customer service in their enterprise development. Results of firms' application of some customer care services. From the table, about 48.2 per cent of the sampled respondents consider the essence of quality customer service as very important and 44.6 per cent of them consider it as important. However, only small proportion (4.8 per cent) of the respondents considers customer care as just normal in their business activities. Only 2.4 per cent of the sample respondents consider customer care service as unimportant to the success of their business. The results imply that at least, 92.8 per cent of the respondents have acknowledged the essence of customer care service in their business activities. The results are similar to Mageto et al. (2018) argument that many organisations across the globe now place increasing emphasis on excellent customer service as a way of creating customer loyalty and developing a sustainable competitive advantage.

Studies by Njau and Karugu (2014) reveal that a key reason for the success of businesses is the ability of their managers to concentrate on quality service delivery to customers. Consistent with this proposition, this study found out that management application of customer care services in the WA Municipality is in the area of researching into customers to tailor their service, communicating and delivering service as promised, empowering and motivating employees to deliver quality service, training employees to gain requisite skills and knowledge in service delivery and Setting service standards based on customer perception. A Likert scale of strongly disagree, agree, neutral, disagree and strongly disagree was used to assess firms' application of management practices towards ensuring quality service delivery. However, management application of these services was observed to be weak.

2.4 Summary of Literature and Research Gaps

This section presents summary of literature in terms of theoretical review and empirical review. Research gaps emerging from literature are also summarized.

Table 2.1: Summary of Literature and Research Gaps

Literature Review	Summary of Literature	Research Gap
Theoretical Literature Review	Resource Based Theory- It states that a firm will have a high chance of succeeding if it has the most appropriate and the best stock of resources that are relevant for its strategy and business. Thus, strategic management practices will depend on the resources of the firm.	It leaves out the smaller firms that may lack the 'necessary resources' to indulge in strategic management practices.
Empirical Literature Review	The literature review mainly focuses on the strategic management practices adopted by various SMEs, and their influence on the general performance of the firms. Three aspects including service delivery, ICT adoption, and customer service and their effect on the performance of SMEs have been analysed.	It is not clear how performance is improved in terms of finance, market, and stakeholder returns as the major aspects of measuring performance as proposed by Richard, Devinney, Yip & Johnson (2008). The concept of cash flow management by SMEs is not addressed. Most of SMEs are now finding themselves in a financial cash flow management difficulty when they are not able to pay for deliverables.

Source: Author (2018)

2.5 Conceptual Framework

The conceptual framework illustrates the link between study variables. In this study, the independent variables were strategic management practices: services delivery, ICT and customer service while the dependent variable was performance of SMEs. Figure 2.1 present the conceptual framework.

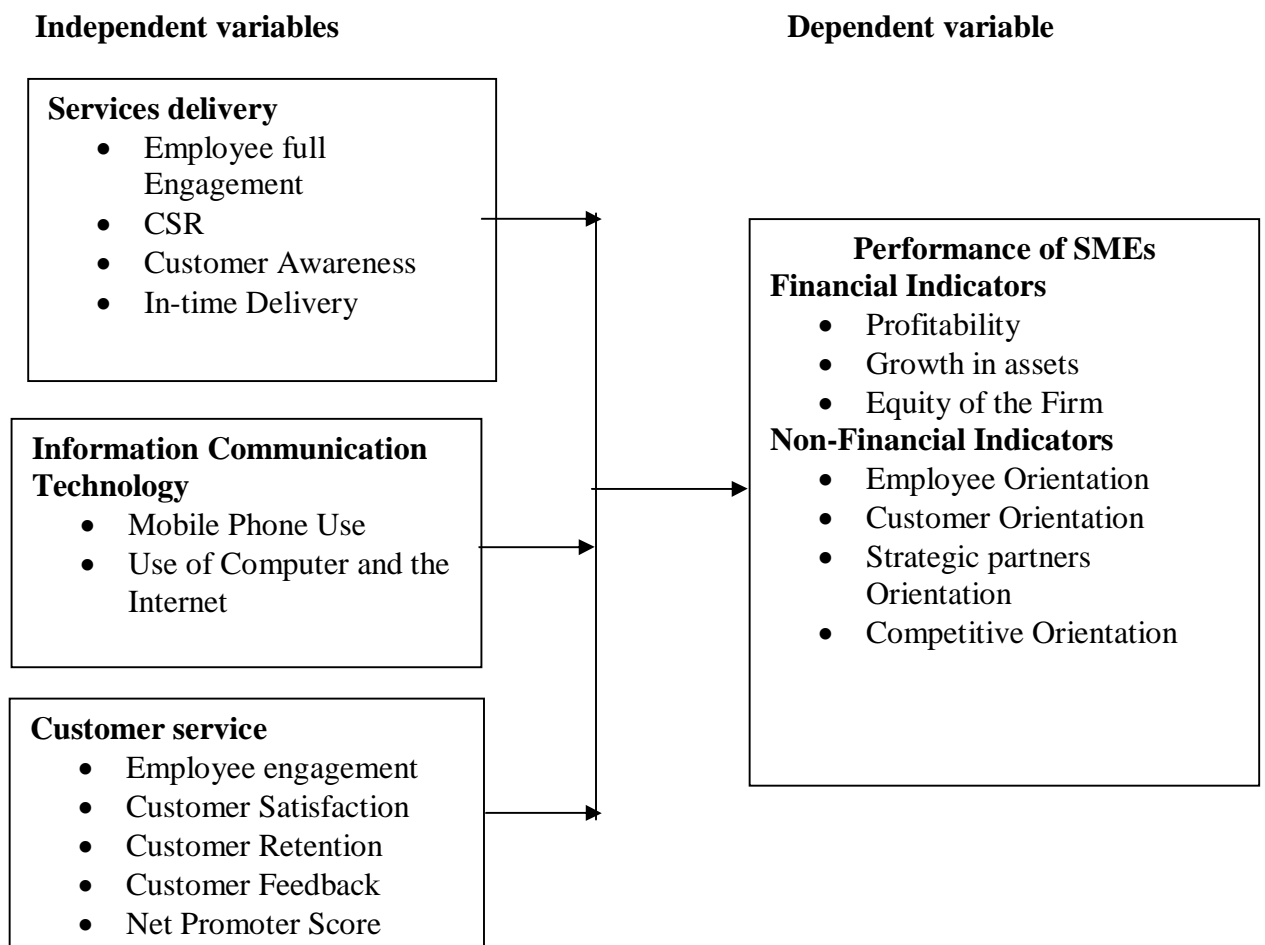


Figure 2.1 Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter discussed the study methodology that the researcher adopted in undertaking the research. It presents the study design, target population, sample size and how it was arrived at, the sampling procedure, data gathering tool and procedure, validity and reliability, analysis of data and presentation and finally highlighted the ethical issues.

3.2 Research Design

This study adopted a descriptive research technique as the study was exploratory in nature. According to Kothari (2005), a descriptive design describes, analyses, and interprets conditions, which either existed or exist. This technique was considered appropriate since the researcher gathered detailed information through descriptions and was beneficial for establishing assumed constructs and variables. It was fitting and imperative to use data where subjects are observed in their natural environment without influencing it and when gathering information about people's opinions and perceptions (Mugenda & Mugenda, 2003). Therefore, it was an efficient way to use to gather information needed to explain the attitudes, views opinions of the respondents on the evaluation of SMP on the performance of SMEs in Kitui.

3.3 Target Population

Target population refers to the specific population about which information is desired. Kothari (2005) describes a population as a well-defined set of people, elements, events, services and groups of families or things which are being investigated. This description ensures that the population desired is uniform. Population researches are more representative since everyone has an equal opportunity to be part of the final sample which is drawn (Mugenda & Mugenda, 2003). The target population for the study was 442 SMEs in Kitui Town who had the appropriate structures to implement strategic management practices. For the purpose of this research, the target population were the SMEs in Kitui Town. These were the entrepreneurs, who were able to give answers to the research questions.

Table: 3.1 Target Population

Activity	Population	Percent
Catering and Accommodation	145	32.81
General Trade, Wholesale, Retail Stores	118	26.70
Professional, Financial and Technical Services	112	25.34
Private Education and Health Services	29	6.56
Industrial Plans, Factories, Workshops and Contractors	27	6.11
Transport, Storage and Communication	11	2.19
TOTAL	442	100

Source: Ministry of Trade, County Government of Kitui (2018).

3.4 Sampling Procedure

3.4.1 Sampling Frame

It is defined as items within a population from which a sample is derived. The sampling frame for this study were the owners of SMEs in Kitui Town. A sample frame is important so that each individual in the population is recognized and has an equal chance to be included in the study (Scruggs & Mastropieri, 2006).

3.4.2 Sampling Technique

In order to attain the desired homogenous grouping, probability sampling method was used as it allowed for some kind of random selection (Bhattacharya, 2006). As the sample was drawn from 442 SMEs in Kitui Town with appropriate structures for the adoption and implementation of strategic management practices, it was important to use a method that allowed the researcher to choose the business owners involved. The study used Stratified random technique in selecting the entrepreneurs as it reduced probabilities of bias and elements had the same chance of being chosen.

3.4.3 Sample Size

A sample size is a small group that is obtained from the entire population. Mugenda and Mugenda (2003) recommended that a sample of at least 10 per cent of the total population be used as a representation for accurate and true data. For this study, a sample of 25 per cent of the target population was used. Thus, 111 respondents constituted the sample from the 442-target population as shown in Table 3.2.

Table: 3.2 Sample size

Business Activity	Population	Sample Ratio	Sample
Accommodation and Catering	145	0.25	36
General Trade, Wholesale, Retail Stores	118	0.25	30
Professional, Financial and Technological Services	112	0.25	28
Private Education and Health Services	29	0.25	7
Industrial Plans, Factories, Workshops and Contractors	27	0.25	7
Transport, Storage and Communication	11	0.25	3
TOTAL	442		111

Source: Researcher 2018

3.5 Data Collection Instruments

This research gathered primary data using semi-structured questionnaires. This was because such ensure privacy of the responses and records a high level of responses. The researcher ensured that the respondent answered the questions at their own convenient time. This was important in determining the attitudes, opinions, perceptions, and preferences of the target population in the study. Both structured and unstructured and Likert-type questions were used. Due to financial and time constraints, structured questions were used and helped in easier analysis whereas the unstructured questions were used to make respondents open minded and offer detailed information.

In order to ensure respondents shared relevant information, the questionnaires were structured to include open and closed questions. For closed-ended questions, a Five-point

scale was used: to no degree (1), little degree (2); moderate degree (3); to a degree (4); and to very great degree (5). The questionnaire was divided into two sections. The first section covered demographic information while the second section was on study variables.

3.6 Data Collection Procedure

The researcher carried an introduction letter from the university in order to assure the respondents that the information they gave was handled with highest level of confidentiality and it was purely used for the purposes of research. Existing networks was aided in encouraging targeted respondents to complete the questionnaires and return them in good time in order to ensure a high rate of response. The researcher also encouraged them to take part without holding any relevant information. The instruments were issued using a drop and pick later method. Further follow up was done through telephone and emails.

3.7 Validity and Reliability

According to Kuada (2012), validity entails how correctly the data gathered reflects the study variables. Reliability is the extent to which a research tool or instruments yields consistent data or results after repeated trials. There are various methods of assessing validity and reliability according to Kuada (2012). In this study, several methods were adopted.

3.7.1 Validity of Research Instrument

Validity establishes the extent to which the explanation of a test's results are actual and warranted and this was dependent on the specific use the test is planned to serve. Also, it is the extent to which a study tool estimates what it purports to estimate. It necessitates that an instrument should be reliable (Kuada, 2012). To assure validity, the research supervisor went through the questionnaire and made suggestions which the researcher adopted.

3.7.2 Reliability of Research Instrument

A pilot study was conducted by administering 11 questionnaires. According to William, Gunasekaran and Mcgaughy (2011), 5 to 10% of the sample size is adequate for pilot. This study piloted 10% of the sample size. Respondents who participated in the pilot were not included in the main study. Pilot studies help the researcher to make any corrections that arise from the research instruments to ensure that they measure what was intended (Kuada, 2012). After the pre-test, the researcher then proceeded to carry out the actual data collection. The common measure of reliability is internal consistency, and for this study, Cronbach's Alpha was adopted. This method measured internal consistency of a number or related items. Particularly, Cronbach's Alpha summarizes the degree to which various items of the study are interrelated. The measure has coefficient of 0 to 1 and a value of less than 0.7 is usually an indicator of unacceptable internal consistency. According to Nguyen (2010), Alpha value offers a good estimate of consistency and values between 0.7 and 1 are considered reliable whereas between 0.5 and 0.8 are acceptable and those below 0.5 are unacceptable as they are considered less reliable. In this study, all the variable items were found to have alpha values greater than 0.7 and therefore were reliable.

3.8 Data Analysis and Presentation

The collected data was analyzed using SPSS version 20.0. Descriptive statistics (frequencies, percentages, means and standard deviations) were used to explain the attributes of the research concepts. On the other hand, inferential statistics (Pearson correlation and regression analysis) were used to test the relationship between independent and dependent variables. The findings were presented using tables and figures. In addition, qualitative data was analyzed using thematic analysis that involved grouping the responses into key themes and presented in prose form.

A multiple regression model was estimated as follows:

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

Where:

Y = Performance of SMEs

$\beta_0, \beta_1, \beta_2$ and β_3 = Beta coefficients

X_1 = Services Delivery

X_2 = Information Communication Technology

X_3 = Customer Service

ε = Error term

3.9 Ethical considerations

The researcher made sure that the data gathered is treated with the highest level of confidentiality. The research questionnaire did not require the respondent to indicate his or her identity. The intention of the study were made clear to the respondents. The researcher exercised courtesy and respect towards the respondents.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter provided the analysis of data, findings and explanation of the results. The discussion was under specific themes that were aligned to the study objectives.

4.2 Pilot Results

4.2.1 Reliability Results

So as to check on the internal consistency, the study applied reliability analysis. The Cronbach's Alpha was used for this case as it is deemed a more precise measure of internal consistency, the test shows the association among items in a test and to the total coherence of data where the higher the coefficient tabulated, the more the reliable the test is. This is between the threshold coefficient of 0 and 1.00.

Table 4.1: Reliability Results

Variables	Cronbach's Alpha	Number of items	Remark/Comment
Services delivery	0.849	4	Reliable
ICT	0.881	2	Reliable
Customer service	0.854	5	Reliable
Performance	0.803	13	Reliable
Overall Reliability index	0.8478	24	Reliable

Source: Pilot Data (2019)

The results in Table 4.1 revealed that the Cronbach's Alpha of the variables was reliable in testing the questionnaires. Services delivery had a Cronbach's Alpha of 0.849 while ICT and customer service indicated values of 0.881 and 0.854 respectively. Performance also indicated an alpha of 0.803. The overall reliability index was 0.8478, thus all the values were found to be above 0.7 an indication that the questionnaire was internally consistent and fit to carry out the intended research.

4.3 Response Rate

This is the result as determined by the respondents' cooperation in giving their view on the asked question that were reflected under different themes. As it turned out the response rate saw 91.9% of the questionnaires properly filled and this was a high return rate.

Table 4.2: Response Rate

Response	Frequency	Percentage
Returned	102	91.9%
Unreturned	9	8.1%
Total	111	100%

Source: Research Data (2019)

Out of the 111 questionnaires administered, 102 were properly filled and returned. This represented 91.89% response rate, which was adequate. A return rate of above 50% is adequate for a descriptive study (Allen, 2016).

4.4 Demographic Information

4.4.1 Respondents' Age

The respondents were asked to state their age and results presented in Table 4.3.

Table 4.3 Age of the respondents

Years	Frequency	Percent
25 – 34	23	22.5
35 – 44	38	37.3
45 – 54	21	20.6
55 & Above	20	19.6
Total	102	100

Source: Research Data (2019)

The above results indicate that a large part (59.8%) of the participants were between the age of 25 and 44 years, 20.6% of them were between 45 and 54 years while 19.6% of the respondents were 5 years and above.

4.4.2 Education Level

The Figure 4.1 presents the education of the respondents.

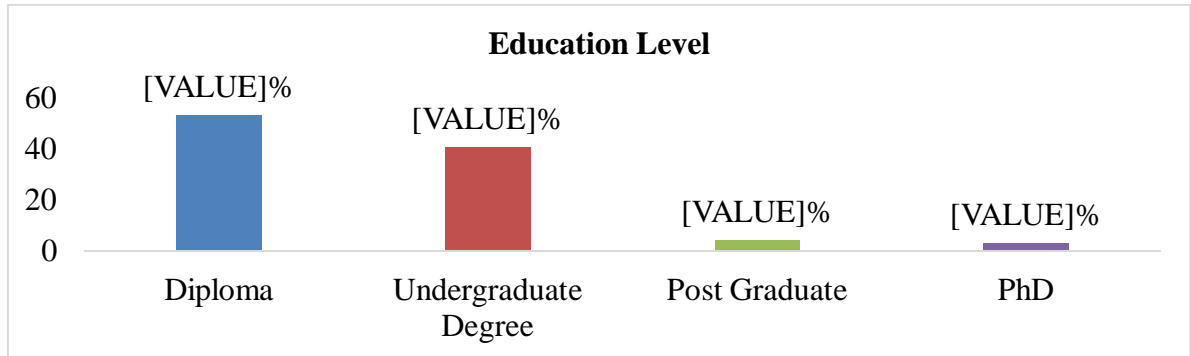


Figure 4.1: Level of Education

Source: Research Data (2019)

The findings revealed that most of the participants (52.9%) had attained a diploma in their scholarly education. In addition, 40.2% of them indicated that they had an undergraduate degree, 3.9% indicated that they had a post graduate degree while 2.9% of them had a doctorate degree. This shows that majority of the entrepreneurs in Kitui Town are diploma and undergraduate degree holders.

4.4.3 Years of Operation

The respondents were asked to indicate the number or years their company had been running. Results are shown in Table 4.4.

Table 4.4: Years of Operation

Years	Frequency	Percent
0 – 5	26	25.5
6 – 10	45	44.1
11 – 15	26	25.5
16 – 20	5	4.9
Total	102	100

Source: Research Data (2019)

More than half of the participants (69.6%) noted that their company had operated for a period up to 10 years. 25.5% of them have operated their business for a period between 11 and 25 years while 4.9% of them have been in operation for over 20 years. This is an indication of the short life of SMEs in Kitui town which do not last a decade or more.

4.4.5 Size of the Firm

Figure 4.2 presents the results of the respondents.

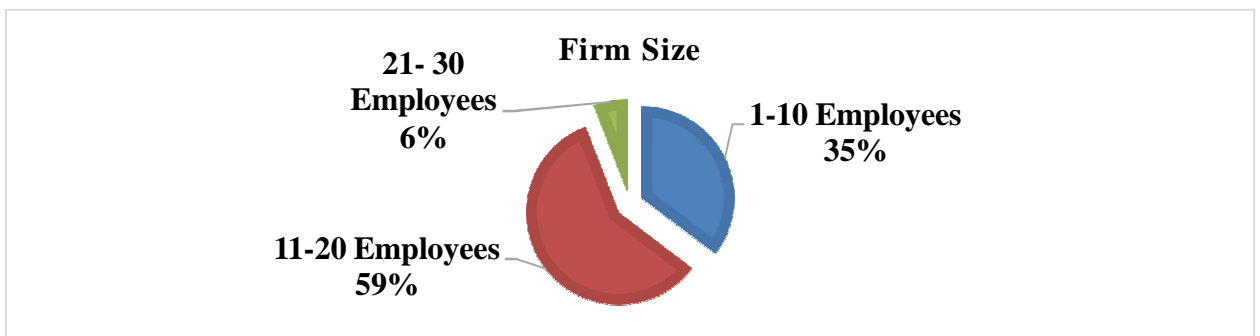


Figure 4.2: Firm size

Source: Research Data (2019)

The findings above revealed that most of the businesses in Kitui Town have a capacity of 11 to 20 employees, 35% of them have a capacity of between 1 and 10 employees while 6% of them had a capacity of 21-30 employees. This indicates that SMEs in Kitui Town are not large enough to enjoy the benefits of economies of scale as in the case of large firms.

4.5 Descriptive Statistics

4.5.1 Adoption of strategic policies or practices

Table 4.5 presents the strategic policies or practices applied by the respondents.

Table 4.5: Strategic Policies or Practices

Responses	Frequency	Percent
Yes	102	100%
Total	102	100

Source: Research Data (2019)

Results indicated that all SMEs in Kitui Town have adopted strategic policies or practices in their business operation. The participants were requested to indicate the challenges faced in the implementation of strategic management practices in their organization. These were some of their responses from majority of them: *inadequate capital and the required resources, government stringent regulations and high taxes and fluctuation in market demand.*

4.5.2 Influence of External Variables

The table below presents the degree which the following external variables influenced the business adoption of new organizational strategies.

Table 4.6: External Variables

Statement	To degree	no degree	Little degree	Moder	To a great	To a very	Mean	Std Dev
				ate degree	degree	great degree		
Social	13.73	30.39	18.63	17.65	19.61	2.99	1.35	
Economic	0.00	0.00	35.29	32.35	32.35	3.97	0.83	
Political	0.00	8.82	16.67	36.27	38.24	4.04	0.95	
Environment	1.96	14.71	22.55	26.47	34.31	3.76	1.14	
Technology	0.00	8.82	22.55	28.43	40.2	4.00	1.00	
Competition	0.00	11.76	26.47	30.39	31.37	3.81	1.01	
Average						3.72	1.05	

Source: Research Data (2019)

The findings revealed that 44.12% of the respondents indicated that social factors had little influence on their business adoption of new organizational strategies, 64.7% noted that economic aspects influenced their business use of new organizational strategies to a great degree, 74.51% noted that political factors influenced to a great degree their business use of new organizational strategies, 60.78% noted that environmental factors influenced their business adoption of new organizational strategies to a great degree, 68.63% noted that Technology and Information Systems influenced their implementation of new organizational strategies to a large degree and 61.76% cited that competition had an

influence in their business implementation of new organizational strategies to a large degree.

Generally, the responses presented a mean of 3.72 implying that most of the participants were in agreement with most of the statements, with a variation from the mean of 1.05.

The participants were further requested to indicate the internal factors that have influenced their company's adoption of new strategies. They mostly indicated the following: *skills of the entrepreneurs, size of the enterprise, management and personnel interpersonal relationship.*

4.5.3 Strategic Management Policies and Practices

The results in Table 4.7 show the degree to which small businesses in Kitui town apply various SMP.

Table 4.7: Strategic Management Policies and Practices

Statement	To no degree	Little degree	Moderate degree	To a great degree	To a very great degree	Mean	Std Dev
Market Strategy	0.00	0.00	46.08	44.12	9.80	3.64	0.66
Ethical Labour Relations	0.00	50.98	40.2	8.82	0.00	2.58	0.65
Service Delivery	0.00	0.00	25.49	51.96	22.55	3.97	0.70
Customer Differentiation	2.94	53.92	41.18	1.96	0.00	2.42	0.59
Product Pricing	0.00	0.00	35.29	37.25	27.45	3.92	0.79
Cost Control	0.00	0.00	37.25	33.33	29.41	3.92	0.82
Customer Service	0.00	0.00	13.73	40.20	46.08	4.32	0.71
Product and Service Innovations	0.00	5.88	33.33	32.35	28.43	3.83	0.91
Quality of the Product	0.00	0.00	20.59	37.25	42.16	4.22	0.77
Information and Communications Technology (ICT)	5.88	7.84	33.33	20.59	32.35	3.66	1.18
General Advertising	0.00	0.00	31.37	39.22	29.41	3.98	0.78
Products Reputation	0.00	5.88	28.43	43.14	22.55	3.82	0.85
Average						3.69	0.78

Source: Research Data (2019)

The findings revealed that 53.9% of the participants noted that their companies had adopted marketing strategy to a great degree. The respondents generally agreed with the statement ($M=3.64$, $SD=1.66$). The table however, revealed by majority of the respondents (50.98%) that their organization had adopted ethical labour relations to a little degree. The respondents generally disagreed with the statement ($M=2.58$, $SD=0.65$).

74.51% of the respondents indicated that their companies had embraced ethical service delivery to a great degree. The respondents generally agreed with the statement ($M=3.97$, $SD=0.70$). Customer Differentiation, however, as indicated by majority of the respondents (56.86%), was found to have been adopted to a little degree. The respondents generally disagreed with the statement ($M=2.42$, $SD=0.59$).

Further, 64.7% of the participants revealed that their organization had embraced to a great degree the use of product pricing. The respondents generally agreed with the statement ($M=3.92$, $SD=0.79$). Most of the respondents (62.74%) likewise noted that they had embraced the use of cost control to a great degree. The respondents generally agreed with the statement ($M=3.92$, $SD=0.82$).

Customer Service as indicated by majority of the respondents (86.28%), was found to have been adopted by the organization likewise to a great degree. The respondents generally agreed with the statement ($M=4.32$, $SD=0.71$). Most of the respondents (60.78%) likewise observed that they had embraced product and service innovations to a great degree. The respondents generally agreed with the statement ($M=3.83$, $SD=0.91$).

Most of the respondents (74.91%) likewise indicated that their organization had adopted Quality of the Product to a great degree. The respondents generally agreed with the statement ($M=4.22$, $SD=0.77$), 52.94% of the respondents indicated that their organization had adopted Information and Communications Technology (ICT) to a great degree. The respondents generally agreed with the statement ($M=3.66$, $SD=1.18$).

General Advertising as indicated by majority of the respondents (68.63%), was found to have been adopted by the organization likewise to a great degree. The respondents generally agreed with the statement ($M=3.98$, $SD=0.78$). Majority of the participants (65.69%) indicated that SMEs use products reputation to a great degree. The respondents generally agreed with the statement ($M=3.82$, $SD=0.85$).

On average, the responses presented a mean of 3.69 implying that most of the participants were in agreement with the statements with the responses varied at 0.78 from the mean.

These findings resonated with Witcher and Chau (2010) who proposed that a better performing firm may have a competitive edge and a better market position than its competitors. They also hold that firms need to have exclusive core competencies and capabilities to gain and sustain a competitive advantage.

4.5.4 Service Delivery

The table below presents result on service delivery by small businesses in Kitui town.

Table 4.8: Service Delivery

Statement	Moderate					Mean	Std Dev
	To no degree	Little degree	te degree	To a great degree	To a very great degree		
Employee full							
Engagement	0.00	0.00	30.39	34.31	35.29	4.05	0.81
Corporate							
social							
Responsibility	0.00	12.75	47.06	19.61	20.59	3.48	0.96
Customer							
Awareness	0.00	0.00	26.47	43.14	30.39	4.04	0.76
In-time							
Delivery	0.00	0.00	24.51	38.24	37.25	4.13	0.78
Average						3.93	0.83

Source: Research Data (2019)

Based on in Table 4.8 results, a large part of the respondents (69.6%) indicated that their business entity had adopted employee full engagement to a large degree, 47.6% cited adoption of corporate social responsibility to a moderate degree, 73.53% noted adoption of customer awareness to a great degree while 75.49% noted adoption of in-time delivery to a great degree.

The overall mean of 3.93 imply that most of the participants were in agreement with the statements with a 0.83 variation from the mean. These results agreed with Mwangi and Brown (2015) as well as Laforet and Li (2005) established that perceived risk was the most important factor preventing the use of mobile banking. The results were also in agreement with Valtakoski and Witell (2018) who proved that perceived credibility considerably affected human intention to use mobile banking

4.5.5 Information and Communication Technology

The table below presents result on ICT adoption by small businesses in Kitui town.

Table 4.9: ICT

Statement	To no	Little	Moderate	To a	To a very	Mea	Std
	degree	degree	degree	great	great		
Mobile Phone							
Use	0.00	0.00	21.57	39.22	39.22	4.18	0.76
Use of							
Computer and							
the Internet	0.00	0.00	18.63	37.25	44.12	4.25	0.75
Average						4.22	0.76

Source: Research Data (2019)

Based on results Table 4.9, majority of the respondents (78.44%) indicated that small businesses have embraced mobile phone use to a great degree. Further, 81.37% of the respondents indicated that their organization had adopted use of computer and the internet to a great degree. A mean of 4.22 showed that most of the participants were in agreement with the statements with responses varied at 0.76 from the mean.

These results resonated with those of Clarke (2009) who found that the inclusion of ICT into business operations of SMEs has an important technique to ensure growth, competitive advantage and survival of organizations. In extension, they correlated with the findings by Modimogale and Kroeze (2011) who encouraged that business should utilize technology for competitiveness.

4.5.6 Customer Service Practices

The Table below presents the extent to which the SMEs have adopted the following customer service practices to attain a competitive advantage.

Table 4.10: Customer Service Practices

Statement	To no degree	Little degree	Moderate degree	To a		Mean	Std Dev
				great degree	To a very great degree		
Employee engagement	0.00	0.00	23.53	32.35	44.12	4.21	0.8
Customer Satisfaction	0.00	0.00	25.49	32.35	42.16	4.17	0.81
Customer Retention	0.00	0.00	21.57	43.14	35.29	4.14	0.75
Customer Feedback	0.00	0.00	29.41	33.33	37.25	4.08	0.82
Net Promoter Score	0.00	0.00	50	27.45	22.55	3.73	0.81
Average						4.07	0.80

Source: Research Data (2019)

Results in Table 4.10 indicate that majority of the participants (76.47%) noted that their organization had adopted employee engagement as a customer service practice to a great degree, 74.51% indicated that their organization had adopted customer satisfaction as a customer service practice to a great degree, 78.43% indicated that their organization had adopted customer satisfaction as a customer retention practice to a great degree, 70.58% indicated that they use feedback as a client retention practice to a great degree and 50% noted that their organization had adopted Net Promoter Score as a customer retention practice to a great degree.

The overall mean of 4.07 imply that most of the participants were in agreement with the statements with responses varying from the mean by 0.8. These findings were in agreement with Albro (2011) who recognized that trust is an important component in developing and maintaining the association between buyers and sellers which can be created through proactive resolution of conflicts and complaints, effective communication, as well as, ensuring reliability and integrity.

4.5.7 Performance of SMEs

The Table below presents the performance scores of the SMEs on the basis of Financial Indicators.

Table 4.11: Financial Indicators

Financial Indicators	To no degree	Little degree	Moderate degree	To a great degree	To a very great degree		
					Mea n	Std Dev	
Profitability	0.00	6.86	23.53	33.33	36.27	3.99	0.94
Growth	0.00	5.88	30.39	35.29	28.43	3.86	0.90
Efficiency	0.00	9.8	21.57	33.33	35.29	3.94	0.98
Revenue	0.00	5.88	25.49	33.33	35.29	3.98	0.92
Equity of the Firm	0.00	7.84	27.45	27.45	37.25	3.94	0.98
Average						3.94	0.94

Source: Research Data (2019)

Table 4.11 present the results of the financial indicators. Majority of the respondents (69.6%) indicated that the use of SMPs has improved profitability to a great degree, 63.72% noted that it has improved growth to a great degree, 68.62% cited it has improved efficiency to a great degree, 68.62% noted that it has improved revenue to a great degree while 64.7% indicated that it has improved equity of the firm to a great degree.

The overall mean of 3.94 indicate that most of the participants were in agreement with the statements with responses varying from the mean as revealed by a standard deviation of 0.94.

Further, Table 4.12 presents the performance scores of the SMEs on the basis of non-financial indicators.

Table 4.12: Non-Financial Indicators

Non-Financial Indicators	To no degree	Little degree	Moderate degree	To a great degree	To a very great degree	Mean	Std Dev
Employee							
Orientation	0.00	0.00	18.63	44.12	37.25	4.19	0.73
Customer							
Orientation	0.00	0.00	26.47	40.2	33.33	4.07	0.77
Strategic partners							
Orientation	0.00	9.80	33.33	23.53	33.33	3.80	1.02
Competitive							
Orientation	0.00	8.82	27.45	28.43	35.29	3.90	0.99
Average						3.99	0.88

Source: Research Data (2019)

The findings above reveal that majority of the respondents (81.37%) noted that the adoption of strategic management practices has improved employee orientation to a great degree, 73.53% indicated that the adoption of strategic management practices has improved customer orientation to a great degree, 56.86% indicated that the adoption of strategic management practices has improved strategic partners orientation to a great degree while 63.72% noted that the adoption of strategic management practices has improved competitive orientation to a great degree.

An overall mean of 3.99 imply that most of the participants were in agreement with the statements with responses varying from the mean as shown by a standard deviation of 0.88.

4.5.8 Strategic Management Statements

The Table below presents the Strategic Management Statements adopted by the SMEs in Kitui County.

Table 4.13: Strategic Management Statements

Statement	strongly disagree	Disagree	Neutral	Agree	Strongly agree	M	Std Dev
Strategy management affects the performance of the company	0.00	0.00	31.37	33.33	35.29	4.04	0.82
The company does the external analysis and internal analysis to know the strategies to adopt	0.00	0.00	27.45	34.31	38.24	4.11	0.81
Our company adopts new strategies to achieve competitive advantage	0.00	0.00	19.61	41.18	39.22	4.20	0.75
Internal factors affect the company's strategic decision making	0.00	0.00	18.63	41.18	40.2	4.22	0.74
External factors affect the company's strategic decision making	0.00	0.00	22.55	36.27	41.18	4.19	0.78
Average						4.15	0.78

Source: Research Data (2019)

The findings in Table 4.13 indicated that most of the respondents (68.2%) agreed with the statement that strategy management affects the performance of the company, 72.55% agreed that the company does the external analysis and internal analysis to know the strategies to adopt, 80.4% agreed that their company adopts new strategies to achieve competitive advantage, 81.38% noted that internal factors affect the company’s strategic decision making while 77.45% agreed that external factors affect the company’s strategic decision making. The overall mean of 4.15 imply that most of the participants agreed with the statements with responses varying from the mean as shown by standard deviation of 0.78.

Table 4.14: Business Performance influence

Statement	To no degree	Little degree	Moderate degree	To a	To a very	Mean	Std Dev
				great degree	great degree		
Business Performance influence	0.00	0.00	24.51	43.14	32.35	4.08	0.75

Source: Research Data (2019)

The findings above indicated that most of the participants (75.49%) noted that strategic policies/practices influence had little effect on performance of small and medium-sized enterprises.

4.6 Inferential Analysis

Inferential statistics makes the inferences/implications of the data in the study that is, generalization about the population based on the samples.

4.6.1 Correlation Analysis

The Pearson correlation coefficient was used. It measures the strength of two variables that in a linear association, with a denotation of r . The denotation of r , is estimated using a threshold of +1 to -1. The association when a value is above 0 means the value of the other variable in linear comparison increase with a positive value, when the value is below 0 this shows that there is a negative association and the linear relation decreases on the same line. Results are presented in Table 4.15.

Table 4.15: Correlational Analysis

Variables		Performance	Service Delivery	ICT	Customer Service
Performance	Pearson				
	Correlation	1			
	Sig. (2-tailed)				
Service Delivery	Pearson				
	Correlation	.512**	1		
	Sig. (2-tailed)	0.000			
ICT	Pearson				
	Correlation	.613**	.402**	1	
	Sig. (2-tailed)	0.000	0.000		
Customer Service	Pearson			.436*	
	Correlation	.651**	.261**	*	1
	Sig. (2-tailed)	0.000	0.008	0.000	

Source: Research Data (2019)

The study revealed a positive and significant association between service delivery and performance of small and medium-sized enterprises ($r = 0.512$, $p = 0.000$). This means that both service delivery and firm performance change in the same direction. These findings were in agreement with those of Karadag (2015) whose findings revealed that, there is a positive relationship between micro credit and the growth of SMEs business capital and stock accumulation. The results were also in agreement with Valtakoski and Witell (2018) who proved that perceived credibility considerably affected human intention to use mobile banking.

Information and Communication Technology was also found to correlate positively and significantly with performance of small and medium-sized enterprises ($r = 0.613$, $p = 0.000$). This means that ICT and firm performance change in the same direction. These results resonated with those of Clarke (2009) who found that the inclusion of ICT into business operations of SMEs has an important technique to ensure growth, competitive advantage and survival of organizations.

Furthermore, customer service and performance of small and medium-sized enterprises were found to positively and performance of small and medium-sized enterprises significantly relate to each other ($r=0.651$, $p=0.000$). This means that customer service and firm performance change in the same direction. These findings were consistent with Gichohi, Onyancha and Dulle (2017) whose findings revealed that in any client service interaction, consumers' perception is essential to one's capacity to ensure that they get satisfaction beyond what they expect. This helps to give consumers unique services and meets numerous consumer needs

4.6.2 Regression Analysis

Regression presents a model to devise a relationship between two sets of variables. It is expressed as linear regression equation that can be applied to predict the relationship between the dependent variable with the independent variables.

Table 4.16: Model of Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787a	0.619	0.607	0.1488

Source: Research Data (2019)

Table 4.16 presents the model of fitness results. The adjusted R square of 0.607 indicated that service delivery, ICT and customer service explain 61% of the total differences in the dependent variable of the study (performance of SMEs).

Table 4.17: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.528	3	1.176	53.085	.000b
	Residual	2.171	98	0.022		
	Total	5.7	101			

Source: Research Data (2019)

The ANOVA results presented in Table 4.17 indicate that the overall model was significant. The study variables indicated by service delivery, ICT and customer service were good determinants of the dependent variable that is, performance of small and

medium-sized enterprises. This was supported by F statistic of 53.085 with a p value of $0.000 < 0.05$.

Table 4.18: Regression of Coefficients

	β	Std. Error	t	Sig.
(Constant)	1.095	0.238	4.596	0.000
Service Delivery	0.192	0.048	3.966	0.000
ICT	0.191	0.045	4.218	0.000
Customer Service	0.359	0.056	6.395	0.000

Source: Research Data (2019)

Table 4.18 presented the results of the regression coefficients. Running an overall regression of coefficients establishes the independent contribution of each variable to the dependent variable.

It was observed that Service Delivery and performance of small and medium-sized enterprises were positively and significantly related ($\beta=0.192$, $p=0.000$). The p value was measured at 0.05 significance level and thus Service Delivery $p=0.000$ was found to be significant. This means that an increase in 1 unit of service delivery improves performance of small and medium-sized enterprises by 0.192 units.

These findings were in agreement with those of Karadag (2015) whose findings revealed that, there is a positive correlation between micro credit and the development of SMEs business capital and stock accumulation. The results were also in agreement with Valtakoski and Witell (2018) who proved that perceived credibility considerably affected human intention to use mobile banking.

Information and Communication Technology was likewise found to relate positively and significantly to performance of small and medium-sized enterprises ($\beta=0.191$, $p=0.000$). The p value was measured at 0.05 significance level and thus ICT $p=0.000$ was found to be significant. This means that an increase in 1 unit of ICT improves performance of small and medium-sized enterprises by 0.191 units.

These findings were in agreement with those of Mamman, Baydoun, Alharbi and Kanu (2015) who revealed that the business entities that use various kinds of ICT rate their impact mostly positive. Computer applications' usage is leading and they have been identified as important tools in improving management efficiency, as well as, competitiveness by 88% and 76 per cent respectively.

The results further indicated that customer service and performance of small and medium-sized enterprises had a positive and significant relation ($\beta=0.359$, $p=0.000$). The p value was measured at 0.05 significance level and thus customer service $p=0.000$ was found to be significant. The findings imply that a unit increased in customer service would increase performance of small and medium-sized enterprises by 0.359 units

These findings are consistent with the argument proposed by Njau and Karugu (2014) that a key reason for the success of businesses is the ability of their managers to focus keenly on the delivery of quality service to customers. In addition they correlated with the findings by Mageto *et al.* (2018) that many organizations across the globe now place increasing emphasis on excellent customer service as a way of creating customer loyalty and developing a sustainable competitive advantage.

$$Y = 1.095 + 0.192X_1 + 0.191X_2 + 0.359X_3 + \varepsilon$$

Where:

Y is Performance

X₁, X₂, X₃, X₄ = Service Delivery, Information and Communication Technology and Customer Service respectively.

ε = error term

4.7 Summary of the Findings

The correlation results indicated that service delivery ($r = 0.512$, $p = 0.000$), Information and Communication Technology ($r = 0.512$, $p = 0.000$) and customer service ($r=0.651$, $p=0.000$) had a positive and significant association with performance of small and medium-sized enterprises. This implies that service delivery, ICT, customer service and performance of SMEs change in the same direction.

The regression results was performed to show the relationship between the independent and the dependent variables. It was thus revealed that service delivery ($\beta=0.192$, $p=0.000$) ICT ($\beta=0.191$, $p=0.000$) and customer service ($\beta=0.359$, $p=0.000$) had a significant effect on the performance of small and medium-sized enterprises. Thus, due to the high coefficient of Customer service, the variable was found to have the highest effect on the performance of SMEs. This was followed by service delivery and lastly by ICT.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter provided a summary of the findings, conclusion and recommendations. Further, it makes suggestion for further studies. The study sought to investigate the strategic management practices and performance of SMEs in Kitui County, Kenya

5.2 Summary

In this section, the researcher presents summary of the major findings in line with the study objectives.

The first objective of the study was to establish how services delivery influences the performance of SMEs in Kitui County, Kenya. The study found a positive and significant association between service delivery and performance of SMEs. Additionally, the findings were also supported by the statements from the questionnaire that most of the respondents agreed. This was, further, supported by the regression results which established that Service Delivery and performance of small and medium-sized enterprises were positively and significantly related.

The second objective of the study was to assess how the adoption of ICT affects the performance of small and medium-sized enterprises in Kitui County, Kenya. Information and Communication Technology was found to correlate positively and significantly with performance of small and medium-sized enterprises. The findings were backed and

supported by the statements in the questionnaire which most of the respondents agreed. Regression results also showed that Information and Communication Technology related positively and significantly to performance of small and medium-sized enterprises.

The third objective of the study was to examine how customer service affects the performance of small and medium-sized enterprises in Kitui County, Kenya. The results from the correlation analysis indicated that customer service and performance of small and medium-sized enterprises were found to positively and performance of small and medium-sized enterprises significantly relate to each other. The findings were later backed by the statements in the questionnaire which most of the respondents agreed. In addition, the regression results underscored that Customer Service and performance of small and medium-sized enterprises had a positive and significant relationship.

5.3 Conclusion

Based on the findings above the study concluded that strategic management practices have an effect on the performance of small and medium enterprises in Kitui County, Kenya. The study thus concluded that small and medium enterprises in Kitui County, Kenya have adopted strategic policies or practices however they were being affected by such factors as economic, political, environmental, and technological factors as well as competition. The study likewise concluded that most SMEs in Kitui Town have adopted the various strategic management policies and practices such as Market Strategy, Service Delivery, Product Pricing, Cost Control, Customer Service, Product and Service Innovations, ICT etc. The main goal of this is for them to attain a competitive advantage. It was further concluded that most of the SMEs in Kitui County appreciate the financial and non-financial indicators of performance. The study concluded that the performance of the

SMEs based on the financial and non-financial indicators has been largely influenced by the implementation of strategic management practices.

5.4 Recommendations

Based on the findings, the researcher recommended that entrepreneurs to place their focus and emphasis on the services offered to customers. They should endeavor to make their customers satisfied with their services and the products they offer to them.

In business persons need to embrace the value of delivery of services since in conjunction with the offered services, it helps to maintain a strong and reliable customer base. This thus ensures that the SMEs have an assured market/customer for their products which means constant and improved sales and profits.

In the highly competitive market and increased globalizations of services, entrepreneurs should maximize on their use of Information Technology in their business operations. It has completely transformed the way businesses are run and is an assurance of improved services and operations for instance in the innovation of the product, market and the supply chain performance. Service delivery for instance could be largely boosted by a good online marketing platform where the entrepreneur could advertise, communicate and sale his/her product to the target customers conveniently.

5.4.1 Suggestion for Further Research

Current study sought to look into the effect of strategic management practices and performance of small and medium enterprises in Kitui County, Kenya. The study, therefore, narrowed its findings to Kitui County. An extrapolation could be done on other neighbouring Counties for the purposes of comparison. This would expound on the scope

of the study and enable the generalization of findings and ultimately be able to fill some knowledge gaps as the contextual gap.

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APPENDICES

Appendix I: Research Permit



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

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2241349, 3310571, 2219420
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When replying please quote

NACOSTI, Upper Kabete
Off Waiyaki Way
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No. **NACOSTI/P/19/62698/30441**

Date: **27th May, 2019**

Risper Mumbe Joseph
Kenyatta University
P.O. Box 43844-00100
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on ***“Strategic management practices and performance of Small and Medium-Sized Enterprises in Kitui County, Kenya”*** I am pleased to inform you that you have been authorized to undertake research in **Kitui County** for the period ending **27th May, 2020**.

You are advised to report to **the County Commissioner and the County Director of Education, Kitui County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.


BONIFACE WANYAMA
FOR: DIRECTOR-GENERAL/CEO

Copy to:

The County Commissioner
Kitui County.

The County Director of Education
Kitui County.

National Commission for Science, Technology and Innovation is ISO9001:2008 Certified

THIS IS TO CERTIFY THAT:

MISS. RISPER MUMBE JOSEPH
of KENYATTA UNIVERSITY, 694-90200
KITUI, has been permitted to conduct
research in Kitui County

Permit No. : NACOSTI/P/19/62698/30441

Date Of Issue : 27th May, 2019

Fee Recieved :Ksh 1000

on the topic: STRATEGIC MANAGEMENT
PRACTICES AND PERFORMANCE OF
SMALL AND MEDIUM-SIZED
ENTERPRISES IN KITUI COUNTY, KENYA

for the period ending:
27th May, 2020



Applicant's
Signature

Director General
National Commission for Science,
Technology & Innovation

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013

The Grant of Research Licenses is guided by the Science, Technology and Innovation (Research Licensing) Regulations, 2014.

CONDITIONS

- 1. The License is valid for the proposed research, location and specified period.**
- 2. The License and any rights thereunder are non-transferable.**
- 3. The Licensee shall inform the County Governor before commencement of the research.**
- 4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.**
- 5. The License does not give authority to transfer research materials.**
- 6. NACOSTI may monitor and evaluate the licensed research project.**
- 7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.**
- 8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.**

National Commission for Science, Technology and innovation
P.O. Box 30623 - 00100, Nairobi, Kenya

TEL: 020 400 7000, 0713 788787, 0735 404245

Email: dg@nacosti.go.ke, registry@nacosti.go.ke

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REPUBLIC OF KENYA



National Commission for Science,
Technology and Innovation

RESEARCH LICENSE

Serial No.A 24875

CONDITIONS: see back page

Appendix II: Introduction Letter

Dear Sir/Madam,

I am carrying out a research on Strategic management practices (SMPs) and performance of small and medium enterprises (SMEs) in Kitui County, Kenya in partial fulfillment of my Master of Business Administration (Strategic Management) program at Kenyatta University (K.U.). I am glad to notify you that you have been chosen to be part of this research. I kindly request your help in filling the attached questionnaire that forms significant contribution of the research procedure. The information and data provided will be used sternly for academic purposes only and strict confidentiality shall be observed on the same.

Your cooperation will go a long way in ensuring the success of this study.

I would like to thank you in advance for your consideration and time.

Yours Sincerely,

RISPER M. JOSEPH

Appendix III: Questionnaire

SECTION A: Demographic Information

1. What is your Age Group?

25 – 34 years ()

35 – 44 years ()

45 – 54 years ()

55 and Above ()

2. What is your highest Education qualification Attained?

a) Diploma ()

b) Undergraduate Degree()

c) Post Graduate ()

d) PhD ()

b). OTHER (please specify).....

3. How many years has your company been in operation?

0 – 5 years ()

6 – 10 years ()

11 – 15 years ()

16 – 20 years ()

21 years and above ()

4. What is the size organizational size in relation to the number of staff?

1-10 Employees ()

11-20 Employees ()

21- 30 Employees ()

31-40 Employees ()

41-50 Employees ()

Above 50 Employees ()

SECTION B: Strategic Management Practices (SMPs) on the Performance of SMEs

5 a). Has your firm adopted any strategic practices or policies in the last 5 years?

YES () NO ()

If YES, please specify them:

.....

b). What are the challenges faced in the adoption of strategic management practices in your entity?

.....

6. To what scale has the following exterior variables influenced your business implementation of new organizational strategies.

Use a scale of 1 to 5 where; 1-To no degree,

2- Little degree,

3- Moderate degree,

4- To a great degree, and

5- To a very great degree

FACTORS	1	2	3	4	5
Social					
Economic					
Political					
Environment					
Technology/Information Systems					
Competition					
OTHERS					

7. Which internal factors have influenced your company's adoption of new strategies?

.....

8. To what extent has your firm adopted the various strategic management policies and practices to attain a competitive advantage?

Use a scale of 1 to 5 where; 1-To no degree,

2- Little degree,

3- Moderate degree,

4- To a great degree, and

5- To a very great degree

STRATEGIES	1	2	3	4	5
Market Strategy					
Ethical Labour Relations					
Service Delivery					
Customer Differentiation					
Product Pricing					
Cost Control					
Customer Service					

Product and Service Innovations					
Quality of the Product					
Information and Communications Technology (ICT)					
General Advertising					
Products Reputation					
OTHERS:					

Specific Strategies

a). Service Delivery

9. To what extent has your organization adopted the following service delivery practices to attain a competitive advantage?

Use a scale of 1 to 5 where; 1-To no degree,

2- Little degree,

3- Moderate degree,

4- To a great degree, and

5- To a very great degree

Service Delivery Practices	1	2	3	4	5
Employee full Engagement					
Corporate social Responsibility					
Customer Awareness					
In-time Delivery					

b). Information and Communication Technology

10. To what extent has your company implemented the following information and communication practices to attain a competitive advantage?

Use a scale of 1 to 5 where; 1-To no degree,

2- Little degree,

3- Moderate degree,

4- To a great degree, and

5- To a very great degree

ICT Practices	1	2	3	4	5
Mobile Phone Use					
Use of Computer and the Internet					

c). Customer Service

11. To what extent has your organization adopted the following customer service practices to attain a competitive advantage?

Use a scale of 1 to 5 where; 1-To no degree,

2- Little degree,

3- Moderate degree,

4- To a great degree, and

5- To a very great degree

Customer Service Practices	1	2	3	4	5
Employee engagement					
Customer Satisfaction					
Customer Retention					
Customer Feedback					
Net Promoter Score					

SECTION C: Performance of SMEs

12. How has the adoption of service delivery, ICT and customer service practices affected performance (in relation to the following financial and non-financial aspects) in your organisation?

Financial Indicators	1	2	3	4	5
Profitability					
Growth					
Efficiency					
Revenue					
Equity of the Firm					

Non-financial Indicators	1	2	3	4	5
Employee Orientation					

Customer Orientation					
Strategic partners Orientation					
Competitive Orientation					

13. To what level do you agree with the following statements on strategic management practices and performance?

Use a scale of 1 -5 where; 1 - strongly disagree,

2- Disagree,

3- Neutral,

4- Agree and

5- Strongly agree.

Strategic Management Statements	1	2	3	4	5
Strategy management affects the performance of the company					

The company does the external analysis and internal analysis to know which strategies to implement					
Our company implements new strategies to achieve competitive advantage					
Internal factors affect the company's strategic decision making					
External factors affect the strategic decision making of the firm.					

14. On overall, to what extent has the strategies implemented by your organization enhanced the your business performance?

Use a scale of 1 to 5 where; 1-To no degree,

2- Little degree,

3- Moderate degree,

4- To a great degree, and

5- To a very great degree

Thank you for your participation and honest feedback.