EFFECTS OF ENVIRONMENTAL UNCERTAINTIES IN SMEs: A CASE OF UNGA FARM CARE (E.A) LTD DISTRIBUTOR

BY

LEAH W. KINYUA

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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EFFECTS OF ENVIRONMENTAL UNCERTAINTIES IN SMEs: A CASE OF UNGA FARM CARE (E.A) LTD DISTRIBUTOR

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SUMMER 2015
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University Africa for academic merit.

Signed ___________________________  Date ___________________________

Kinyua Leah Wangari (ID No. 641600)

This project has been presented for examination with my approval as the appointed supervisor.

Signed ___________________________  Date ___________________________

Dr. Paul Katuse

Signed ___________________________  Date ___________________________

Dean, School of Business
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ABSTRACT

The purpose of this study was to learn when environmental uncertainty occurs and how it affects the performance and survival of SMEs. The study reviewed the instability and complexity posed by the environment and how strategic managers ensure continued survival through environmental scanning, changing technologies, efficient use of resources, regulations and policies, strategic orientation and the alignment of organizational strategies.

The study was conducted in the central region of Kenya in Nyeri, Karatina and Nanyuki. The research design was descriptive with the dependent variable being the environmental uncertainty occurring in the operating environment of SME’s and the independent variables being the specific objectives of the study. The target population included directors, senior managers, administrators, supervisors and general workers of all three branches. The sampling frame constituted a total of 54 employees in total. The sampling technique used was stratified sampling with a sample size of 44 employees. Data collection was quantitative and staffs were interviewed through structured questionnaires. Data was analyzed through the use of Statistical Package of Social Sciences (SPSS) and Analysis of Variance (ANOVA).

The study showed that 70% of the respondents agreed that the SME is faced by business uncertainty. When asked if regulations and policies in the industry translated into environmental uncertainty in SME’s, 74% of the respondents strongly agreed. A majority of the staff said that changing technologies played a role in the need for an organization in re-adjusting of its activities. 54% of the participants of the study strongly agreed that key decisions were made based on the actions of competitors.

63% of the participants strongly agreed that environmental uncertainty translates into increased operational costs for SME’s. More than three quarters of the staff concurred that managers strategized in anticipation of future uncertainties and 54% of the respondents agreed that managers acknowledge the power of the strategies by competitors. The respondents’ view on the effectiveness of managers’ strategic response to uncertainties was that 50% agreed on managers continuously handling change through environmental scanning and more than three quarters agreed that managers are constantly monitoring the environment. A great majority, 66%, agreed that the strategies of the SME were aligned to the intended performance.
The study concludes that most SME’s in Kenya face business environmental uncertainty, with most respondents attributing this to regulations and policies in the industry as well as lack of adequate accessibility to all the necessary resources. The study further concludes that the performance and growth of SME’s is influenced by changing technologies, increased operational costs and the power of competitors’ strategies. Managers acknowledge that in order for an SME to have strong internal capabilities, good team work is imperative. The study also concludes that managers have to continuously handle change through environmental scanning and monitoring of the environments. Additionally, long term plans foster sustainability and strategies are aligned with the intended performance. Managers are seen as risk takers who need to allocate the right resources to the right departments.

The study recommends that strategic managers not only scan the operating environment of MSE’s but also communicate the uncertainties to the members of the organization in order to enable a better understanding of the strategies set in place. It is essential that managers come up with practical solutions that will help SME’s deal with uncertainty. This is possible with the help of favorable policies by the government necessary in boosting the performance of these organizations.
ACKNOWLEDGEMENT

My gratitude goes to Dr. Paul Katuse for his guidance throughout the project. I also greatly appreciate the owners and respondents of the Unga Farm Care distributor for their participation in this study.
DEDICATION

I dedicate this work to Almighty God, my strength. I also dedicate this work to my family for their moral and financial support. I also dedicate this work to my loving mother for her inspiration and understanding that allowed me to strive for excellence.
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<td>African Centre for Open Governance</td>
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<td>MSE</td>
<td>Micro and Small Enterprises</td>
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<td>SME</td>
<td>Small and Micro Enterprises</td>
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<td>SPSS</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Strategic management acts as the bridge between uncertainties that occur in the operating environment and the organization. Businesses have implemented excellent management practices but they have frequently failed due to lack of incorporation between such practices, strategic plans and environmental uncertainty (Michael and Marion, 2012). The environment in today’s business is very dynamic and organizations have to frequently adjust and adapt in order to ensure continued survival.

Environmental uncertainty impacts on the performance of an organization and determines whether SMEs will continue to exist and grow or if they will be unsuccessful. SMEs contribute to a great share of the Kenyan industry and are mostly family owned or partnerships (Carpenter & Sanders, 2009). Open Systems Theory, which was initially coined by Ludwig von Bertalanffy, reflects on the principle that all organizations are unique which is mainly influenced by the distinct environments in which they operate in. The environment provides firms with vital resources such as raw materials that are essential for their development and survival (Ricky & Gregory, 2009).

Open systems are specific through factors such as suppliers, distributors, government agencies and competitors or they are general such as technology, cultures and values, political and economical aspects as well as legal factors (Ricky & Gregory, 2009). As a business grows, it consists of various subsystems which are interconnected through inputs and outputs. Open Systems Theory implies that subsystems signify or stand for the various activities within an organization and that failure of one subsystem does not result into collapse of the entire organization (Ricky & Gregory, 2009).

Ross Ashby’s Requisite Variety Theory argues that, in order to successfully respond to the environment, the intricacy and speed of the organization’s response must match the complexity and rate of the environmental challenges (Carpenter & Sanders, 2009). Managers are expected to gain necessary and adequate information about the environment the organization is in, in order to effectively cope with uncertainties. According to Ashby (1956), only variety obliterates variety
where variety is a model and idea that is inseparable to that of information. He argues that variety stands for the least amount of alternatives required to resolve uncertainty. This theory suggests that the extent of control of a given system is proportional to the quantity of information available.

Igor Ansoff is a contributor to environmental uncertainty through the Strategic Success Theorem that states; so as to capitalize on return on investment, the aggressiveness of the business’s strategies and the responsiveness of the business’s management abilities must match the turbulence of the environment (Ansoff, 2007). He argued that managers ought not to plan and run organizations in manners based on historical information. Instead, they should vary strategies and actions so as to match existing environment situations in order to optimize on the firm’s success.

According to Ansoff (2007), the paradigm indicates that the aggressiveness of the strategic actions of the firm should match the turbulence of its environment, the responsiveness of the abilities of the firm should match the aggressiveness of its strategy and the components of the business’s capabilities should be supportive of each other.

Small and medium enterprises constantly encounter the challenge of anticipating future environmental changes that result to uncertainty. This may come about in the macro-environment through adjustments in policies and regulations, legislative, political and economic circumstances (Austin, 2006). There’s a lack of capability by SMEs in determining future intensity of competition, the extent of power competitors will have as well as their potential plans and strategies. Uncertainty also stems from not having clarity of varying market dynamics and the outcomes on the operations of the organization including the conditions of supply and demand (Austin, 2006). Sales personnel in these organizations are not adequately prepared to meet unexpected changes in customer tastes and preferences.

Environmental uncertainty poses the concern of instability and complexity for SMEs as well as lack of predictability. Challenges of varying rates of change, varying levels of chaos, product life cycles and demand/capacity ratio have affected the performance of growing organizations (Michael & Marion, 2012). The internet, social networks and advancements in technology are trends that have rapidly revolutionised the business environment (Jeffrey & Caron, 2013).
Numerous companies are going out of business because they have failed to respond quickly and appropriately to changes in the business environment. Strategic managers are tasked with the development of mechanisms to decrease, absorb, oppose or entirely evade uncertainty (Jeffrey & Caron, 2012).

Political influence enhances uncertainty through a gap between the directives of those at the top and the execution of those at the lower levels of authority. SMEs have more access to leaders who occupy lower level positions unlike bigger companies. Candidos and Santos (2015) contend that politicians recognize that giving discretion to its lower ranked officials leads to a raise in the possibility of outcomes that are conflicting. He finds that it is difficult to come up with perfect control systems that concern assigning of roles, tasks and responsibilities. Gailmard and Party (2007) maintain that some political leaders opt to give more authority to those in the lower levels despite the fact that this translates into weaker control systems. This in turn fosters handling cases thoroughly and encourages specialization.

The environment in which an organization operates in can have direct and indirect impacts on activities, processes and realization of the set goals and objectives. Authors concede that in order for an organization to survive in the industry in which it operates in, it must constantly change to the demand of the environment. This leads to an increased need for companies to not only have flexibility but also adaptability necessary in coping with uncertainties in the environment. Organizations therefore need to find a balance and match between its capabilities and its responsiveness (Vincent and Aosa, 2011). SMEs must be equipped to remain viable during turbulence through matching the right skills to the right jobs and acknowledge the need to constantly monitor the business environment.

According to Syekei and Opijah (2013), SMEs contribute greatly to the GDP of the economy as well as creation of a big variety of employment opportunities. Kenya’s vision 2030 also recognizes the need for the regulatory and policy systems of SMEs in the Kenyan industries in order to facilitate growth of smaller firms. According to the report, Kenyan SMEs will be able to improve on aspects such as innovation, advertising and technological developments. Bowen, Morara and Mureithi (2009), argue that, most SMEs in Kenya are family businesses that are run by founders and their children.
1.2 Statement of the problem

Theories such as Ansoff’s Strategic Success Theorem have been empirically corroborated for larger firms. Most of the research carried out has however not fully validated the practicality of consequences of uncertainty to small and medium businesses in the Kenyan industry (AFRICOG, 2012). This study’s aim is to scrutinize how strategic management associates uncertainties and the business environment. The fast changes that are transpiring in the modern business environment consisting of up-and-coming competition have resulted to the falling behind of enterprises that have already been founded, which is essentially attributed to being short of keeping up with developments in their respective external business environment (Grant, 2005).

Presently, there is a gap for a collective characterization of an SME. Nations and institutions have varying features they judge in defining SMEs. The Kenyan SME Act (2012) categorizes a micro venture as having 10 or less human resources, fewer than KES 500,000 turnover and less KES 5 million for services or fewer than KES 10 million for enterprises engaged in manufacturing. A small venture on the other hand, is categorized as one that employs above 10 and less than 50 staff, has a yearly turnover ranging from KES 500,000 to KES 5 million and a capital composition of KES 5 million to KES 20 million for services or KES 5 million to KES 50 million for businesses that carry out manufacturing activities. This is in distinction with the World Bank which views an SME as a company that is suitably and officially registered having a yearly income ranging from 8 to 100 million KES and with a workforce ranging between 5 and 150.

There is a knowledge gap that does not indicate the need for environmental uncertainty in gaining competitive advantage by firms. Liao and Hu (2007) argue that uncertainties are a platform in which the core competencies of an organization can be greatly improved thus creating competitive advantage in an industry. According to the Economic Survey of 2009, Kenya was estimated to have 7.5 million SMEs that contributed to 40 per cent to the Gross Domestic Product (GDP) in 2008 (Capital Markets Authority, 2010). This concedes with the Microfinance Act (2008) which observes how big an impact SMEs will contribute to increased industrialization of the Kenyan Economy. SMEs are prone to suffering from environmental
uncertainties because they tend to have low resilience to risks that occur. This in turn affects their growth as well as obtaining economies of scale.

1.3 General Objective

This study will analyze how uncertainties affect the operating environment of SMEs and the impact on performance and growth. This will be attained through the following specific objectives:

1.3.0 Specific Objectives

1.3.1 To assess the environmental uncertainty faced by SMEs sector Kenya

1.3.2 To associate the impact of uncertainties on SMEs performance and growth

1.3.3 To associate the effectiveness of managers’ strategic responses to uncertainties

1.4 Significance of the Study

1.4.1 Owners, Managers and Suppliers

Managers get an improved understanding of uncertainties in their operating environments, they will gain the capacity and ability to plan and execute strategies that can survive these varying changes. Owners and share holders of small and medium sized businesses as well as their suppliers will benefit through more accurate and well-timed responses.

1.4.2 Sales and Marketing Personnel

Employees of such SMEs will be able to predict changing customer preferences that may contribute to better sales through increased demand. Changes may be in terms of who buys the products and how they use them or the growing preferences for differentiated products instead of a commodity product as well as changing societal concerns, attitudes and lifestyles
1.4.3 Researchers and Academicians

Researchers will gain insight on the practicality of applying theories and models of uncertainties to growing businesses in order to maximize on their performance. Information will be gained necessary in providing guidelines to SMEs, especially through consultancy, on how to effectively handle uncertainties.

1.5 Scope of the Study

The focus of the study will be in the agricultural sector of the central region of Kenya with key interest in areas such as Nyeri, Nanyuki, Karatina and Othaya. The population will include managers, owners, shareholders, sales and marketing personnel as well as supply officers. The research will be done from May 2015.

This research will be based on a case of a Mt. Kenya region distributor for Unga Farm Care (E.A) Ltd. The limitations of the study include a relatively small sample size whereby a larger sample size would have lead to better and more accurate results. The sample is picked from the Mt. Kenya region but the results would benefit from a more diverse sample of SME’s from all regions in Kenya.

1.6 Definition of Terms

1.6.1 Environmental Uncertainty

Uncertainty entails the dynamics and complexity that organizations are faced with in their operating environment. It comes into existence when managers lack adequate information regarding various environmental factors and having difficulty forecasting their impact on the organization (Ricky & Gregory, 2009).

1.6.2 Small and Medium Enterprises

The (Financial Sector Deepening Kenya, 2008) defines an SME as a business with an average of six to fifty employees or one with annual revenues of less than Ksh 50 million that is characterized by being owned and managed by the same person.
1.6.3 Business Environment

Grant (2005) defines business environment as the complex of the internal and external surroundings in which a firm operates in. The external surrounding is further defined as uncontrollable while the internal surroundings are controllable.

1.6.4 Operating Environment

This is the external surroundings of an organization that comprises of aspects, conditions, entities and factors that determines the choices and decisions made by managers. An operating environment enables an organization to analyze the opportunities and risks within an industry or a venture (Michael and Marion, 2012).

1.7 Chapter Summary

Today’s business environment is highly dynamic and organizations must constantly adjust and adapt in order to ensure continued existence. Strategic management provides the link between uncertainties of the business environment and the organization. The reason of the study is to know when environmental uncertainty takes place and how it influences the performance and continued existence of SMEs. The general intention of this research is to investigate aspects of uncertainties in the operating environment of SMEs on performance and growth. The focus of the study will be in the central region of Kenya.

The next chapters of the research will provide clarity on the existing knowledge about uncertainty by various authors. It will describe the methodology and procedure by collecting and sampling data from owners, directors, managers, supply officers and senior sales employees. Data analysis will be carried out on a quantitative approach by calculating the percentage of profits spent on innovation and marketing. Future turbulence will be determined by finding an average of the sum of future marketing turbulence and future innovation turbulence.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

This chapter looks at authors’ view on how the business environment plays an immense role in uncertainties for organizations. Scholars’ outlook and description of environmental uncertainty will be viewed in various ways. Vecchiato (2012) for instance, illustrates uncertainty as the deficiency in accuracy of information by managers regarding the peripheral environment of a business. Additionally, the chapter will analyze the various view points of authors regarding aspects of uncertainty such as dimensions, aggressiveness, turbulence and arguments for environmental uncertainty being a necessary evil for the success of organizations.

Authors such as Long, Li and You (2014) concede that it is the unforeseen, unpredictable changes that occur in the surroundings of a business that prompts an increase in risks which translates to an increase in costs and necessitates the need for adjustments in an organization. The literature review will analyze these effects of uncertainties and the various managers’ strategic responses to the environment.

2.2 Environmental Uncertainty Faced by the SMEs Sector

2.2.1 Dimensions of Uncertainty

Yayla and Hu (2012) view that uncertainty in the business environment as having three dimensions of being heterogeneous, dynamic and hostile. Heterogeneity dimension relates to the environments diversifications in areas like production and marketing departments. Increased diversifications lead to an increase in the quantity of information required by managers to comprehend it and consequently making it difficult for such managers to evaluate the business environment efficiently because of their restricted rationality. The dynamic aspect looks at how unstable the operating environment is.

At the rate at which changes in the environment occur, managers take up new and different strategies and plans more frequently. Hostility in uncertainty is related to the point at which a business is facing a given threat. There is a gap in identifying internal dimensions leading to uncertainty. Williams and Snow (2012) illustrate that occurrence of uncertainty for organizations
as being mostly looked at through changes in the external surrounding and not from within the organization.

Uncertainty can be further analyzed through environmental turbulence which is the competitive guideline that the internal firm is measured against. There is an increasing necessity for managers in SMEs to appreciate the varying levels of turbulence which comprise stable, reactive, anticipatory, exploring and creative as well as the attributes of turbulence (Michael & Marion, 2012). The goal is to facilitate managers to apply responses and reactions. This is attained by carrying out a useful strategic analysis in order to accurately verify their strategic response to turbulent environments. This will consequently reduce on any adverse effects that may occur in their businesses (Johanneson & Panola, 2010).

Managers carry out a strategic analysis where they categorize the different stages of uncertainty or turbulence and then find out the necessary level of strategic aggressiveness and the essential changes to their organization’s capabilities (Jennings, 2010). It encompasses categorizing the diverse strategic business units of the SME, finding the level of turbulence, approximating the response time, predicting future uncertainty levels, determining aggressiveness and organizational capabilities, matching them up to the necessary levels of aggressiveness and abilities with those presently existing in the business and developing the aggressiveness and adjustments in capacities profiles rooted in present and future turbulence levels (Shepherd & Rudd, 2014). The more aligned the levels are, the higher the performance of the SME.

Researchers Michael & Marion (2012) have focused on obtaining information about change management concerning effects of uncertainty in the global business environment. More research has been carried out on environmental scanning. Jeffrey and Caron (2014) addressed uncertainty whereby managers are better prepared for unpredictable and rapid changes. A gap exists because a majority of researchers focus on uncertainty being on the external surroundings of a business and not from within. Managers who have experienced higher levels of uncertainty in their operating environments tend to engage in more scanning for better performance but this is not so for the uncertainties occurring internally in the firm (Satya, 2012).
2.2.2 Regulations and Policies in the Industry

Globally, micro and small enterprises have been recognized because they not only offer opportunities where citizens can earn an income but also because they contribute to the GDP’s of these economies. Ong’olo and Awino (2013) refer to the ILO and the informal sector report of 1972 which focuses on employment. They acknowledge that small and medium enterprises are key contributors to the Kenyan economics system through establishment of employment necessary in income provision.

According to the report, the structure of the Kenyan economy in 2011 comprised of 80% of individuals employed in SMEs. This has driven the call to come up with a superior regulatory structure crucial in ensuring that these growing organizations have a significant involvement towards the GDP of Kenya (Syekei and Opiah, 2013). This strategy is rooted on the Micro and Small Enterprises Bill 2011 that, according to Kenya’s Vision 2030, will facilitate improving on the efficiency and innovation of SMEs.

Authors concede that policies within the industry as well as those that are a requirement because of the government or other legislative institutions are external dynamics in the environment of businesses that result to uncertainty. Beazer (2012) assesses that political manipulation largely leads to an increase on the susceptibility of SMEs. A political business surrounding that is not steady translates into uncertainties for managers especially in terms of unpredictability. Wong (2009) concurs that slack or negligent regulations, controls and corruption only enhance the perils associated with businesses thereby hindering them to be conducted with clarity. Lack of intelligibility and ethics from leaders in the political prospect pose managers with an atmosphere that has doubts and they have little to no confidence in the systems set in place.

2.2.3 Lack of Accessibility to Resources

Challenges resulting to environmental uncertainty also occur in areas that concern finances and capital. Johnson and Nino-Zarazua (2011) contend that limited access to funds by MSEs’ leads to their limited performance. Gaining access to funds and capital resources is inhibited by internal as well as external aspects. An external perception from banks and lending institutions is
that SMEs are financially insecure and expensive organizations to have confidence in because they do not have ample and necessary collateral (CMA, 2010).

SME’s can only therefore borrow and use small amount of funds from lending institutions. Their access to credit is rationed because they increase variable costs such as intermediation, monitoring and contract management. An internal perspective is that SMEs are not creditworthy because they lack efficiency in management. They are unable to ensure enough funds for smooth running of the operations of the business such as procurement and supplies as well as acquiring plant and equipment (CMA, 2010).

There is a negative perception geared towards SME’s whereby they are deemed as no having or providing the same quality of products or services as larger companies. Individuals may offer opportunities and projects based on the aspect that a large organization has a more established name and can consequently provide quality (Vincent and Aosa, 2011). SME’s miss out on such opportunities when they are more than capable of providing equal or better quality services and products as those of the industry giants. Bowen, Morara and Mureithi (2009) agree that a great challenge faced by SME’s is the lack of access to credit especially to the smaller organizations where one financing mistake could result into woes such as bankruptcy.

2.2.4 Prevalence of Uncertainty in Developing Countries

Studies have been carried out on environmental uncertainties faced by SMEs in various developing countries. Okurut and Bategeka (2006) point out that the poor performance of SMEs in Uganda to insufficient provision of public services, a hostile taxation system, increased burden in terms of various regulations and political interference as well as corruption. In addition, Ishengoma and Kappel (2011) concur that these different factors noted by Okurut and Bategeka (2006) are valid in giving a realistic explanation as to why MSE are faced with the challenge of continued growth caused by uncertainty.

A gap is however identified where studies have failed to track how these critical factors develop over time which is imperative in the policy enhancement by the governments concerning improving the environment of SMEs. Resources in a business environment range from natural
resources to physical infrastructure such as roads and the various strategic resources for that effectively.

Agboli and Ukaegbu (2006) maintain that SMEs in Nigeria engage in building roads, installation of water resources, electricity as well as the installation and maintenance of telecommunication infrastructure. This should not be their primary role because they are extraneous and inappropriate. According to Jeffrey and Caron (2013) businesses that have plentiful resources and competencies are able survive in the industry with moderately little effort. This is however not possible for SMEs in Nigeria as illustrated above. Small and medium firms are obligated to survive with an unusually great degree of effort.

2.2.5 Perspective from an SME’s Internal Environment

A gap exists because authors mainly focus on uncertainty occurring in the external environment of an organization. Agboli and Ukaegbu (2006) recognize that the peripheral surroundings of a business can puzzle the capacity of owners and managers to undoubtedly comprehend and give explanations to the nature, extent and scale of bottlenecks faced by SMEs in developing countries. Internal structures play an equally important role in uncertainty for businesses through aspects such as culture, structure, practices in management, incentives and reward systems, mutually respectful relationships and organizational unconventional behaviors. He demonstrates that problems experienced in control and coordination of management in small organizations present an uncertain internal environment.

An important challenge in strategic management is in determining how to guarantee that implementation is successful (Candidos and Santos, 2015). Uncertainty therefore looks at the quantity of adjustments that are not predictable, the scope of increased risks and the necessity for owners and managers to obtain more information crucial in facilitating better decision making. This therefore renders environmental uncertainty a vital and critical element that helps in determining the structure of organizations, strategies implemented and performance and growth. Recent trends in research argue that in order for an organization to earn a profit, uncertainty is essential. This is because profit cannot be earned if there are no risks involved. If the future of an organization does not present aspects of uncertainty, then profit cannot exist (Brooke, 2010).
2.3 Impact of Uncertainties on SMEs Performance and Growth

2.3.1 Changing Trends in Information Technology

This is a highly dynamic aspect in the business environment because of constant updates in technology which are often expensive for SMEs. Micro and Small organizations lack the capability and ability to continuously readjust their operations and processes in a manner that fits into enabling the recurring changing of technologies. Schniederjans and Cao (2009) state that, despite having strategies that accommodate uncertainties, managers are able to only keep up with strategies over the short term. It is demonstrated that information technology uncertainty is accelerated by levels of competition within the industry necessary in survival. It is imperative to align strategies with technology through integration in business processes. This will maximize increasing competitiveness, revenue growth and profitability (Yayla and Hu, 2012).

Organizations, multinationals, large scale firms or SMEs, rely heavily on information technology as well as networks necessary in the smooth running of their operations. It is critical that the systems set in place ensure security against unprecedented threats that could lead to uncertainty. Kaveke (2014) argues that majority of SMEs in Kenya do not uphold practices concerning protection of their systems and data. The author’s study demonstrated that there were no established roles and responsibilities on information technology because of lack of clear policies, do not undertake risk assessments and employees are unaware of the systems or under qualified. This bears consequences on the observance of good practices necessary in ensuring that data is not only well maintained but also safe.

2.3.2 Increased Competition and Dynamism in Market Factors

In order for SMEs to survive in industries that have tough competition, Driouchi and Bennet (2012) contend that managers of these organizations should analyze their real choices. Real options and decision-making under these alternatives necessitate adjustments and harmonization of organizational activities by managers. Real options give owners and managers of enterprises the capability to, to a certain extent, render null and void commitment to making a decision. This decision making is postponed until managers have gained enough and adequate information about the uncertain scenario.
According to McGrath (2007) real options only benefits managers from uncertainty that takes place in favorable times and events. The impact of uncertainties and growth on enterprises is determined by the asymmetry of the value of these real options. The environment of industries in which SMEs operate it is characterized by constant changes that lead to competition. Competition is a vital factor necessary in survival of businesses in an industry. This in turn leads to more product choices for customers, higher demand for products, low priced goods and services and increased innovations.

Parnell (2013) holds that SME strategies necessary to ensure survival during uncertainty brought about by competition should be through finding success through untapped market niches. Local Kenyan SMEs as well as those in other countries face stiff competition from big domestic and multinational corporations (Kaveke, 2014). This in turn leads to an increased need to carry out more marketing and advertising which consequently increases operational costs and reduces on profit margins.

2.3.3 Unforeseen Increase in Finances and Costs

Goshal and Ye (2015) compare impacts of uncertainty on smaller firms in terms of investments where they insist that small enterprises’ likelihood of investing reduces as uncertainty increases. Further, they argue that less volatile interest rates and positive debts will encourage entrepreneurs to borrow funds. Real options during uncertainty for managers in enterprises mean that they incur costs because of postponing on decision making. This can lead to expenditure that organizations are not willing to have or lack the capacity to afford them. Resources available to enterprises might be in abundance leading to preference of commitment to set strategies over real options decision making (Driouchi and Bennet, 2012).

Changes in the market place necessitate the need for managers to come up with strategies that enable enterprises to cope with dynamics and the business environment. It is therefore imperative that the management mobilize funds to improve on their information technology (Kearns and Abherwal, 2007). Increased operations costs problem may be solved by adopting cost effective production and operations methods that emphasize on profit maximization at reduced costs. Fund provides in the Kenyan market include: Risk Fund Managers, Venture Capital Funds and Private
Equity funds, Banks, Investment clubs, Development Finance Institutions, leasing companies and Technical Assistance funds (CMA, 2010).

SMEs are faced with the uncertainty of financing because of the following reasons: SMEs lack a sufficiently developed funds market, they have a comparatively high credit risk, they are more susceptible to abrupt changes in the financial and competitive environments, they have severe information irregularity in the sector, SMEs’ business information is mostly nonexistent or comes with very expensive access expenditure and institutions associate SME financing as high cost per unit in comparison to larger organizations. Capital Markets Authority (2010) equity financing as an option through which enterprises can not only obtain long term capital but also acquire more loans because of an extra equity cushion. If successful, this approach would address the chronic lack of long-term credit available to SMEs.

2.3.4 Implications on Internal Capabilities

According to Sarasvathy (2008) the usual strategic planning that managers and owners engage in is not sufficient for environments that are dynamic and changes occur rapidly. Instead, internal capabilities of the business should offer an effective judgment whereby entrepreneurs carry out their entrepreneurial activities with the available resources in their businesses. A solution to strengthening the internal capabilities of SMEs is through partnerships Lee (2014). This is more appropriate for having increased control uncertainty.

SMEs need to be adequately aware of the adjustments that are taking place in the business environment in order to be flexible enough to adapt to them. Inaccurate predictions by managers results into a rubbish in garbage out scenario. Carpenter and Sanders (2009) agree that this is because it results in poor and incorrect strategy formulation that in turn leads to wasting of resources available to enterprises.

2.3.5 Impact of External Environment Dynamics

Uncertainties vary from political influences, policies, macroeconomic issues as well as social and natural issues. SMEs are growth and performance is impacted on by challenges that involve: acquiring ample quantity and quality of raw materials and inputs for production, uncertainty in the market because of changes in the demand of outputs, unpredicted rivalry between firms as
well as new entrants and operating uncertainties that concern labor pay rates and bad debts from customers (Jeffrey and Caron, 2013).

The future is highly unpredictable and managers are expected to act in anticipation to changes that may occur. This is made possible through scenario planning which provides enterprises with a platform in which the impact of changes can be evaluated in multiple ways that provides a variety of strategic actions suitable for each individual case. Johnston, Gilmore and Carson (2008) define scenario planning as a conceptual framework in which managers analyze and comprehend the environment as changes are occurring thereby enabling them to obtain skills on recognizing patterns and developing solutions to them.

Planning for scenarios by managers, influences on the trends and approaches that an organization takes in the future unfolding of uncertainty. Verity (2007) however criticizes that managers fail to effectively communicate the results of such scenarios especially to employees who are involved in a variety of processes. They fail to align the people with the various scenarios and outcomes that are caused by changes in the business environment.

2.3.6 Challenges of Predicting Uncertainty

Predicting the environmental changes has been viewed in two approaches. The planning school approach contends that, organizations coupled with increased uncertainty tend to work more so that they are able to forecast changes occurring in their environments; consequently they are able to have better performance (Johnston, Gilmore and Carson, 2008). Ansoff and Porter pioneered the school of thought concerning planning which accentuates on the significance of an organized analysis, integrated planning, control over scanning trends, forecasting and coming up with alternatives, evaluation of data and information and ensuring that actions are integrated in to the enterprises operations (Ansoff, 2007). Authors contend that predictions are the sure and best way for strategic managers to make plans and goals that are aligned to the uncertainties in the environment.

The adaptive school of thought handles uncertainty in the environment of enterprises through avoiding making predictions. Managers are more focused on taking action towards change and events as they are happening. There is an emphasis on constant testing and experimenting as well
as adapting to the changes in the business environment. Johnston, Gilmore and Carson (2008) imply that prediction suggests that enterprises are able to know their next plan of action through reducing the utilization of making predictive judgments and carrying out more experimenting so that managers are able to take advantage of new opportunities that emerge in the market or industry. It supports making use of only adaptive options which try to avoid defining future environmental changes. Prediction seeks to position an enterprise in a manner in which the managers can make accurate and timely responses to turbulence and uncertainty (Quinn, 2008).

2.4 Effectiveness of Managers’ Strategic Responses to Uncertainties

2.4.1 Improved Strategic planning

In order for the responses of managers in SMEs to be effective, there is a need for strategic planning that acts as a bridge external environmental uncertainty and decision making. Effective strategic planners ensure that resource allocation is carried out to the ultimate best and that the flow of information is smooth throughout the structures of the business (Hills and Jones, 2012). Managers are therefore tasked with the role of receiving the original information regarding uncertainty and filtering it so as to reduce information overload to members such as owners and employees. Jeffrey and Caron (2013) contend that strategic managers are not only valuable in coming with short term tactics to cope with uncertainty but also long term plans necessary in continued sustainability.

It is critical for decision makers in enterprises to not only evaluate environmental uncertainty correctly but also exercise discretion and expertise in interpreting it. According to Michael and Marion (2012) the importance of the strategic managers’ role in responding to the environment relies on the surroundings and information accuracy. Managers have a boundary-spanning role which requires them to efficiently evaluate turbulence and uncertainty and develop an understanding of the nature and characteristics (Johnston, Gilmore and Carson, 2008). Response may be based by viewing the environment as task through the setting and attaining of goals. Authors argue that uncertainty is a great determiner of the strategy making process and how managers’ responses are guided by their perceptions.
Environmental scanning plays a vital role during strategic planning. In order for managers to understand the environments they need to fist obtain adequate information about the changes that are occurring. This then enables them to link their strategies to uncertainty. Environmental scanning is an essential preface to formulation of plans of action that facilitate the enterprises management to comprehend its peripheral environment in terms of aspects that lead to change, so that effective responses can be developed in order to protect or develop the enterprises future position. Although scanning of the environmental is biased, because it is done by managers, it enables continued perception, recognition and interpretation of information about the uncertainties in the environment of a business.

2.4.2 Continuously Managing Change

Strategic reactions by owners and managers of enterprises to apparent uncertainty differ by the individuality and extent of managers being risk (Kaplan, 2008). Risk-averse managers tend to be innovative through the development of new products that are complementary to existing ones. These managers also engage in strategies such as forming strategic alliances, partnerships or investments in new ventures. Managers who are less risk averse, on the other hand, tend to accept the risk by finding new ways looking at uncertainty or pursuing different opportunities by assuming that uncertainty is not a big issue. Satya (2012) contends that the better the quality and certainty about information regarding the environment is, holding other factors constant, the more the likelihood of superior performance and increased growth of business.

Ghoshal (2007) identifies various types of risks. Macroeconomic risks are those that cannot be controlled or influenced by an individual firm including exchange and wage rates. Policy risks are that are as a result of uncertainty caused by how governments will act in the future including taxation and regulations. Competitive risks are those that are caused by the behavior of competitors in the market such as introduction of new supplement products. Resource risks are concerned with acquiring the necessary materials, skills and funds hat add value to the enterprise. Managers may choose to react differently to uncertainties that are caused by risks. Strategic thinkers may choose to do away with or reduce the activity that is bringing about the risk or they may opt to insure against various uncertainties.
2.4.3 Better Strategic orientation

Miles & Snow (2008) introduced various orientations that managers adopt in responding to environmental uncertainty. Strategic orientations comprise of managers who defend, those who prospect and those who analyze. The defending strategy focuses mainly on protecting the SMEs market share through increased and better operations. Managers who adopt the prospector strategy respond operate in turbulent environments and ensure continued survival of the enterprise by constantly monitoring the changes in the environment, innovation of new products and opportunities. The managers who opt for the analyzer approach uses a combination of protecting the enterprises market share depending on the stability of market conditions and prospecting. A more stable environment uses the defending approach whereas a dynamic environment calls for the prospector approach (Parnell, 2013).

Smit and Trigeorgis (2007) argue that using real option when making decisions regarding uncertainty enables provision of an alternate and dynamic approach necessary in ensuring that strategies drive the enterprise towards continued sustainability. Agboli and Ukaegbu (2006) contend that in order for strategic managers to accurately respond to the environment, they must be faced with turbulence. These changes necessitate their need to be creative and aggressive. They recognize that some environments are within the control of managers while others are not. If an uncertain environment is not within the influence of the response managers make, then it acts as an impediment to the performance and growth of that SME.

2.3.4 Coping with policies and regulations

Governments are playing a role in enabling SMEs to operate in less dynamic environments because they are contributors to national GDP’s. This is evident through the design of various programs and policies that make industries and market more favorable to SMEs (Syekei and Opijah, 2013). This is evident through the enactment of laws enable development of micro-finance institutions that foster stabilization of macroeconomic factors. There are however challenges in the implementation and co-ordination of policy initiatives, increased overlaps and inconsistencies in the sector policies, unclear boundaries in markets, unsuitable legal frameworks, out of date by laws by city and town councils and lack of a well coordinated devolved system that has good implementation mechanisms.
2.4.5 Aligning strategies

In order for managers to effectively respond to uncertainty, they must ensure that strategies are aligned with the intended performance goals (Kearns and Abherwal, 2007). Strategic managers need to first understand the real situation and problem resulting from the changes in the environment. This reduces the rate of failure in coping with uncertainties (Candidos and Santos, 2015). SME managers ought to emphasize not only on processes but also on measurements as well as roles and responsibilities. Prioritization during strategy alignment is imperative in identifying key areas that require more attention and resources. Key areas are big determinants of how well an SME performs and its direction towards growth.

Organizations with poor planning are characterized by lack of alignment throughout the organization by harmonizing all processes and departments towards a given objective. Scarce resources are often misappropriated leading to inadequate operational standards (Ricky and Gregory, 2009). Managers in SMEs must achieve goal congruence by finding a balance between the organization’s vision and objectives while ensuring that the needs of employees in the organization are met. Leaders who motivate employees in an enterprise foster innovation and creativity which acts as a great advantage for SMEs in handling uncertainty in the market (Shepherd and Rudd, 2014). Allocating the right resources to the right process or department means that they are well prepared for uncertainties depending on how a risk interferes with the smooth flow of operations.

The process of formulating strategies for small and medium enterprises is that one that facilitates managers to engage in decision making with an aim of matching the internal capabilities of the organization with the anticipated future surroundings of the business. Managers can approach this with a rationalistic point of view where they assume that they have a great possibility of knowing what the future changes in the environment will be (Johnston, Gilmore and Carson, 2008).

This perception makes use of mechanistic, forecasting methods, which are described as unequivocal and precise measures for interpreting the information obtained by managers regarding the environment and the enterprises anticipated strategy into reports regarding the future. Therefore, the future can either be forecasted or predicted. Managers may also approach
the future by assuming that it is always unpredictable and can neither be extrapolated by obtaining information and data nor based on relationships that have occurred previously. This is attributed to drivers that lead to change being in systems that are too dynamic and inconsistent (Berkhout and Hertin, 2009)

2.5 Chapter Summary

This chapter has looked at the three dimensions of uncertainty which include heterogeneous, dynamic and hostile. Uncertainties vary from political influences, policies, macroeconomic issues as well as social and natural issues. Environmental scanning plays a vital role during strategic planning. In order for managers to understand the environments they need to first obtain adequate information about the changes that are occurring. Organizations with poor planning are characterized by lack of alignment throughout the organization by harmonizing all processes and departments towards a given objective. Scarce resources are often misappropriated leading to inadequate operational standards. The next chapter will be on the sample needed for data collection, statistical analysis as well as determining the formula to be used in obtaining the best sample size.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter will be based on a discussion of the methodology that will be applied in this research. This will entail looking at the preference of research design applied throughout the study. It will also explain the population of the research, the sample as well as the sampling technique, methods of data collection, data analysis and the methods of data presentation.

3.2 Research Design

Neelankavil (2015) defines a research design as an outline and plan necessary in carrying out a study while having a high degree of control over elements that are likely to have an influence and may impede on the legitimacy of such findings. Coopers and Schindler (2014) view a research design as the strategy and structure in which an analysis or inquiry is considered to achieve the answers to a research’s questions. This research design will make use of a descriptive research design.

Descriptive research design is one that is carried out without experimentation but rather by observations and data collection that does not manipulate the environment. Data is accessed and obtained readily with a variety of methods that can be used in the research process. It provides an affordable yet all round approach that can be applied in the appropriate context (Creswell, 2013). On the other hand, according to Neelankavil (2015) descriptive research can be geared towards what a researcher deems fit for the research thereby leading to somewhat biased questions.

This descriptive research design will entail carrying out a survey on the population under study. The dependent variable will be environmental uncertainty occurring in the operating environments of SME’s while the independent variables will be the specific objectives of the study. This includes situations in which organizations face uncertainty, impact of uncertainty on growth and performance, effectiveness of managers’ strategic responses to uncertainties.
3.3 Population and Sampling Design

3.3.1 Population

A population is the entire collection of essentials from which a measure is being drawn from for the sake of making deductions (Coopers and Schindler, 2014). The total subjects under study from Unga Farm care E.A ltd distributor will comprise of 2 directors, 5 managers, 4 administrators, 3 supervisors and 50 general workers.

Table 3.1 Number of Employees: (Unga Farm Care E.A Ltd Distributor 2015)

<table>
<thead>
<tr>
<th>GROUP</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Administrators</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Supervisors</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>General workers</td>
<td>40</td>
<td>74</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Unga Farm Care (E.A) Ltd Distributor Payroll (2015)

3.3.2 Sampling Design

A sample design entails the process that enables a researcher to select the primary attributes concerning the selection of data as well as analysis that are appropriate to the research questions

3.3.2.1 Sampling Frame

Neelankavil (2015) describes a sampling frame comprises of a list of the units that make up a population which a sample is consequently drawn from. If the list of components making up a population is inaccurate or not complete, then a no sampling error is inevitable. The sampling frame of this study will be a list of all current staff of the Unga Farm Care E.A distributor obtained from. The list will constitute 54 employees in total. The employees will be categorized
into directors, senior level managers, middle level managers, supervisors and general members of staff (Unga Farm Care E.A Ltd Distributor, 2015).

3.3.2.2 Sampling Technique

A sampling technique is the classification of the particular course of action that will be used in selecting the units to be used in the study (Neelankavil, 2015). The sampling technique that will be used in this research study will be stratified sampling technique. According to, Neelankavil (2015) stratification is the process in which members of the population of the study are divided into groups having similar traits before further subdividing them into samples. There should be homogeneity in the necessary in ensuring mutual exclusivity in which the various units comprising of the population are assigned to a given stratum. Since different members of the organizations have varying roles and responsibilities, the population will be sectored into four levels comprising directors, top management, middle management, supervisors and general members of staff.

3.3.2.3 Sample Size

A sample size is a good representative and sub set of the total number of subjects under study. It consists of the number of subjects in a research sample. This is symbolized by the letter “n”. The procedure to be used to compute the sample size pertaining to this research paper will be based on one adapted from Cooper and Schindler (2014).

\[ n = N \frac{1 + N(e)^2}{n = 54} \]

\[ 1 + 54 (0.05)^2 = 4 = 44 \]

“n” will be an illustration of the sample size, N will be that of the population size and e will be the error. The research paper will presume a 5% error thereby a confidence interval of 9%.
### Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>GROUP</th>
<th>NUMBER</th>
<th>PERCENTAGE</th>
<th>SAMPLE SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>5</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Administrators</td>
<td>4</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Supervisors</td>
<td>3</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>General Workers</td>
<td>40</td>
<td>74</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>100</strong></td>
<td><strong>44</strong></td>
</tr>
</tbody>
</table>

Source: Unga Farm Care (E.A) Ltd Distributor Payroll (2015)

#### 3.4 Data Collection Method

Data will be quantitative. This will be achieved through a well thought-out questionnaire that will be made possible through answers from various respondents. In order to have an increased response rate from the sample, structured questions will be used in the process. Structured questions facilitate the data processing section of research because of easy coding as well as analysis (Neelankavil, 2015).

The researcher will ensure that respondents are aware that their anonymity and discretion will be honored. This method will not only provide instant feedback but also enable clarification on specific data. The questions will comprise of both open ended and closed ended. The questionnaire will use a Likert scale in four sections based on the Literature review including; general information about the population, assessing the effects of environmental uncertainty in SME’s, effects of uncertainty on performance and growth and the effectiveness of strategic planning and strategic response.

#### 3.5 Research Procedure

An introduction letter providing an explanation as to why the research is being conducted will be attached to the questionnaire. Cooper and Schindler (2014) contend that a pre testing enables
improvement on the content and design of the questionnaire. Saunders, Lewis and Thornhilll (2009) indicate that a pilot test is crucial in ensuring that a questionnaire is well refined to eliminate any arising problems in the future.

The questionnaire will be pretested to enable a more efficient data collection process. This will be done by involving a manager and four Unga Farm Care E. A. Ltd employees. The questionnaire will then be fine tuned to make certain that the research questions are well thought-out and appropriate. The questionnaire will be taken to departments in the organization where the respondents will fill and return them. High response rates will be ensured though free job cards with the company’s logo. The estimated time that will be taken to hand out and collect the questionnaires will be 7 days.

3.6 Data Analysis Methods

According to Saunders, Lewis and Thornhilll (2009) data analysis is the method in which data is scrutinized, cleaned, converted and modeled with an aim of highlighting the information that is important and appropriate necessary for decision making by the researcher. Data collected will be corrected to ascertain that it will be complete and visible. A code book will also be developed in order to code the research data that will be discrete quantitative variables. This will be achieved through the Statistical Package for Social Sciences (SPSS).

The quantitative study will entail Analysis of Variance (ANOVA) and will comprise of two variables, dependent and predictors (Neelankavil, 2015). Analyzed data will be presented in tables and figures.

3.7 Chapter Summary

This chapter provides a depiction of the method that will be applied in the process involving data compilation and analysis procedure. The sampling method that will be applied in this research paper will be stratified sampling procedure. Since different members of the organizations have varying roles and responsibilities, the population will be sectored into four levels comprising directors, top management, middle management, supervisors and general members of staff. The questionnaire will be pretested to enable a more efficient data collection process. This will be done by involving a manager and four Unga Farm Care E. A. Ltd employees. The study will
entail a bivariate analysis because it will be comprised of two variables. Analyzed data will be presented in tables and figures.
CHAPTER FOUR

4.1 RESULTS AND FINDINGS

4.1 Introduction

This chapter explains the processes, techniques and procedures adopted to analyze, present and interpret data gathered using the questionnaires. The chapter elaborates quantitative data analysis, cross tabulation tables, percentages and means on how uncertainties affect the operating environment of SMEs and the impact on performance and growth. This will be attained through the following specific objectives. A total of 44 questionnaires were issued out of which 40 of them were returned indicating 91 percent response rate.

4.2 Background Information

4.2.1 Gender of the Respondents

Table 4.1 reveals that the majority of the respondents were male (60 percent), while the female were 40 percent. This implies that the organization of the study was gender sensitive.

Table 4.1: Gender of the Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>24</td>
<td>60.0</td>
</tr>
<tr>
<td>Female</td>
<td>16</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.2 Age of the Respondents

Table 4.2 reveals that 10 percent of the respondents were of the age 20-29 years, while 72.5 percent of the respondents were of the age 30.-39 years, 15 percent of the respondents were of the age 40-49 years while the remaining 2.5 percent were 50 years and above. This implies that there was balance in terms of age distribution in the organization.
Table 4.2: Age of the Respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29 Years</td>
<td>4</td>
<td>10.0</td>
</tr>
<tr>
<td>30-39 Years</td>
<td>29</td>
<td>72.5</td>
</tr>
<tr>
<td>40-49 Years</td>
<td>6</td>
<td>15.0</td>
</tr>
<tr>
<td>50 Years and Above</td>
<td>1</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.3 Service Years

Table 4.3 reveals that 45 percent of the respondents had worked for 0-4 years at the organization while 17.5 percent had worked for 5-9 years as 30 percent having worked at the organization for 10-14 years as the remaining 7.5 percent had worked for 15 years and above. The findings imply that most of the respondents had massive experience in the industry owing to their number of years in the organization.

4.3 Service Years

<table>
<thead>
<tr>
<th>Service Years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4 Years</td>
<td>18</td>
<td>45.0</td>
</tr>
<tr>
<td>5-9 Years</td>
<td>7</td>
<td>17.5</td>
</tr>
<tr>
<td>10-14 Years</td>
<td>12</td>
<td>30.0</td>
</tr>
<tr>
<td>15 Years and above</td>
<td>3</td>
<td>7.5</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.5 Level of Education

Table 4.4 reveals that majority of the respondents (55 percent) had undergraduate degrees while 40 percent had Masters Degrees as the remaining 4 percent had Diploma qualifications as their highest level of education.
Table 4.4: Level of Education

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma</td>
<td>2</td>
<td>5.0</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>22</td>
<td>55.0</td>
</tr>
<tr>
<td>Masters</td>
<td>16</td>
<td>40.0</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3 Environmental Uncertainty faced by SMEs

The first objective of the study was to assess the environmental uncertainty faced by SMEs sector Kenya. This section looked at how the respondents regarded this aspect of the study.

4.3.1 Business Uncertainty

Figure 4.1 reveals that 70 percent of the respondents agreed that they face business uncertainty while the remaining 30 percent negated the existence of business uncertainty in their organization.

![Figure 4.1: Business Uncertainty](image)

4.3.2 Regulations and Policies

Figure 4.2 reveals that 50 percent of the respondents strongly agree, 24 percent moderately agree, 21 percent agree, 2 percent disagree while 3 percent strongly disagree that the regulations and policies in the industry translates into environmental uncertainty SMEs.
4.3.3 Adequate Accessibility

Figure 4.3 reveals that 51 percent of the respondents agreed that their firm lacks adequate accessibility to all the necessary resources while 49 percent disagreed.
4.4 Effects of Uncertainties on SMEs Performance and Growth

The study also sought to associate the effect of uncertainties on SMEs performance and growth. This section will mainly dwell on how the respondents regarded this element of the study.

4.4.1 Changing Technologies

Figure 4.4 reveals that 51 percent of the respondents strongly agree, 28 percent agree, while 12 percent disagree as 9 percent strongly disagree that changing technologies leads to readjusting of the organization’s activities.

![Figure 4.4: Changing Technologies](image)

4.4.2 Key Decisions Based on Competition

Figure 4.5 reveals that 54 percent of the respondents strongly agree, 24 percent agree, while 11 percent disagree as 1 percent strongly disagree that in Kenyan SMEs key decisions are made based on the actions of competitors.
4.4.3 Environmental Uncertainty and Operations Costs

Figure 4.6 reveals that 63 percent of the respondents strongly agree, 31 percent agree, while 4 percent disagree as 2 percent strongly disagree that environmental uncertainty leads to increased operational costs.

4.4.4 Political Environment Assessment

Figure 4.7 reveals that 54 percent of the respondents strongly agree, 28 percent agree, while 11 percent disagree as 7 percent strongly disagree that managers value the need to assess the political environment.
4.4.5 Anticipation of Future Uncertainty

Figure 4.8 reveals that 42 percent of the respondents strongly agree, 38 percent agree while 8 percent disagree as 12 percent strongly agree that managers are able to strategize in anticipation of future uncertainty.

4.4.6 Power of Competition

Figure 4.9 reveals that 54 percent of the respondents strongly agree, 28 percent agree, while 11 percent disagree as 7 percent strongly disagree that managers acknowledge the power of competitors’ strategies.
4.4.7 Good Teamwork

Figure 4.10 reveals that 53 percent of the respondents strongly agree, 38 percent agree, while 7 percent disagree as 2 percent strongly disagree that good teamwork fosters strong internal capabilities.

4.4.8 Regression Analysis

Table 4.5 presents the model summary with regards to the regression analysis. As seen in the table the R squared value was 0.575 indicating that 57.5 percent of performance is as a result of uncertainties.
Table 4.5: Model Summary

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.765a</td>
<td>.585</td>
<td>.575</td>
<td>1.38948</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Uncertainty

Table 4.6 presents the ANOVA table which shows that the p value was 0.000, which is a clear indication that the model was significant with an F value of 53.666.

Table 4.6: ANOVA

ANOVAa

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>103.611</td>
<td>1</td>
<td>103.611</td>
<td>53.666</td>
<td>.000b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>38</td>
<td>1.931</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>176.975</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

b. Predictors: (Constant), Uncertainty

Table 4.6 further presents the coefficient table which shows that the coefficient value was 0.586 and the p value was 0.000. This implies a negative significant relationship between uncertainties and performance. This means that uncertainties in Kenyan SMEs negatively influence performance of these SMEs.
Table 4.7: Coefficients Tables

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant) -4.618</td>
<td>1.708</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.586</td>
<td>.080</td>
<td>-.765</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-7.326</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.5 Effectiveness of Managers’ Strategic Responses to Uncertainties

The third and final objective of the study was to associate the effectiveness of managers’ strategic responses to uncertainties. The following section will look further into how these variables come into play in the context of the SMEs in Kenya.

4.5.1 Environmental Scanning

Figure 4.11 reveals that 50 percent of the respondents strongly agree, 33 percent agree, while 12 percent disagree as 5 percent strongly disagree that managers continuously handle change through environmental scanning.

![Figure 4.11: Environmental Scanning](image-url)
4.5.2 Strategic Orientation

Figure 4.12 reveals that 44 percent of the respondents strongly agree, 34 percent agree, while 12 percent disagree as 10 percent strongly disagree that managers' strategic orientation is constantly monitoring the environment.

Figure 4.12: Strategic Orientation

4.5.3 Long-term Plans

Figure 4.13 reveals that 49 percent of the respondents strongly agree, 38 percent agree, while 10 percent disagree as 3 percent strongly disagree that managers come up with long term plans for continued sustainability.

Figure 4.13: Long-term Plans
4.5.4 Alignment of Organization Strategies

Figure 4.14 reveals that 66 percent of the respondents strongly agree, 21 percent agree, while 4 percent disagree as 9 percent strongly disagree that Organizational strategies are aligned with the intended performance.

![Figure 4.14: Alignment of Organization Strategies]

4.5.5 Government Policy and Regulation

Figure 4.15 reveals that 35 percent of the respondents strongly agree, 47 percent agree, while 10 percent disagree as 8 percent strongly disagree that government policies and regulations affect growth and performance of your organization.

![Figure 4.15: Government Policy and Regulation]
4.5.6 Resource Allocation

Figure 4.16 reveals that 35 percent of the respondents strongly agree, 38 percent agree, while 7 percent disagree as 2 percent strongly disagree that managers allocate the right resources to the right departments.

![Resource Allocation Chart]

Figure 4.16: Resource Allocation

4.5.7 Risk Taking

Figure 4.17 reveals that 54 percent of the respondents strongly agree, 28 percent agree, while 11 percent disagree as 7 percent strongly disagree that managers in your organization are risk takers.

![Risk Taking Chart]

Figure 4.17: Risk Taking
4.6 Chapter Summary

In this chapter, results and findings based on the specific objectives have been presented in form of tables and bar graphs. The next chapter provides a detailed discussion of the results and findings, conclusion as well as recommendations for improvement in further studies.
5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of four sections: summary, discussion, conclusions, and recommendations respectively. The first section provides a summary of the important elements of the study which includes the study objectives, methodology and the findings. The second section discusses the major findings of the study with regards to the specific objectives. The third section discusses the conclusions based on the specific objectives while using the findings and results which are obtained in the fourth chapter.

5.2 Summary

The general objective was to analyze the effect uncertainties in the operating environment of SMEs impacts on performance and growth. The study was guided by the following research objectives: to assess the environmental uncertainty faced by SMEs sector Kenya, to associate the impact of uncertainties on SMEs performance and growth and to associate the effectiveness of managers’ strategic responses to uncertainties.

The study’s methodology of research in data collection and analysis process involved the stratified sampling technique. Since different members of the organizations have varying roles and responsibilities, the population were sectored into four levels comprising directors, top management, middle management, supervisors and general members of staff. The questionnaires were pretested to enable a more efficient data collection process. This was done by involving a manager and four Unga Farm Care E. A. Ltd employees.

A code book was also developed in order to code the research data that were discrete quantitative variables. This was achieved through the Statistical Package for Social Sciences (SPSS). Regression analysis was applied and analyzed data was presented in tables and figures.

The study revealed that most SMEs in Kenya face business environmental uncertainty. It was revealed that majority of the respondents think the regulations and policies in the industry translates into environmental uncertainty for your organization. Finally the study revealed that most SMEs in Kenya lack adequate accessibility to all the necessary resources.
The study also revealed that changing technologies leads to readjusting of the organization’s activities among SMEs. It was further revealed that key decisions are made based on the actions of competitors. Additionally, the study revealed that environmental uncertainty leads to increased operational costs among SMEs. Similarly, the study revealed that SME managers value the need to assess the political environment. They are also able to strategize in anticipation of future uncertainty. Finally it was revealed that SME managers acknowledge the power of competitors’ strategies and good team work fosters strong internal capabilities.

The study revealed that SME managers continuously handle change through environmental scanning. It was further revealed that SME managers’ strategic orientation is constantly monitoring the environment. They also come up with long term plans for continued sustainability. Additionally it was revealed that organizational strategies are aligned with the intended performance. In the same regard the study established that government policies and regulations affect growth and performance of SMEs. Finally the study established that managers allocate the right resources to the right departments and the managers are risk takers.

5.3 Discussion

5.3.1 Environmental Uncertainty faced by SMEs

The study revealed that most SMEs in Kenya face business environmental uncertainty. It was revealed that majority of the respondents think the regulations and policies in the industry translates into environmental uncertainty for your organization. Finally the study revealed that most SMEs in Kenya lack adequate accessibility to all the necessary resources.

The findings affirm that indeed globally, micro and small enterprises have been recognized because they not only offer opportunities where citizens can earn an income but also because they contribute to the GDP’s of these economies. Ong’olo and Awino (2013) refer to the ILO and the informal sector report of 1972 which focuses on employment. They acknowledge that small and medium enterprises are key contributors to the Kenyan economics system through establishment of employment necessary in income provision. Authors concede that policies within the industry as well as those that are a requirement because of the government or other
legislative institutions are external dynamics in the environment of businesses that result to uncertainty.

The findings on lack of sufficient resources agree with Johnson and Nino-Zarazua (2011) who contends that limited access to funds by MSEs’ leads to their limited performance. Gaining access to funds and capital resources is inhibited by internal as well as external aspects. An external perception from banks and lending institutions is that SMEs are financially insecure and expensive organizations to have confidence in because they do not have ample and necessary collateral (CMA, 2010). In real sense SME’s can only therefore borrow and use small amount of funds from lending institutions. Their access to credit is rationed because they increase variable costs such as intermediation, monitoring and contract management. An internal perspective is that SMEs are not creditworthy because they lack efficiency in management. They are unable to ensure enough funds for smooth running of the operations of the business such as procurement and supplies as well as acquiring plant and equipment (CMA, 2010).

Additionally the findings affirm that indeed there is a negative perception geared towards SME’s whereby they are deemed as no having or providing the same quality of products or services as larger companies. Individuals may offer opportunities and projects based on the aspect that a large organization has a more established name and can consequently provide quality (Vincent and Aosa, 2011). SME’s miss out on such opportunities when they are more than capable of providing equal or better quality services and products as those of the industry giants.

Finally the findings also agree with studies which have been carried out on environmental uncertainties faced by SMEs in various developing countries. Okurut and Bategeka (2006) point out that the poor performance of SMEs in Uganda to insufficient provision of public services, a hostile taxation system, increased burden in terms of various regulations and political interference as well as corruption. In addition, Ishengoma and Kappel (2011) concur that these different factors noted by Okurut and Bategeka (2006) are valid in giving a realistic explanation as to why MSE are faced with the challenge of continued growth caused by uncertainty.

A gap is however identified where studies have failed to track how these critical factors develop over time which is imperative in the policy enhancement by the governments concerning improving the environment of SMEs. Resources in a business environment range from natural
resources to physical infrastructure such as roads and the various strategic resources for that effectively.

5.3.2 Effect of Uncertainties on SMEs Performance and Growth

The study also revealed that changing technologies leads to readjusting of the organization’s activities among SMEs. The findings agree with Schniederjans and Cao (2009) who argues that despite having strategies that accommodate uncertainties, managers are able to only keep up in the short term. It is demonstrated that information technology uncertainty is accelerated by levels of competition within the industry necessary in survival. It is imperative to align strategies with technology through integration in business processes. This will maximize increasing competitiveness, revenue growth and profitability (Yayla and Hu, 2012).

Additionally organizations, multinationals, large scale firms or SMEs, rely heavily on information technology as well as networks necessary in the smooth running of their operations. It is critical that the systems set in place ensure security against unprecedented threats that could lead to uncertainty. Kaveke (2014) argues that majority of SMEs in Kenya do not uphold practices concerning protection of their systems and data. The author’s study demonstrated that there were no established roles and responsibilities on information technology because of lack of clear policies, do not undertake risk assessments and employees are unaware of the systems or under qualified.

It was further revealed that key decisions are made based on the actions of competitors. This affirms that in order for SMEs to survive in industries that have tough competition, Driouchi and Bennet (2012) contend that managers of these organizations should analyze their real choices. Real options and decision-making under these alternatives necessitate adjustments and harmonization of organizational activities by managers. Real options give owners and managers of enterprises the capability to, to a certain extent, render null and void commitment to making a decision. This decision making is postponed until managers have gained enough and adequate information about the uncertain scenario.

Additionally the study revealed that environmental uncertainty leads to increased operational costs among SMEs. Similarly the study revealed that SME managers value the need to assess the
political environment. They also able to strategize in anticipation of future uncertainty and they also acknowledge the power of competitors’ strategies. This affirms that Changes in the market place necessitate the need for managers to come up with strategies that enable enterprises to cope with dynamics and the business environment. It is therefore imperative that the management mobilize funds to improve on their information technology (Kearns and Abherwal, 2007). Increased operations costs problem may be solved by adopting cost effective production and operations methods that emphasize on profit maximization at reduced costs.

Finally it was revealed that SME managers acknowledge the power of competitors’ strategies and good team work fosters strong internal capabilities. Uncertainties vary from political influences, policies, macroeconomic issues as well as social and natural issues. SMEs are growth and performance is impacted on by challenges that involve: acquiring ample quantity and quality of raw materials and inputs for production, uncertainty in the market because of changes in the demand of outputs, unpredicted rivalry between firms as well as new entrants and operating uncertainties that concern labor pay rates and bad debts from customers (Jeffrey and Caron, 2013). The adaptive school of thought handles uncertainty in the environment of enterprises through avoiding making predictions.

Managers are more focused on taking action towards change and events as they are happening. There is an emphasis on constant testing and experimenting as well as adapting to the changes in the business environment. Johnston, Gilmore and Carson (2008) imply that prediction suggests that enterprises are able to know their next plan of action through reducing the utilization of making predictive judgments and carrying out more experimenting so that managers are able to take advantage of new opportunities that emerge in the market or industry. It supports making use of only adaptive options which try to avoid defining future environmental changes. Prediction seeks to position an enterprise in a manner in which the managers can make accurate and timely responses to turbulence and uncertainty (Quinn, 2008).

5.3.4 Effectiveness of Managers’ Strategic Responses to Uncertainties

The study revealed that SME managers continuously handle change through environmental scanning. The findings affirm that in order for the responses of managers in SMEs to be effective, there is a need for strategic planning that acts as a bridge external environmental
uncertainty and decision making. Effective strategic planners ensure that resource allocation is carried out to the ultimate best and that the flow of information is smooth throughout the structures of the business (Hills and Jones, 2012). Managers are therefore tasked with the role of receiving the original information regarding uncertainty and filtering it so as to reduce information overload to members such as owners and employees. Jeffrey and Caron (2013) contend that strategic managers are not only valuable in coming with short term tactics to cope with uncertainty but also long term plans necessary in continued sustainability.

It was further revealed that SME managers’ strategic orientation is constantly monitoring the environment. They also come up with long term plans for continued sustainability. Strategic reactions by owners and managers of enterprises to apparent uncertainty differ by the individuality and extent of managers being risk (Kaplan, 2008). Risk-averse managers tend to be innovative through the development of new products that are complementary to existing ones. These managers also engage in strategies such as forming strategic alliances, partnerships or investments in new ventures. Managers who are less risk averse, on the other hand, tend to accept the risk by finding new ways looking at uncertainty or pursuing different opportunities by assuming that uncertainty is not a big issue. Satya (2012) contends that the better the quality and certainty about information regarding the environment is, holding other factors constant, the more the likelihood of superior performance and increased growth of business. Ghoshal (2007) identifies various types of risks.

Macroeconomic risks are those that cannot be controlled or influenced by an individual firm including exchange and wage rates. Policy risks are that are as a result of uncertainty caused by how governments will act in the future including taxation and regulations. Competitive risks are those that are caused by the behavior of competitors in the market such as introduction of new supplement products. Resource risks are concerned with acquiring the necessary materials, skills and funds that add value to the enterprise. Managers may choose to react differently to uncertainties that are caused by risks. Strategic thinkers may choose to do away with or reduce the activity that is bringing about the risk or they may opt to insure against various uncertainties.

Additionally, it was revealed that organizational strategies are aligned with the intended performance. In the same regard the study established that government policies and regulations affect growth and performance of SMEs. The findings affirm that governments are playing a role
in enabling SMEs to operate in less dynamic environments because they are contributors to national GDP’s. This is evident through the design of various programs and policies that make industries and market more favorable to SMEs (Syekei and Opiah, 2013). This is evident through the enactment of laws enable development of micro-finance institutions that foster stabilization of macroeconomic factors. There are however challenges in the implementation and co-ordination of policy initiatives, increased overlaps and inconsistencies in the sector policies, unclear boundaries in markets, unsuitable legal frameworks, out of date by laws by city and town councils and lack of a well-coordinated devolved system that has good implementation mechanisms.

Finally the study established that managers allocate the right resources to the right departments and the managers are risk takers. Organizations with poor planning are characterized by lack of alignment throughout the organization by harmonizing all processes and departments towards a given objective. Scarce resources are often misappropriated leading to inadequate operational standards (Ricky and Gregory, 2009). Managers in SMEs must achieve goal congruence by finding a balance between the organization’s vision and objectives while ensuring that the needs of employees in the organization are met. Leaders who motivate employees in an enterprise foster innovation and creativity which acts as a great advantage for SMEs in handling uncertainty in the market (Shepherd and Rudd, 2014). Allocating the right resources to the right process or department means that they are well prepared for uncertainties depending on how a risk interferes with the smooth flow of operations.

5.4 Conclusion

5.4.1 Environmental Uncertainty faced by SMEs

The study concludes that most SMEs in Kenya face business environmental uncertainty. It was concluded that majority of the respondents think the regulations and policies in the industry translates into environmental uncertainty for your organization. Finally the study concludes that most SMEs in Kenya lack adequate accessibility to all the necessary resources.
5.4.2 Effect of Uncertainties on SMEs Performance and Growth

The study also concluded that changing technologies leads to readjusting of the organization’s activities among SMEs. It was further concluded that key decisions are made based on the actions of competitors. Additionally the study concluded that environmental uncertainty leads to increased operational costs among SMEs. Similarly the study concluded that SME managers value the need to assess the political environment. They also able to strategize in anticipation of future uncertainty and they also acknowledge the power of competitors’ strategies. Finally it was concluded that SME managers acknowledge the power of competitors’ strategies and good team work fosters strong internal capabilities.

5.4.3 Effectiveness of Managers’ Strategic Responses to Uncertainties

The study concluded that SME managers continuously handle change through environmental scanning. It was further conclude that SME managers’ strategic orientation is constantly monitoring the environment. They also come up with long term plans for continued sustainability. Additionally it was also concluded that organizational strategies are aligned with the intended performance. In the same regard the study concluded that government policies and regulations affect growth and performance of SMEs. Finally the study concluded that managers allocate the right resources to the right departments and the managers are risk takers.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Environmental Uncertainty faced by SMEs

The study recommends the need for SMEs to ensure that they scan the environment they operate in to ensure that all the members of the organization are made aware of the uncertainties that surround the organization. This will help employees as well as managers to better understand the various strategies that have been put in place to manage such uncertainties.
5.5.1.2 Effect of Uncertainties on SMEs Performance and Growth

The study further recommends the need for organizations to effectively assess the various impacts of uncertainties on their organizations so as to better put in place measures that will go a long way in cushion the organization from such uncertainties. Additionally it is important for the organization to effectively monitor continuously how uncertainties impact on growth of SMEs.

5.5.1.3 Effectiveness of Managers’ Strategic Responses to Uncertainties

The study recommends the need for to come up with practical solutions that will help the organizations to deal with uncertainties. The study further recommends the need for government to put in place policies that will help SMEs to deal with the uncertainties facing them. This will go a long way in boosting the performance of SMEs in Kenya.

5.5.2 Recommendations for Further Studies

The study recommends the need for additional studies that will focus on how the operating environment as a moderating variable contributes to effective performance of SMEs. Additionally it will be very important for future researches to focus on other sectors of the economy and not just SMEs. This will bring into focus a diverse opinion on how uncertainties relate to organization performance.
REFERENCES


http://dx.doi.org/10.1057/9780230590601


Eductaion


Micro and Small Enterprises Bill 2011


To Whom It May Concern

Dear Sir/Madam,

My name is Kinyua Leah Wangari, a graduate student at United States International University Africa. I am carrying out research examining the **Effects of Environmental Uncertainty in SME’s** for my research project in partial fulfillment of the requirements of Masters in Business Administration concentration in Strategic Management.

This is a request letter for your support in providing the information for all sections of the questionnaire necessary in enabling me acquire the essential information for this research. The information collected herein is intended for academic purposes and will be treated with extreme confidentiality. Your cooperation will be greatly appreciated. Thank you for your time.

Yours Faithfully,

Leah W Kinyua
APPENDIX 2: RESEARCH QUESTIONNAIRE

Kindly answer the following questionnaire. The questionnaire seeks information about the Effects of Environmental Uncertainty in SME’s, A case of an Unga Farm Care E.A Ltd Distributor.

SECTION A: GENERAL INFORMATION

Kindly answer all the questions by ticking in the relevant box or answer.

1. Gender? Male ☐ Female ☐

2. In which age group do you belong to?

☐ 20-29  ☐ 30-39  ☐ 40-49  ☐ 50-59  ☐ 60 and above

3. How long have you worked at Unga Farm Care E.A Ltd Distributor?

a. 0-4 years ☐

b. 5-9 Years ☐

c. 10-14 Years ☐

d. 15 Years and Above ☐

4. Highest level of education attained

a. Certificate ☐

b. College Diploma ☐

c. University Degree ☐

d. Masters ☐
SECTION B: ASSESS ENVIRONMENTAL UNCERTAINTY FACED BY SME’S

On a scale of 1 to 4 where 1 = strongly disagree and 4 = strongly agree, how would you rate the impacts of environmental uncertainty to the performance and growth of your organization? Tick which best describes your opinion of this statement.

Kindly tick the box corresponding to your opinion for each statement

1. In your opinion, does your organization face business environmental uncertainty?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

2. If yes, do you think the regulations and policies in the industry translates into environmental uncertainty for your organization?

| (a) Strongly Agree |
| (b) Moderately Agree |
| (c) Agree |
| (d) Disagree |
| (e) Strongly Disagree |

3. Do you believe that your firm lacks adequate accessibility to all the necessary resources?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>
SECTION C: EFFECTS OF ENVIRONMENTAL UNCERTAINTY ON PERFORMANCE AND GROWTH

On a scale of 1 to 5 where 1 = strongly disagree and 5 = strongly agree, how would you rate the impacts of environmental uncertainty to the performance and growth of your organization? Tick which best describes your opinion of this statement.

<table>
<thead>
<tr>
<th>Effects of environmental uncertainty</th>
<th>Strongly Disagree 1</th>
<th>Disagree 2</th>
<th>Agree 3</th>
<th>Strongly Agree 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Changing technologies leads to readjusting of the organization’s activities</td>
<td></td>
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<tr>
<td>2. Key decisions are made based on the actions of competitors</td>
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<tr>
<td>3. Environmental uncertainty leads to increased operational costs</td>
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<tr>
<td>4. Managers value the need to assess the political environment</td>
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<td></td>
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<tr>
<td>5. Managers are able to strategize in anticipation of future uncertainty</td>
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<tr>
<td>6. Managers acknowledge the power of competitors’ strategies</td>
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<tr>
<td>7. Good teamwork fosters strong internal capabilities</td>
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</table>
SECTION D: EFFECTIVENESS OF MANAGERS’ STRATEGIC PLANNING

1. Strategic planning is a constant and continuous process in your organization?
   - Yes [ ]
   - No [ ]

2. In your opinion, are managers effective strategic planners in your organization?
   - Yes [ ]
   - No [ ]

SECTION E: EFFECTIVENESS OF STRATEGIC RESPONSE BY MANAGERS

On a scale of 1 to 4 where 1= strongly disagree and 4= strongly agree, how would you rate the effectiveness of strategic response by managers to environmental uncertainty in your organization? Tick which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Effectiveness of Managers’ Strategic Response to Uncertainty</th>
<th>Strongly Disagree 1</th>
<th>Disagree 2</th>
<th>Agree 3</th>
<th>Strongly Agree 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Managers continuously handle change through environmental scanning</td>
<td></td>
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<tr>
<td>2. Managers strategic orientation is constantly monitoring the environment</td>
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<tr>
<td>3. Managers come up with long term plans for continued sustainability</td>
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<tr>
<td>4. Organizational strategies are aligned with the intended performance</td>
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<tr>
<td>5. Government policies and regulations affect growth and performance of your organization</td>
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<tr>
<td>6. Managers allocate the right resources to the right departments</td>
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<td></td>
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<tr>
<td>7. Managers in your organization are risk takers</td>
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</table>
8. Is there a research and development expert in your organization?

Yes ☐ No ☐

9. If yes, what do you think is their main role in your organization?

________________________________________________________________________

________________________________________________________________________

10. How effective are they at ensuring adequate preparation for environmental uncertainty?

Effective ☐ Not Effective ☐

11. What other factors not mentioned above contribute to environmental uncertainty in your organization?

________________________________________________________________________

________________________________________________________________________

THANK YOU FOR YOUR COOPERATION AND TIME