APPLICATION OF STRATEGIC PLANNING TOOLS AND CONCEPTS IN SMES IN NAIROBI CBD

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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A Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirements for the Masters of Business Administration

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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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.

Signed: ___________________________ Date: ________________
Abdi Mohamud Hussein (ID No. 626145)

This research proposal has been presented for examination with our approval as the appointed supervisors.

Signed: ___________________________ Date: ________________
Prof. Peter Lewa

Signed: ___________________________ Date: ________________
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ABSTRACT

The general objective of the study was to examine the application of strategic planning tools and concepts in small and Micro enterprises (SMEs) in Nairobi CBD. The study was guided by the following objectives: to examine the various strategic planning tools and concepts adopted by SMEs in Nairobi CBD, to analyze the challenges faced by SMEs in Nairobi CBD in the application of strategic planning tools and concepts and to establish how the application of strategic planning tools and concepts affects SMEs in Nairobi CBD.

Descriptive research design was employed in the study. The population under study was 1000 micro enterprises in Nairobi CBD. The random sampling technique was used to determine the sample size because of the heterogeneity of the population and to facilitate high response rate. The sample size was 300 respondents, out of which 60 percent responded. The data was analyzed using with the help of the statistical package for social sciences (SPSS). The analyzed data was thereafter presented in form of tables and charts.

It was revealed from the study that the most commonly used techniques are financial analysis for own business, SWOT analysis, PEST analysis as well as Porter’s five forces all having a mean of more than 4.00. The results show moderate use of techniques such as: financial analysis for competitors, experience curve analysis, human resource analysis, spreadsheet “what if” analysis as well as analysis of key (critical) success factors. The results show less focus on techniques such as scenario construction, core capability analysis, value chain analysis, stakeholder analysis and analysis of organisational culture by SMEs operating in Nairobi.

In the light of findings the study concludes with regards to the challenges faced by SMEs in the application of strategic planning tools and concepts revealed that the process of applying strategic planning tools and concepts was faced with the following challenges: Lack of Effective Communication (100%), lack of education and training on how to use them (81%), employee competency prevented the application of the tools (70%), organization Structure in the usage of tools, lack of employee empowerment (68.3%), resistance to change leading to lack of adoption of new ways (91%), lack of direction by top leadership (70%), lack of long term view of the business, failure to see how the tools could be beneficial (80%), general short-termism view of the business (70%), inadequate finances and finally (79%), seeing planning as a waste of time (90.7%).
Finally the regression analysis revealed that there was a direct positive relationship between strategic planning techniques and tools and SME performance (.519). This finding indeed indicates that performance of SMEs in Kenya is influenced by the use of strategic planning techniques and tools.

The study recommends that it is important that scanning should also include a focus on internal strategic factors. Secondly, SMEs should make use of important strategic planning tools and techniques such as scenario construction and analysis of organisational culture. Techniques such as scenario construction could be useful to SMEs work in a highly unpredictable environment. The use of this technique could provide these SMEs with an approach to flexible planning by developing several alternative views of the future. The study further recommends the need for SMEs to find out reasons for the negative attitudes towards strategic planning by some employee; perhaps via the use of interviews. Further there is needed to find out the nature of the problems which restricted the effectiveness of the implementation of SMEs strategy planning tools and concepts.

Finally the study recommends that the managers of these SMEs should have a positive attitude to strategic planning and make an effort to use strategic planning tools and techniques they consider that the implementation of strategy in their SMEs is not effective. Strategy implementation is the most difficult and important part of strategic management. No matter how superior the formulated strategy is, an SME will not benefit if it is implemented incorrectly.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The process of strategic planning has been put into consideration by various scholars and academicians in the last thirty years. There is still limited literature when it comes to the area of strategic planning tools and concepts and especially so with regards to the SME sector. This notwithstanding the fact that strategy scholars continue to advocate for the use of strategic planning tools. This is mainly because majority of the empirical studies that have been carried out have reported that indeed the usage of strategic planning tools have been conducted in other industry type contexts. Additionally it has been established from previous studies that indeed the use of strategic planning tools has generally been considered to be part of a wider study of strategic planning processes (Alexander, 1985), for instance (Altonen, 2012) established that publicly quoted firms have for a long time been using strategic planning tools and techniques. However, their study fails to provide a comprehensive report on how the various strategic planning tools and concepts were utilized by the SMEs.

In the modern day, the area of strategic planning is yet to offer a single definition of strategic planning. As a result there are a number of definitions however this paper chose to use the definition by (Crouch, 2007), which defined strategic planning in the context of a devising and formulation of organizational level plans that are essential in when it comes to the broad and flexible objectives, strategies as well as policies of a business, that are key when it comes to driving the organization towards its vision of the future.
(Hungler, 2007), are of the opinion that the strategic planning process is one through which the organization is able to include strategic planning tools and techniques in a manner that enables it to achieve its goals and objectives. This process therefore goes a long way to include the establishment of clear objectives as well as the necessary processes that are very essential towards achieving desired results. Strategic planning therefore can be classified as a very important tool of management in any organization, whose main aim includes the provision of direction while at the same time seeking to ensure that indeed there is availability of key resources at a suitable place and time that are relevant to the achievement of organization objectives.

(Megginson, 2006), on her end views strategic planning as a very logical process, that facilitates the formulation of the organization strategy via rational analysis of the firm, as well as the performance of the firm in the context of both the internal and external environment. It follows therefore that the strategy is then communicated to the organization and thereafter implemented down through successive organizational layers. In this regard therefore the benefits of strategic planning tools can be regarded in terms of: enhancing co-ordination, controlling through performance reviews, environment analysis, identification and exploitation of market opportunities, enhancing internal communication between personnel as well as encouraging personnel in a favorable attitude to change; and improving the corporate performance of companies. This paper therefore seeks to examine the application of strategic planning tools and concepts in Kenyan SMEs.
Over the years, small and medium enterprises (SMEs) development has emerged a major economic development and growth strategy aimed at in poverty alleviation, wealth and employment creation in many world economies. As a result, many governments worldwide with support from sectoral partners have continued to initiate programs earmarked towards the strengthening and development of the sector (Govindarajan, 1989). Areas of support include management and technical training, extension services, provision of physical structures, provision of utilities, marketing and credit facilities (GoK, 2010). Aware of this, the Kenyan government has taken steps to develop a legal and regulatory framework, markets and marketing, business linkages, the tax regime, skills and technology and financial services (Wanjohi, 2008).

Various definitions have been applied by various stakeholders with reference to SMEs. For instance, while Sessional Paper No. 2 of 2005 defines a SME as an enterprise with between 1 to 50 employees, the World Bank uses various criteria to define SME. These include, a formally registered business with an annual turnover of between Ksh. 8 - 100 million or with an asset base of at least Kenya Shillings 4 million; or employing between 5 to 150 employees. Researchers from various disciplines agree about the importance of small business to economic growth and personal wealth (Stringer, 2006). The small business sector as a major source of employment and income is argued to be even more important to the economies in developing countries.

In Africa, about 25 percent of the people employed outside agriculture depend on this sector for their livelihood; improving the conditions for small business is thus seen as a solution to unemployment and poverty alleviation. According to Dimatteo (2006) micro and small enterprise creation are routes that young people actively explore to ark their
current and future economic needs. In Kenya, the sector contributed over 50% of new jobs created in 2005 and contributed estimated 18 per cent of GDP, up from 3 per cent in 2010 (Wanjohi, 2008).

Similarly, SME’s account for a significant share of the economic activities and play an important role in achieving the Millennium Development Goals (MDGs). The long term goal for any developing country is for SME’s to maximize their contribution to the country’s economic and social development with respect to production, income distribution and employment and the closer integration of women and people in rural areas within the national economy (Benner, 2003). The Government of Kenya in Kenya’s blue-print of 2010 acknowledged Kenya to move towards a newly-industrialized middle-income country capable of providing a high quality of life for all its citizens by the year 2030, SMEs need to be strengthened (Wanjohi, 2008).

Despite the significant contribution and support earmarked towards the sector, SMEs are faced with the threat of failure with past statistics indicating that three out of five fail within the first few months (Neilson, 2008). According to Sonia, poor strategic planning accounts for most of the failures in these enterprises. The need to maintain effective strategies within small and medium enterprises remains pivotal to the success of SME’s. Most SMEs do not care about their strategic planning tools, most have only little regard for their strategies and most do not even have strategies. For the viability of the enterprises, Henry (2006) observed that efficiency in the management of strategies is critical. It was noted that this will enhance performance, sustainability and competitiveness of these enterprises. Accordingly, business viability relies to a greater extent, on its ability to effectively manage strategies (Henry, 2006). Thus much
managerial effort is spent on bringing non-optical level of strategic plans back to their optimal levels (Henry, 2006).

In view of their sizes and complexities of their operations, most SMEs fail to effectively plan their strategies which in the process affect their competitiveness (Kaplan, 2011). Small and medium enterprises should adopt strategic planning tools in order to enhance business performance. Therefore managers and entrepreneurs within SME’s should understand the importance of strategic planning tools for profitability and ultimately the survival of their company (Peng, 2011).

1.2 Problem Statement

The topic of how strategic planning tools and concepts can be applied to small businesses and how these strategic planning tools and concepts could positively impact on SMEs has elicited mixed reactions while at the same time eliciting massive interest from scholars and academicians, especially in the United States (Hrebiniak, 2005). In Kenya however it is evident that not much attention has been given to this area of study. Despite the importance of SMEs in the Kenyan economy, past statistics indicate that three out of five businesses fail within the first few months of operation. Regardless of their contributions, SMEs are affected by poor application of strategic planning tools and concepts that results in high failure rates. According to Wanjohi (2009), Studies conducted have left out the element touching on the effects of strategic planning tools and concepts on SMEs. In fact presently only two empirical studies have been carried out so far with the intention of establishing how various firms have applied strategic planning tools and concepts (Hrebiniak, 2005). These studies are not sufficient to provide a full picture about the extent of the practice of strategic planning tools and concepts in Kenyan SMEs. More importantly, no studies at all have been undertaken of strategic planning tools and
concepts in Kenyan SMEs. Additionally these studies did not focus on SMEs which therefore creates a research gap that had to be filled by this study which sought to examine the application of strategic planning tools and techniques among SMEs in Nairobi CBD.

1.3 General Objective of the Study

The general objective of the study is to examine the application of strategic planning tools and concepts in small and Micro enterprises (SMEs) in Nairobi CBD.

1.4 Specific Objectives

1.4.1 To examine the various strategic planning tools and concepts adopted by SMEs in Nairobi CBD.

1.4.2 To analyze the challenges faced by SMEs in Nairobi CBD in the application of strategic planning tools and concepts

1.4.3 To establish how the application of strategic planning tools and concepts affects SMEs in Nairobi CBD.

1.5 Significance of the Study

The findings and recommendations of this study are important as they will contribute to theory in entrepreneurship.

1.5.1 SMEs

The study will help SMEs in identifying the challenges facing them when implementing strategic planning tools. They will appreciate that in order to grow they need to address their challenges in whole as opposed to dealing with some in isolation. This study will cover three entrepreneurial factors that are necessary to sustain growth in the tough economic times.
1.5.2 The Government

It will be of particular importance to the relevant ministry that aims at assisting the SMEs to grow and transform into medium sized corporations. The government would find the study useful and thus enhance its ability to enact legislation so that it does not stifle the innovation momentum as long as it is beneficial to its citizens. It would find it a good source of information on whether the industry is at par with other jurisdictions and effect lessons learned from those jurisdictions so as to monitor and ensure that strategic planning tools are within the law and not to the detriment of the customer. The study will assist in the formulation of policies that address the SME sector. This will help them align the policy with regards to the current state of things in the industry.

1.5.3 Academicians

The research will assist academicians understand the application of strategic planning tools and concepts in small and Micro enterprises (SMEs) in Nairobi CBD. It will be of great assistance to the upcoming entrepreneurial studies. Scholars interested in studies in the application of strategic planning tools and concepts in small and Micro enterprises (SMEs) in Nairobi CBD can also use the findings of this study.

1.5.4 Training Institutions

Many organizations are involved in trainings and financing SMEs activities. The study will assist them tailor make training kits that will enable the participants develop their own strategies. It will also facilitate creation of programs that are in line with the current demands in the industry so as to suit the needs.
1.6 Scope of the Study

The study will cover a portion of the small scale and medium enterprises in Nairobi CBD. The study however will be limited to the period of October and November 2014, and the events and happenings within this study period will be considered in the study.

1.7 Definition of the Study
1.7.1 Strategic Management

This is the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives (Martin, 2010).

1.7.2 Strategy Planning

Strategic planning is considered to be that act of developing the strategic change in any organization and which is essential in the implementation of the strategic intentions (Kotler, 2009).

1.7.3 Competitive Advantage

Pearce and Robinson (2008), define competitive advantage is being anything which favourably distinguishes a firm, its products or services, from those that are offered by other competitors in a manner that enables customer to choose such products or service over another.

1.7.4 Microenterprises

A micro-enterprise or microenterprise is a type of small business, often registered, requiring seed capital of not more than $35,000 and employs not more than 10 employees (Pettigrew, 1998).

1.7.5 Small Enterprise

This is a type of small business, often registered, requiring seed capital of more than $35,000 and employs not more than 50 employees (Olson, 2005).
1.8 Chapter Summary

This chapter focused on the background of the study. The chapter has also discussed the problem statement. To grasp the concept better the purpose of the study was outlined as well as a justification of the study has also been given specifying the importance to among other stakeholders our government. The scope of the study was also outlined and key terms defined. In the coming chapters, critical literature review is provided. Chapter three will detail the research methodology that will be used to investigate the problem. The fourth chapter will provide the results and findings, while the fifth chapter will present a summary of the study findings as well as a detailed discussion, conclusions and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction.

According to Kotler (2009), planning entails setting goals and choosing the means to achieve them. Plans therefore enable managers to have a clear idea of what they need to organize. The need to develop a strategy is relating a company to its environment (Porter, 1998). The industry in which a firm competes is the key aspect of the firm’s environment. Porter further argues that the competitive rule of the game as well as the strategies potentially available to the firm has been strongly influenced by the industry structure. All firms are therefore affected by outside forces and for them to succeed; they have to strategize their plans in a way that will enable them deal with the five basic competitive forces. What is essential for such organizations to understand that strategy defines a firm’s purpose and the obligations of the organization to its stakeholders, deals with organizational competitive advantage by positioning the organization in the environment and defines the business of the organization its product or market scope.

According to Porter (1980, 1985, and 1998), generic strategies are made up of a framework of basic business level strategies, which can be applied to a variety of organizations and in diverse industries. They are considered to be core ideas about how a firm can best compete in market place (Michlitsch, 2000). They are therefore potentially successful strategic approaches that help organizations to cope with the five industries and market competitive forces and therefore enable such organizations to compete effectively in an industry.
Porter on the other hand argues that different challenges require different approaches to address them. Competition, determines how appropriate a firm’s activities will contribute to its performance, such as a cohesive culture, innovations or a good implementation (Porter, 1998). Every institution that competes in an industry has a competitive strategy. The strategy may have been developed through a planning process or may come up through the activities of the various functional departments of the organization (Porter, 1980). For a strategy to be successful, it must align well with the environment in which the organization is set in.

2.2 Strategic Planning Tools and Techniques

A number of strategic planning tools and concepts have been put in place with the main aim of enabling managers to deal with strategic planning decisions. Such techniques are aimed at helping managers to transform valuable data into suitable forms that can be relevant when it comes to decision-making and action (Love & Lumpkin, 2012). Such tools have proved to be very beneficial to managers and organizations at large in that they have helped in increasing awareness about the business environment as well as the strategic issues notwithstanding the various opportunities and threats that have been very crucial in helping to reduce the various risk involved in making certain decisions. These tools have also been critical in establishing priorities in large complex companies while also helping organizations to provide a framework that is necessary in the evaluation of the relative importance of different business portfolios. Additionally strategic planning tools have been instrumental in aiding the presentation of complex issues. They may also be seen as a valuable communications device, in addition to their analytical role.
Since the firms from different countries in the world, regardless of their level of economic development, are facing with dynamic and complex environments, due to globalization, technology development, deregulation, emerging new markets, the need for more sophisticated and contemporary strategic planning has become an essential condition for their surviving and growth hence, the usage of new and improved planning tools and techniques presents a primary component of the new planning process. There are many studies in the field of strategic planning, where strategic planning tools and techniques are used as evidence of the practice of strategic planning (Miller, 2002), or furthermore the usage of strategic planning techniques are considered as one of the key indicators for formal strategic planning.

Harrison (2013) put forward a number (30) of strategic planning tools planning tools and techniques. According to him, these tools were key in the performance of the organizations he studied. Kaplan & Norton (2011) on the other hand reduced the number of tools to 28. He however put forward the argument that indeed only a few of these two tools are being utilized by firms that operate in the countries which have been surveyed to date. This means therefore that it is not possible for any particular organization to make use of all the strategic planning tools and concepts at a go. In practicality an organization can only choose from the 28 strategic planning tools and use those that it deems to be useful to its performance.

Additionally they argued that among the 28 tools there are those most commonly used tools by various organizations that have been studied. This assertion is supported in literature by a number of scholars who have established that the three commonly used strategic planning tools are the SWOT analysis, the factor analysis and finally the benchmarking tool (Kaplan and Norton, 2008).
A study conducted by Nobble (1999), on the use of strategic planning tools and concepts in Saudi Arabian organizations, brought forward a revelation of how 10% of organizations were able to make use of strategic planning tools and concepts regularly. In his study it was also revealed that indeed the most regularly used tool was analysis of critical success factors, followed by benchmarking, and then “what if” analysis, while SWOT analysis, product life cycle, and stakeholder analysis were used only moderately. Additionally this study established that the experience curve, portfolio analysis, value chain analysis, Delphi, cognitive mapping, and Porter's five-force analysis were seen to be the least used tools.

AL Ghamdi (2009), carried out a study on Egyptian companies and was able to come up with the following findings. One it was established from his study that indeed the most commonly used strategic planning tools were pro forma financial statements, cost benefit analysis, portfolio analysis, benchmarking, SWOT analysis, competitor analysis, analysis of critical success factors, gap analysis and product life cycle analysis. The study further revealed that indeed the less commonly used strategic planning tools and concepts in Egyptian companies were experience curve analysis, value chain analysis, Porter’s 5-forces analysis, PEST analysis, balanced scorecard and cognitive mapping.

According to a study by Burlgeman (1996), on the use of strategic planning tools and techniques in Jordan it was established that indeed there was extensive use of strategic planning tools and techniques in Jordanian companies which were quoted on the Amman Stock Exchange. The study was also able to bring about a conclusion that the most common used strategic planning tools included the financial analysis, followed by PEST
analysis, then the Porter’s five forces analysis and finally the analysis of key success factors.

Covin and Slevin (1997), however argued that although several commentators have observed that the deciding characteristic of a formal strategic planning process is that the process is not just cerebral but formal, decomposable into distinct steps, delineated by checklists, and supported by techniques. It follows therefore that, the arising issue is whether the formality and the use of strategic planning techniques presented the same issues as one independent variable for investigation.

Regarding the use of strategic planning tools as evidence of strategic planning practice is questionable, having in mind that (Covin and Slevin, 2008) put forward an argument that indeed some firms are likely to make use of some strategic planning tools even though they do not have written strategic plans, this therefore practically present the final product as well as the evidence of conducting the formal strategic planning process in a company. On the use of strategic planning tools and concepts as being an indicator for formal strategic planning, the study by Kaplan and Norton (2011), revealed that indeed there exists a significant positive relationship between strategic planning tools performance, especially for the degree of formalization, but that is not in the case of the time horizon, frequency of control and strategic instruments. This therefore presents a solid support to the claim that indeed formality of strategic planning and the use of strategic planning techniques might be two different dimensions of strategic planning effectiveness, which should be investigated separately.
Additionally, there exists theoretical support of the argument that indeed strategic planning tools and concepts help to increase the planning efficiency as well as effectiveness. Similarly most of the previous empirical evidence supports a positive and significant relationship between the use of planning instruments in terms of sophistication of the planning process and organizational performance or that the firms with high level of performance are more likely to place a higher degree of emphasis on the use of strategic planning tools than firms with weak performance (Downes and Mui, 2000).

There are some studies which did not succeed in confirming the benefit from the usage of strategic planning tools (Daft, 2005). They have only confirmed the positive influence of individual strategic planning tools. Again, the results for this type of research depend on the selected list of investigated strategic planning tools, the methodology of measuring the effectiveness in the investigated companies or some contingency factors which have not been taken in consideration, which could be the reason for different or inconsistent results and conclusions (Downes and Mui, 2000).
2.3 Challenges faced by SMEs when Applying Strategic Planning Tools and Concepts

SMEs face certain challenges in their day to day operations, especially with regards to the application of strategic planning tools and concepts. In this regard therefore this subsection sought to review literature with regards to the various challenges facing SMEs when applying strategic planning tools and concepts.

2.3.1 Lack of Effective Communication

Lack of effective communication is considered to be an important aspect of people that has an impact on the application of strategic planning tools in SMEs. It is not easy to apply strategic planning tools when the strategy itself is not well understood. A strategy that is not well communicated is likely not to be implemented properly (Love and Lumpkin, 2012). They precisely revealed that if an organization wants to properly execute a strategy, then it is of essence to have it well-conceived.

Kaplan and Norton (2008), who are considered to be one of the gurus in strategic management in the examination of strategic planning problems in organizations in the United States. In their study they were able to establish that in the great majority of surveyed companies; not more than 10 percent of employees are able to understand their strategy of their company. Similarly, a study by Hrebiniak (2005), revealed that in most organizations he studied, employees in most cases were not aware of their company's strategy. It is therefore clear that if all employees cannot understand the strategy and their roles in it, successful strategy execution is highly unlikely (Kaplan and Norton, 2008).
Kaplan and Norton also made an argument that one of the reasons why the process of strategic planning fails and also why it leads to very challenging or even fail, is because of the vagueness of the assignment of responsibilities by managers to their juniors. Michlitsch (2010) also furthered the argument by stating that there is need for people in the organization to know clearly what they are supposed to do if the company has the intention of achieving success. In addition, there is need for employee to receive clear guidance that will be key in enabling them to successfully execute the strategy. In another study Wheelen and Hunger (2005) was able to determine that indeed lack of direction in the organization is likely to result to people doing their work according to their personal view of what tasks should be done, how, and in what order. This therefore compromises the priorities of the organization.

Strategy planners are comprised of top management, middle management, lower management and non-management. In this regard therefore for a strategy to be effectively executed, at least the people involved should be of very high quality. At this juncture the quality of the executors is accredited to skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position (Peng and Litteljohn, 2011). These however can be categorized into three: people, organization and systems in the manufacturing environment. Their intriguing findings show clearly that success of the strategic planning tools largely depends on the human or people side of the organization and less on organization and systems related factors. The current study acknowledges the relevance of these three categories and therefore incorporates them as variables in the study.
Studies have shown that there has been conspicuous absence of the human resource function in strategic planning process (Lawler and Mohrman, 2010). According to McKnight (2005), the human resources department is in most cases absent when it comes to strategy formulation and implementation as such most organizations consider the human resource function as being a non-business and non-important department. He therefore argues that the human resource function should be designed in a manner that makes it not only part of the whole organization anatomy but also as a strategic business partner. This will enable it to take part in both strategy formulation and implementation (McKnight, 2005). This assertion has also been echoed by Flood et al. (2000) who has confirmed this need and who further suggests that employs should not only be engaged in formulating the strategy but should also be involved in executing it.

2.3.2 Employee competency

Bossidy and Charan (2012), set forward an argument that most managers have the habit of overlooking the element of employee competency, because they are busy concentrating on other factors that have to do with the company’s bottom-line such as increase earnings and thus company growth, dealing with environment dynamics among other issues. As a result little attention is given to employee competency.

According to Rutherford (1995), competency is regarded as being the standard or quality of the outcome of the performance of a person. According to him this is seen to be the minimum acceptable level of performance. Bossidy and Charan, (2012), on the other hand consider competency to be more than just knowledge and skills. This according to Rutherford it entails the ability to meet complex demands, which is drawn from the mobilization of psychosocial resources that include skills and attitudes as well. It
therefore means the organization success comes about as a result of such an organization being able to recruit the right people for the job. This is mainly a result of their judgments, experiences, as well as their level of education since these aspects go a long way in driving the organization’s performance (Bossidy and Charan, 2012). Without competencies, either on the top or in the bottom of the organizational structure, even the best strategy with the best environmental factors will have limited chances of success. Michlitsch (2010), further believes that if employees do not have the relevant competencies or qualifications which are key for them when it comes to strategy planning and implementation then it follows that they have no room for success but will rather fail to do so. In this regard therefore it follows that for an organization to maintain competencies within organization do have a significant role in successful strategy execution.

Michlitsch (2005), also believes organizations are required to have qualified people as their workforce in order for it to achieve success. Additionally, it is also important for such organizations to develop competencies for current employees through development programs such as training and development in order to endeavor to bring success to the organization. The lack of competencies is not solely attributive to lower level managers or employees. This is because even chief executive officers are not likely to be well equipped to execute their strategies.

Hrebinia (2005), also states that organizations that have in them developed capabilities or competencies that are deemed to be consistent with a chosen strategy will without doubt perform better in comparison to those organizations which are yet to achieve this fit between strategy and capabilities. In the same regard, Hannagan, (2012), is of the opinion
that organizations which involve employee in their strategy planning have positive effects when it comes to the level of implementation success, firm profits as well as overall firm success.

Wheelen and Hunger (2005), while conducted a study on strategy implementation of strategies and were also able to establish that competencies of managers in an organization largely depends on the desired strategic direction of the firm, which means that such competencies have to match with the chosen strategy. In this regard, it is important for such an organization to have an aggressive type of CEO if for example the firm is going for a concentration. Taking into the consideration the above mentioned argument, it is proposed that the lack of competent employees is the main barrier to effective application of strategic planning tools and concepts.

2.3.3 Organization Structure

According to Watson (2009), organization structure refers to regular persisting patterns of action that give shape and a degree of predictability to an organization. The organization structure of SMEs has a role to play with regards to application of strategic planning tools and concepts (Heide et.al, 2012). The biggest challenge is that SMEs lack a structural map that guides them as who is in charge of what, who is responsible for what and with whom they talk to deal with any unpredicted event. The strategy adoption process can be influence in a greater way by an organization structure which is effective. However it can also turn out to be an implementation barrier if not properly aligned. According to Drazin and Howard (2009) it is necessary to have a good alignment between the strategy and the organization structure simply because such an alignment is a necessary precursor especially when it comes to new business strategies. Additionally Nobble (2009), argues
that every good organization needs to make constant adjustment to the organization structure in line with the changes in the competitive environment require. It follows therefore that firms that take much longer time in making this realignment are likely to end up exhibiting poor results which can further put them in apposition that is disadvantageous to their competitive disadvantage. Schaap (2010) also put forwards an argument that act of adjusting organizational structure with respect to a perfect strategy can greatly help to ensure successful strategy implementation.

2.4 The Positive Effect of Applying Strategic Planning Tools and Concepts on SMEs.

Beer and Norhia (2010), argued that whether formal or informal strategic planning is carried out, managers should emphasize on substantive analytical elements of the process such as scanning the environment; analysing competitive activity; assessing strengths and weaknesses; identifying and evaluating alternative courses of action; reviewing and revising plans that allows them to avoid operation failure and high performance rate. White (1986), argued that small businesses should use the same management techniques as their larger counterparts. Indeed, studies indicate that increasing numbers of small businesses are adopting strategic planning because of its benefits.

2.4.1 Strategic Planning Tools and Concepts and SME Performance

Pateman (2008), views the element of strategic planning as a very essential component to organization performance especially so for small and medium sized companies. His sentiments are affirmed by a study conducted by Skivington and Daft (2011), in Britain which sought to determine the influence of strategic planning tools and concepts on the performance of SMEs. This study indeed established a positive relationship between strategic planning and performance.
Bogner and Barr (2010), also conducted a research that sought to examine how strategic planning tools and concepts affect small firms in the US. This study elicited interesting findings, for example it was revealed that most of the small firms in the US perform strategic planning; specifically, the study revealed that a total of 95% of the small firms which perform strategic planning have a written plan. Additionally, their study was able to show that most of the CEOs in these companies are more frequently involved than any other person, followed by the vice president of marketing and the vice president of finance/accounting. They were also able to establish that strategic planning has a positive influence on their companies’ performances.

In addition to the previous study Skivington and Daft (2011), conducted a study to establish how the practice of strategic planning in small rapid growth companies in the United States. Their study was able to show that indeed, as the small companies grew, planning became more formal and well-structured. The study however revealed that the involvement of CEOs in the strategic planning process was seen to a larger extent to be more than the other managers’ involvement and the absence of perceived benefits from strategic planning to the company influence negatively on the CEOs’ attitudes toward planning.

Slater and Olsen (2011), made a similar contribution to the debate on how strategic techniques influence performance. His focus was to review twelve strategic planning and performance research. His study was able to show that indeed strategic planning cautiously benefited firms. Secondly, in a bid to provide an in-depth analysis of the previous findings, He was able to show that indeed there is a positive relationship
between the application of strategic planning tools and techniques on performance of small firms. Stalk and Shulman (2012), however had contrary results in their study as they were able to show that there was no apparent systemic relationship between strategic planning tools and concepts and performance. Robinson and Pearce (2007) on their part concluded that the research on the value of strategic planning for small firms is not inconclusive because many small firms do not plan.

In another study carried out by Sterling (2013), that sought to dwell on twenty-nine researches, it was revealed that indeed there exists a relationship between strategic planning tools and concepts on financial performance. These findings were further developed on by Miller and Cardinal (2014), who sought to provide a review on the twenty-six published researches. Their study showed that indeed strategic planning tools and concepts positively affected firm performance.

White (1986), on the other hand while seeking to examine how strategic planning tools and techniques influence performance of Australian companies established that planning formalization have positively effect on performance in small Austrian enterprise. This finding were also shared by Zagotta and Robinson (2012), who was seeking to examine the influence of strategic planning tools and techniques on UK companies. Their study revealed that indeed there is no relationship between formal planning process and company performance. On the contrary, Viseras and Sweeney (2005), conducted a study that established a strong positive relationship between formal planning process and performance in manufacturing Turkish companies. In the same vein, Neely and Platts (2005), also conducted a study that revealed that strategic planning practice positively
related to strategic planning effectiveness in privately owned Egyptian companies. The possible reason for contradictory in the results reported in previous studies is that the most of these studies.

Brymer (1991), made an argument that indeed enterprises that plan strategically obtain better financial results. This therefore implies that indeed expenditures which are largely related to strategic planning activities are likely to be compensated financially. This hypothesis was also confirmed empirically several times. For instance, Boomer (2007), showed in their meta-analysis that the existence of strategic planning is significantly positively correlated with an enterprise’s success. Similar results were obtained in a study carried out by Robinson and Pearce (2007) in an earlier study.

Furthermore, Matthews and Scott (2010) established that indeed strategic planning tools and are likely to help reduce the level of uncertainty in the company. In their analysis of 51 small enterprises in the U.S., Robinson, (2007) show that simple planning activities can already have a positive influence on the success of small enterprises. Moreover, the process of strategic planning itself already seems to have a positive effect in that it leads to a better understanding of the business and to a broader range of strategic alternatives.

Formal strategic planning is also thought to help young and fast growing enterprises. For example, Boomer (2007), found in a longitudinal analysis that new ventures conducting formal strategic planning have higher survival rates. Finally, there is evidence that a more advanced and more detailed strategic management increases corporate growth. Conversely, Bourne (2005), demonstrate empirically that the presence of a formal
mission or mission statement does not seem to have any direct influence on the performance of small enterprises.

2.4.2 Strategic Planning Tools and Concepts on Competitive Advantage in SMEs

Strategic planning tools have an influence on competitive advantage in SMEs. This area has elicited a lot of research from a number of scholars an event that has resulted in many prescriptions, models and concepts (Otley, 2003). This subject still remains to elicit mixed reactions from different quarters. According to Panneeselvam (2005), there is always a missing link especially in SMEs that are unable to measure performance. It is evident that SMEs to have a continuous successful implementation of strategic planning especially since they lack sufficient resources in terms of finances, customers as well as management capacity which are not well developed notwithstanding the administrative systems which are not very well developed.

Research findings have shown that, indeed the aspect of stands to be very necessary but not sufficient condition for a viable SME development. Management problems that manifest in many ways for instance limited capacity uncoupled with lack of clear vision as well as lack of business plans notwithstanding business strategy and poor strategy implementation are critical for the performance and survival of SMEs (Okumus and Roper, 2009).

According to Saunders and Thornhill (2009), SMEs are not like large organizations; this is because they are very flexible, and also responsive and also very quick in pursuit of opportunities that come in their way. SMEs are also characterized by risk-taking, innovation and most importantly unconventional thinking and creativity. According to the resource based view theory, it is practical that chaos and contingency theories these are
strategic resources that can well be exploited by SMEs so as to be able to adapt to the
ever changing environment and to become more competitive and responsive to customer
needs and requirements.

There are also various reviews done on the small business literature which have put
forward suggestion that, strategic planning results into competitive advantage for SMEs
(Hormozi, Sutton, McMinn, and Lucio, 2002). According to Kazim (2002), small there
are a number of reasons why strategic planning tools and techniques result into
competitive advantage for small firms, these include the fact that SMEs are very
innovative, achieve higher sales growth, and higher returns on assets, higher profit
margins and higher employee growth and above all gain competitive advantage.

Kazim (2002), further argues that planning in small firms is considered to be mostly
adaptive in nature, while at the same time this process is seen to be short-term oriented
and is also concerned with the manipulation of scarce resources. Furthermore, the element
of planning in small firms is generally typified by intense personalization and is also seen
to be highly influenced by the preferences, experiences, attitudes, prejudices and general
personality sets of the firm. In this regard therefore it follows that the existence of diverse
planning processes in small businesses should be expected but with little or no
resemblance to the planning process found in large organisations.

Indeed, there is some evidence that strategic management tools and techniques can make
a difference. For example, the importance of good implementation to successful outcomes
was recognised by Pearce (2007), in response to survey results showing greater
satisfaction with management tools at successful companies than at unsuccessful ones.
Even though Pearce and Robinson (2007), found that financially successful companies are more satisfied with the tools they are using, it is not possible to conclude that tools are a driving factor in a successful company’s financial performance.

However, strategic management tools and techniques do not replace firm strategy (Porter 1996). They are likely to assist with part of the strategic management activity rather than providing a substitute for the capabilities and experience of the manager (Whittington, 2006).

There can be several reasons why the firms are using strategic management tools. It is reported that efficiency is the most important advantage of using such tools. However, it should be noted that strategic management tools may function as non-human actors actively involved in the making of the organizational realities in which they are used.

However, most of the previous studies dealing with such tools and techniques have focused on large companies rather than SMEs. Only a few studies have referred to SMEs when reporting the use of strategic management tools. As we know, most strategic management tools and techniques have been developed in the large company context and on the basis of empirical findings made in the context of large companies. The context often has a critical role: what works in one context will not necessarily work in another. This means that factors that lead to success in one context may lead to failure in another (Low & Abrahamson 2007). This means that the need for user adaptation of tools is driven not only by tool characteristics, but also by the diversity of business contexts. The design of a tool application may vary significantly according to firm size or whether the firm is for profit or not-for-profit and it may vary according to whether the purpose is to
inspire or structure thinking or merely to provide legitimacy. Moreover, there is also temporal change in the usage of strategic management tools, for example tool usage dropped dramatically worldwide in 2008 because of the global downturn (Hellriegel and Slocum, 2004).

As the implementation of new management tools is often an expensive proposition costing companies a lot of money in training and development, consulting fees, and other related costs and because the resources of SMEs are more limited than those of large companies, it would be useful to know which strategic management tools and techniques are appropriate for SMEs. This research can hopefully help prevent entrepreneurs and managers from wasting time and money on inappropriate and useless tools.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter offers a detailed description of the methodology approach that was taken in this study. The chapter presents discussion on the research design, as well as the population that was targeted in this particular study, and also as the sample and the sampling techniques used. The chapter also provides a detailed description of the data collection methods used as well as the research procedure and the data analysis methods.

3.2 Research Design

Kothari (2007), describes a research design to be a composition of the various decisions taken by a researcher with regards to what, where, by how much and by what means concerning an enquiry or a research study. In this particular study, descriptive research approach was taken. According to Sekaran, (2013), descriptive research design is all about direct observation of behavior as well as environmental events in naturalistic contexts. The research adopted this design because it is an appropriate approach in terms of evaluating the strategic planning tools and concepts.

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2008), define a population as being just but the total number of the elements upon which inferences can be made. On the other hand Mugenda and Mugenda (2003) also put forward a definition of a population, which describes it as being the entire group of individuals, events, or objects having in common observable characteristics. In this study, the target population of the study was comprised of SMEs operating in Nairobi
CBD. The study targeted 1000 SMEs, which were legally licensed to operate in the CBD. The list of these SMEs was obtained from Nairobi city council officials.

3.3.2 Sampling Design

3.3.2.1 Sample frame

Cooper and Schindler (2008), define a sampling frame as being a list of elements from which the sample is picked. They also regard a sample frame to be a list of elements from which the sample is actually drawn and is closely related to the population. In this case the sampling frame of this study included all the members of Nairobi Central Business District. These sectors include general shops, textiles, hotels, bookshops, electronics, supermarkets and etc. With regards to this study, the sampling frame was a list of SMEs in Nairobi specifically in the CBD area since this place is characterized by a large number of SMEs. The sampling frame was also obtained from officials at the Nairobi City Council.

3.3.2.2 Sampling Technique

In this particular study simple random sampling technique was adopted in the selection of the respondents. This sampling procedure ensures that each element in the population to have an equal chance of being included in the sample. Sample selection is based on tables of random numbers or computer generated random numbers. The choice for random sampling was based on the fact that the method has the least bias and offers the most generalizability (Cooper and Schindler, 2008). However, according to Babbin and Griffin (2010) it is a sample in which each target element has a known, non-zero chance of being included in the sample. The study looked at the sample population of all licensed SMEs
located within the Nairobi. Special attention was given to their number of employees and annual revenue returns.

3.3.2.3 Sample Size

Kothari (2007), defines a sample size as being the set of elements from which data is collected. The sample size enables the researcher to have adequate time and resources in piloting and designing the means of collecting data. This means therefore that the sample size ensures that the information is detailed and comprehensive. For the purpose of this study, the researcher was interested in SMEs who apply the strategic planning tools and concepts in their businesses to achieve their desired goals and objectives and these tools and concepts benefit their enterprises at large. However, due to some limitations especially associated with time and cost, the whole population was not studied. The sample size in this study was comprised of 30% of 1000 MSEs formally registered in the CBD area which translates to 300, out of the 300 respondents only 180 responded to the questionnaires and other means of data collection.

3.4 Data Collection Methods

Data collection instrument is a device used to collect data in an objective and a systematic manner for the purpose of the research, data collection instruments can be questionnaires, interviews, schedules and available records (Cooper and Schindler, 2008). In this study the main data collection instruments were interviews and questionnaires where questionnaires contained both open ended and close ended questions. Questionnaires are preferred because they are effective data collection instruments that allow respondents to give much of their opinions pertaining to the researched problem. The information obtained from questionnaires is free from bias and researchers influence and thus accurate and valid data was gathered. The first part of the questionnaire sought information on the
background of the respondents as well as the SMEs involved in the study. The second and subsequent sections sought information with regards to the three specific objectives of the study. The Likert Scale was also used such that it provides room for the respondents to indicate the degree to which they agree/disagree with various statements.

3.5 Research Procedures

Upon deciding on suitable population to represent Nairobi and identifying suitable sampling techniques, the following procedures were used in conducting the survey. Data collection will be done by researcher as well as research assistants majority of whom are college going students. The research assistants were trained on all aspects of the research tool. Before deploying the research assistants, a mock test (pilot-test) was conducted with the assistance of research assistants. According to Mugenda and Mugenda (2003), a pre-test is essential in checking that the questions are properly understood and interpreted, check that interviewers are able to communicate adequately with the respondents and also test the adequacy of time allocated. For this purpose the research team pilot tested the instruments on 10 respondents. Upon pilot-testing requisite adjustment of research tools will be done accordingly before a full-blown data collection exercise is conducted. Since all the respondents were located within Nairobi. The content of validity of the data collection instruments was determined through discussing the stated questions in the instruments with the managers or owners of SMEs. In order to ensure a high response rate, follow up calls were made to the respondents.

3.6 Data Analysis Methods

Primary data was collected by means of a questionnaire, appendix (i), and tabulated appropriately for ease of further extraction and analyses. Data coding was done to enable
the use of statistical analysis tools. Since this research is essentially descriptive, appropriate descriptive statistics like percentages and frequency distribution was employed in analyzing primary data. Regression analysis was also used to establish the relationships. Presentation of findings was mainly in tables, charts and graphs.

3.7 Chapter Summary

This chapter has addressed the methodology that was employed in conducting the study. The choice of descriptive research design has been justified on the basis of the nature of the study (being descriptive). The chapter has also provided the target population of the study as well as the sampling frame and also sampling design. Additionally, the data has provided a detailed description of the data collection methods, research procedures as well as the data analysis. Chapter is a presentation of the study findings and interpretation. Chapter five presents a summary and conclusion of the study findings and the recommendations as well.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

Chapter four is a presentation of the results and findings of the study based on the three research objectives. The first subsection presents the background information of the various respondents involved in the study. Additionally the second and subsequent sections presented the findings of the study with regards to research objectives. In this study there were 300 questionnaires were issued, however only 180 respondents returned them, indicating 60 percent response rate.

4.2 Background Information

4.2.1 Gender of the Respondents

Table 4.1 presents a summary of the gender of the respondents with regards to the responses given by the respondents. As presented in the table, it is evident that majority of the respondents were female while the minorities were male. The table shows that 60 percent were female while the remaining 40 percent were male. This clearly indicates that most SMEs in Nairobi are operated and/or by women.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>72</td>
</tr>
<tr>
<td>Female</td>
<td>108</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
</tr>
</tbody>
</table>

4.2.2 Age in Years

Table 4.2 presents findings of the study with regards to the age of the respondents who were involved in the study. The table reveals that majority of the respondents involved in the study are less than 35 years old with very few over 36 years old. Specifically, 15 percent of the employees are between 20-25 years while 25 percent are between 26-30 years. 40 percent of the respondents are of the age 31-35 years as the remaining 20 percent are 36 years and above. This finding shows that SMEs in Nairobi CBD are owned by fairly young individuals’ majority of whom are aged below 40 years.
Table 4.2: Age of the Respondents

<table>
<thead>
<tr>
<th>Age in Years</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>20-25</td>
<td>27</td>
</tr>
<tr>
<td>26-30</td>
<td>45</td>
</tr>
<tr>
<td>31-35</td>
<td>72</td>
</tr>
<tr>
<td>Above 36 years</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
</tr>
</tbody>
</table>

4.2.3 Level of Education

Table 4.3 provides a summary of the highest level of education for the respondents. As seen in the table, 15 percent of the respondents have primary level of education while 32 percent have acquired secondary education. 15 percent have certificate while 22 percent are diploma holders, 10 percent have bachelor’s degrees as the remaining 6 percent are in a broad category known as others. These findings imply that most SMEs in Nairobi are owned and/or managed by individuals, who do not necessarily have very high academic qualifications.

Table 4.3: Level of Education

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Primary</td>
<td>27</td>
</tr>
<tr>
<td>Secondary</td>
<td>57.6</td>
</tr>
<tr>
<td>Certificate</td>
<td>27</td>
</tr>
<tr>
<td>Diploma</td>
<td>39.6</td>
</tr>
<tr>
<td>Bachelors</td>
<td>18</td>
</tr>
<tr>
<td>Other</td>
<td>10.8</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
</tr>
</tbody>
</table>

4.2.4 Number of Years Business has been in Operation

Table 4.4, presents a summary of the findings of the study with regards the number of years the business has been in operation. As seen in the table it is evident in the table that
majority of the SMEs have been in operation for less than 10 years old with very few being in operation for more than 10 years old. The findings reveal that specifically, 44 percent of the SMEs have been in operation in less than 3 years, also the findings reveal that 19 percent of the respondents have been carrying out their operations between 3-6 years, while 17 percent of the respondents have been carrying on their operations for a period between 7-10 years. Similarly the findings revealed that 10 percent of the respondents have been in operation between 11-14 years, and finally it was also revealed that 10 percent are more than 15 years.

Table 4.4: Number of Years in Operation

<table>
<thead>
<tr>
<th>Number of Years in Operation</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>79.2</td>
</tr>
<tr>
<td>3 – 6 years</td>
<td>34.2</td>
</tr>
<tr>
<td>7-10 years</td>
<td>30.6</td>
</tr>
<tr>
<td>11- 14 years</td>
<td>18</td>
</tr>
<tr>
<td>15 years and over</td>
<td>18</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>180</strong></td>
</tr>
</tbody>
</table>

4.3 Strategic Planning Tools and Concepts Adopted By SMEs

The first objective of the study was to examine the various strategic planning tools and concepts adopted by SMEs in Nairobi CBD. The following subsection presents a summary of the findings with regards to how the respondents regarded the various strategic planning tools and concepts adopted by SMEs. Table 4.5 reveals that the most used commonly used techniques are financial analysis for own business, SWOT analysis, PEST analysis as well as Porter’s five forces all having a mean of more than 4.00. The results show moderate use of techniques such as: financial analysis for competitors, experience curve analysis, human resource analysis, spread sheet “what if” analysis as well as analysis of key (critical) success factors. The results show less focus on
techniques such as scenario construction, core capability analysis, value chain analysis, stakeholder analysis and analysis of organisational culture by SMEs operating in Nairobi.

**Table 4.5: Strategic Tools and Concepts**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Strongly Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWOT analysis</td>
<td>70.1</td>
<td>20.9</td>
<td>5.0</td>
<td>2.0</td>
<td>2.0</td>
<td>4.45</td>
<td>1.387</td>
</tr>
<tr>
<td>Porter’s five -forces analysis</td>
<td>60.1</td>
<td>11.9</td>
<td>20.0</td>
<td>8.0</td>
<td>0</td>
<td>4.01</td>
<td>1.26</td>
</tr>
<tr>
<td>Financial analysis for competitors</td>
<td>55.0</td>
<td>35.0</td>
<td>5.0</td>
<td>5.0</td>
<td>0</td>
<td>3.61</td>
<td>1.311</td>
</tr>
<tr>
<td>Financial analysis for own business</td>
<td>72.0</td>
<td>15.0</td>
<td>3.0</td>
<td>5.0</td>
<td>5.0</td>
<td>4.51</td>
<td>1.35</td>
</tr>
<tr>
<td>Value chain analysis</td>
<td>69.0</td>
<td>24.0</td>
<td>7.0</td>
<td>0</td>
<td>0</td>
<td>3.50</td>
<td>1.41</td>
</tr>
<tr>
<td>Portfolio analysis</td>
<td>74.0</td>
<td>23.0</td>
<td>3.0</td>
<td>0</td>
<td>0</td>
<td>3.68</td>
<td>1.55</td>
</tr>
<tr>
<td>Strategic planning software</td>
<td>67.0</td>
<td>23.3</td>
<td>1.7</td>
<td>1.3</td>
<td>7.0</td>
<td>3.91</td>
<td>1.34</td>
</tr>
<tr>
<td>Core capability/ competence analysis</td>
<td>55.0</td>
<td>40.0</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>3.37</td>
<td>1.37</td>
</tr>
<tr>
<td>Scenario construction</td>
<td>45.0</td>
<td>32.0</td>
<td>10.0</td>
<td>13.0</td>
<td>0</td>
<td>3.41</td>
<td>1.05</td>
</tr>
<tr>
<td>Human resource analysis</td>
<td>51.0</td>
<td>10.0</td>
<td>36.0</td>
<td>2.0</td>
<td>1.0</td>
<td>3.52</td>
<td>1.35</td>
</tr>
<tr>
<td>Analysis of organisational culture</td>
<td>49.0</td>
<td>40.0</td>
<td>11.0</td>
<td>0</td>
<td>0</td>
<td>3.01</td>
<td>1.04</td>
</tr>
<tr>
<td>PEST or STEP analysis</td>
<td>73.0</td>
<td>20.0</td>
<td>7.0</td>
<td>0</td>
<td>0</td>
<td>4.15</td>
<td>1.12</td>
</tr>
<tr>
<td>Analysis of key (critical) success factors</td>
<td>51.0</td>
<td>44.0</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>3.73</td>
<td>1.09</td>
</tr>
<tr>
<td>Experience curve analysis</td>
<td>43.0</td>
<td>34.0</td>
<td>10.0</td>
<td>10.0</td>
<td>3.0</td>
<td>3.55</td>
<td>1.04</td>
</tr>
<tr>
<td>Spreadsheet “what if” analysis</td>
<td>51.0</td>
<td>10.0</td>
<td>36.0</td>
<td>2.0</td>
<td>1.0</td>
<td>3.67</td>
<td>1.06</td>
</tr>
<tr>
<td>Stakeholder analysis</td>
<td>45.0</td>
<td>32.0</td>
<td>10.0</td>
<td>13.0</td>
<td>0</td>
<td>3.49</td>
<td>1.44</td>
</tr>
</tbody>
</table>

*The mean is derived from a scale of 1=Strongly Disagree, 2=Disagree, 3=Neither, 4=Agree and 5= Strongly Agree

As seen in table 4.6 the correlation between number of years the SMEs have been operating and the use of strategic planning techniques is statistically insignificant for all but four techniques; namely, SWOT analysis, Porter’s five -forces analysis and financial analysis for own business, as well as PEST.
4.4 Challenges Faced In the Application of Strategic Planning Tools and Concepts

The second objective of the study was to analyze the challenges faced by SMEs in Nairobi CBD in the application of strategic planning tools and concepts. Table 4.7 presents a summary of the findings with regards to the challenges faced by SMEs in the application of strategic planning tools and concepts. As seen in the table 4.6, it was evident that the process of applying strategic planning tools and concepts was faced with the following challenges: Lack of Effective Communication (100%), lack of education and training on how to use them (81%), employee competency prevents usage of the tools (70%), organization Structure in the usage of tools, lack of employee empowerment (68.3%), resistance to change leading to lack of adoption of new ways (91%), lack of direction by top leadership (70%), lack of long term view of the business, failure to see how the tools could be beneficial (80%), general short-termism view of the business (70%), inadequate finances and finally (79%), seeing planning as a waste of time (90.7%).
Table 4.6: Challenges Faced In the Application of Strategic Planning Tools and Concepts

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Effective Communication is hindrance</td>
<td>65.5</td>
<td>35.0</td>
<td>0</td>
<td>0</td>
<td>4.87</td>
<td>1.131</td>
</tr>
<tr>
<td>Lack of education and training on how to use them</td>
<td>76.7</td>
<td>4.3</td>
<td>6.7</td>
<td>13.0</td>
<td>0</td>
<td>4.57</td>
</tr>
<tr>
<td>Employee competency prevents usage of the tools</td>
<td>35.0</td>
<td>35.0</td>
<td>15.0</td>
<td>15.0</td>
<td>0</td>
<td>3.88</td>
</tr>
<tr>
<td>Organization Structure in the usage of tools</td>
<td>33.3</td>
<td>35.0</td>
<td>26.7</td>
<td>6.3</td>
<td>0</td>
<td>3.67</td>
</tr>
<tr>
<td>Lack of employee empowerment</td>
<td>61.3</td>
<td>29.7</td>
<td>8.3</td>
<td>0</td>
<td>4.17</td>
<td>1.271</td>
</tr>
<tr>
<td>Resistance to change leading to lack of adoption of new ways</td>
<td>59.0</td>
<td>11.0</td>
<td>25.0</td>
<td>2.0</td>
<td>3.0</td>
<td>3.87</td>
</tr>
<tr>
<td>Lack of direction by top leadership</td>
<td>61.3</td>
<td>29.7</td>
<td>8.3</td>
<td>0</td>
<td>4.68</td>
<td>1.07</td>
</tr>
<tr>
<td>Lack of long term view of the business</td>
<td>60.0</td>
<td>20.0</td>
<td>8.3</td>
<td>11.7</td>
<td>0</td>
<td>4.55</td>
</tr>
<tr>
<td>Failure to see how the tools could be beneficial</td>
<td>59.0</td>
<td>11.0</td>
<td>25.0</td>
<td>2.0</td>
<td>3.91</td>
<td>1.225</td>
</tr>
<tr>
<td>General short-termism view of the business</td>
<td>45.0</td>
<td>34.0</td>
<td>11.0</td>
<td>4.0</td>
<td>6.0</td>
<td>4.18</td>
</tr>
<tr>
<td>Inadequate finances</td>
<td>59.0</td>
<td>11.0</td>
<td>25.0</td>
<td>2.0</td>
<td>3.0</td>
<td>4.27</td>
</tr>
<tr>
<td>Seeing planning as a waste of time</td>
<td>61.3</td>
<td>29.7</td>
<td>8.3</td>
<td>0</td>
<td>4.83</td>
<td>1.041</td>
</tr>
</tbody>
</table>

4.5 How the Application of Strategic Planning Tools and Concepts affects SMEs

The third and final objective of the study establishes how the application of strategic planning tools and concepts affects SMEs in Nairobi CBD. The following subsection presents a summary of the findings with regards to how respondents perceive the impact
of strategic planning tools and concepts on SMEs. Table 4.7 presents findings with regards to how the application of strategic planning tools and concepts affects SMEs. As seen in the table it is evident that majority of the respondents agreed to all the statements on how the application of strategic planning tools and concepts affects SMEs.

Table 4.7: Application of Strategic Planning Tools and Concepts and SMEs

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>S.D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic planning has resulted in rigidity and inflexibility of response to the changing environment</td>
<td>55.0</td>
<td>40.0</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>4.24</td>
<td>1.224</td>
</tr>
<tr>
<td>Formal strategic planning would be an effective way to achieve improved financial performance</td>
<td>45.0</td>
<td>32.0</td>
<td>10.0</td>
<td>13.0</td>
<td>0</td>
<td>3.96</td>
<td>1.310</td>
</tr>
<tr>
<td>The strategy adopted is the result of a very deliberate process of formulation in your organization</td>
<td>81.0</td>
<td>10.0</td>
<td>6.0</td>
<td>2.0</td>
<td>0</td>
<td>4.36</td>
<td>1.432</td>
</tr>
<tr>
<td>Strategic planning has encouraged excessive bureaucracy</td>
<td>73.0</td>
<td>20.0</td>
<td>7.0</td>
<td>0</td>
<td>0</td>
<td>4.30</td>
<td>1.432</td>
</tr>
<tr>
<td>Strategic planning processes have helped to achieve a good fit between the external environment and the internal capability of the organisation</td>
<td>65.5</td>
<td>35.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.24</td>
<td>1.443</td>
</tr>
<tr>
<td>The strategy adopted has in your organization “emerged” over time without being the result of a deliberate plan</td>
<td>76.0</td>
<td>5.0</td>
<td>6.0</td>
<td>14.0</td>
<td>0</td>
<td>4.13</td>
<td>1.133</td>
</tr>
<tr>
<td>The implementation of strategy has been effective</td>
<td>35.0</td>
<td>35.0</td>
<td>15.0</td>
<td>15.0</td>
<td>0</td>
<td>4.06</td>
<td>1.225</td>
</tr>
<tr>
<td>Our top management doesn’t believe in strategic planning</td>
<td>34.0</td>
<td>35.0</td>
<td>26.0</td>
<td>6.0</td>
<td>0</td>
<td>4.03</td>
<td>1.132</td>
</tr>
<tr>
<td>Our top management lives for the moment. There is no long term view of things</td>
<td>65.5</td>
<td>35.0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4.28</td>
<td>1.114</td>
</tr>
<tr>
<td>Our top management does everything including planning</td>
<td>76.0</td>
<td>4.0</td>
<td>7.0</td>
<td>14.0</td>
<td>0</td>
<td>4.224</td>
<td>1.521</td>
</tr>
</tbody>
</table>
4.5.1 Correlation Analysis

Table 4.8 presents correlation results between strategic planning techniques and tools and performance of SMEs.

Table 4.8: Correlation Analysis

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>120</td>
</tr>
<tr>
<td>strategic planning techniques and</td>
<td></td>
</tr>
<tr>
<td>tools</td>
<td>Pearson C.</td>
</tr>
<tr>
<td></td>
<td>.519</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>N</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

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

As seen in the table there is a direct positive relationship between strategic planning techniques and tools and SME performance (.519). This finding indeed indicates that performance of SMEs in Kenya is influenced by the use of strategic planning techniques and tools.

4.6 Chapter Summary

In this chapter the researcher has provided the findings with regards to the information issued by the respondents. The initial section covers the background information with respect to the respondents; consequently the second and subsequent subsections covered findings on the basis of the research objectives. The next chapter offers the conclusion, summary as well as the discussions and the recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter is comprised of four sections that include the summary, discussion, conclusions, as well as the recommendations in that particular order. The first section covers a summary of the important elements of the study that comprises of the study objectives, methodology and the findings. The second section provides a discussion of the major findings of the study with respect to the specific objectives. The third section is a presentation of the conclusions that are made on the basis of the specific objectives, while using the findings and results which are obtained in chapter four.

5.2 Summary

The general objective of the study was to examine the application of strategic planning tools and concepts in small and Micro enterprises (SMEs) in Nairobi CBD. The study was guided by the following objectives: to examine the various strategic planning tools and concepts adopted by SMEs in Nairobi CBD, to analyze the challenges faced by SMEs in Nairobi CBD in the application of strategic planning tools and concepts and to establish how the application of strategic planning tools and concepts affects SMEs in Nairobi CBD.

Descriptive research design was employed in the study. The target population included all SMEs in Nairobi CBD, where our sample size was 300 respondents and only 180 business managers responded. The data was analyzed using descriptive statistics with the help of the statistical package for social sciences (SPSS). The results will then be presented in tables and charts.
It was revealed from the study that the most used commonly used techniques are financial analysis for own business, SWOT analysis, PEST analysis as well as Porter’s five forces all having a mean of more than 4.00. The results show moderate use of techniques such as: financial analysis for competitors, experience curve analysis, human resource analysis, spreadsheet “what if” analysis as well as analysis of key (critical) success factors. The results show less focus on techniques such as scenario construction, core capability analysis, value chain analysis, stakeholder analysis and analysis of organisational culture by SMEs operating in Nairobi.

Additionally the study findings with regards to the challenges faced by SMEs in the application of strategic planning tools and concepts revealed that the process of applying strategic planning tools and concepts was faced with the following challenges: Lack of Effective Communication (100%), lack of education and training on how to use them (81%), employee competency prevents usage of the tools (70%), organization Structure in the usage of tools, lack of employee empowerment (68.3%), resistance to change leading to lack of adoption of new ways (91%), lack of direction by top leadership (70%), lack of long term view of the business, failure to see how the tools could be beneficial (80%), general short-termism view of the business (70%), inadequate finances and finally (79%), seeing planning as a waste of time (90.7%).

Finally the study revealed that there was a direct positive relationship between strategic planning techniques and tools and SME performance (.519). This finding indeed indicates that performance of SMEs in Kenya is influenced by the use of strategic planning techniques and tools.
5.3 Discussion

5.3.1 Strategic Planning Tools and Techniques

The study revealed that the most used commonly used techniques are financial analysis for own business, SWOT analysis, PEST analysis as well as Porter’s five forces all having a mean of more than 4.00. The results show moderate use of techniques such as: financial analysis for competitors, experience curve analysis, human resource analysis, spreadsheet “what if” analysis as well as analysis of key (critical) success factors. The results show less focus on techniques such as scenario construction, core capability analysis, value chain analysis, stakeholder analysis and analysis of organisational culture by SMEs operating in Nairobi.

The findings affirm that indeed a number of strategic planning tools and concepts have been put in place with the main aim of enabling managers to deal with strategic planning decisions. Such techniques are aimed at helping managers to transform valuable data into suitable forms that can be relevant when it comes to decision-making and action (Fleisher and Bensoussan, 2013). Such tools have proved to be very beneficial to managers and organizations at large in that they have helped in increasing awareness about the business environment, as well as the strategic issues notwithstanding the various opportunities and threats that have been very crucial in helping to reduce the various risk involved in making certain decisions. These tools have also been critical in establishing priorities in large complex companies while also helping organizations to provide a framework that is necessary in the evaluation of the relative importance of different business portfolios. Additionally strategic planning tools have been instrumental in aiding the presentation of complex issues. They may also be seen as a valuable communications device, in addition to their analytical role.
The findings agree with Pearce and Robinson (2007), who put forward a number (30) of strategic planning tools planning tools and techniques. According to him, these tools were key in the performance of the organization he studied. Porter (1998), on the other hand identified 28 tools of strategic planning. However, they argued that not all these tools and techniques are used by firms operating in the countries which have been surveyed to date. This means therefore that an organization cannot make use of all the strategic planning tools and concepts, but simply some of them at any given point in time. They further argued that most of the empirical studies reporting tool usage have been as part of studies of strategic planning processes.

The findings also agreed with Peng and Littlejohn (2011), who conducted a study on the use of strategic planning tools and concepts in Saudi Arabian organizations. He established that 10% of organizations were able to make use of strategic planning tools and concepts regularly. He therefore established that indeed the most regularly used tool was analysis of critical success factors, followed by benchmarking, and then “what if” analysis, while SWOT analysis, product life cycle, and stakeholder analysis were used only moderately. Experience curve, portfolio analysis, value chain analysis, Delphi, cognitive mapping, and Porter's five-force analysis were seen to be the least used tools.

5.3.2 Challenges faced by SMEs in the application of strategic planning tools and concepts

The study findings with regards to the challenges faced by SMEs in the application of strategic planning tools and concepts revealed that the process of applying strategic planning tools and concepts was faced with the following challenges: Lack of Effective Communication (100%), lack of education and training on how to use them (81%),
employee competency prevents usage of the tools (70%), organization Structure in the usage of tools, lack of employee empowerment (68.3%), resistance to change leading to lack of adoption of new ways (91%), lack of direction by top leadership (70%), lack of long term view of the business, failure to see how the tools could be beneficial (80%), general short-termism view of the business (70%), inadequate finances and finally (79%), seeing planning as a waste of time (90.7%).

The findings agree with a study by Olson, Slater and Hult (2005), who while seeking to examine how strategic planning tools and techniques influence performance of Australian companies established that planning formalization have positively effect on performance in small Austrian enterprise. These findings were also shared by Falshaw et al. (2012) who was seeking to examine the influence of strategic planning tools and techniques on UK companies. Their study revealed that indeed there is no relationship between formal planning process and company performance. On the contrary, Jooste and Fourie (2009), conducted a study that established a strong positive relationship between formal planning process and performance in manufacturing Turkish companies.

Furthermore, Harrison (2013), established that indeed strategic planning tools and are likely to help reduce the level of uncertainty in the company. In their analysis of 51 small enterprises in the U.S., Robinson, (2007) show that simple planning activities can already have a positive influence on the success of small enterprises. Moreover, the process of strategic planning itself already seems to have a positive effect in that it leads to a better understanding of the business and to a broader range of strategic alternatives.
5.3.3 The application of strategic planning tools and concepts on SMEs

Finally the study revealed that there was a direct positive relationship between strategic planning techniques and tools and SME performance (.519). This finding indeed indicates that performance of SMEs in Kenya is influenced by the use of strategic planning techniques and tools.

The findings affirm that indeed, there is some evidence that strategic management tools and techniques can make a difference. For example, the importance of good implementation to successful outcomes was recognized by Crouch and Basch (2007), in response to survey results showing greater satisfaction with management tools at successful companies than at unsuccessful ones. Even though Crouch and Basch (2007), found that financially successful companies are more satisfied with the tools they are using, it is not possible to conclude that tools are a driving factor in a successful company’s financial performance. However, strategic management tools and techniques do not replace firm strategy (Porter 1996). They are likely to assist with part of the strategic management activity rather than providing a substitute for the capabilities and experience of the manager (Whittington, 2006).

The findings also show the importance of good implementation to successful outcomes was recognized by Porter (2007), in response to survey results showing greater satisfaction with management tools at successful companies than at unsuccessful ones. Even though some studies established that financially successful companies are more satisfied with the tools they are using, it is not possible to conclude that tools are a driving factor in a successful company’s financial performance.
However, strategic management tools and techniques do not replace firm strategy (Porter 1996). They are likely to assist with part of the strategic management activity rather than providing a substitute for the capabilities and experience of the manager (Whittington, 2006). There can be several reasons why the firms are using strategic management tools. It is reported that efficiency is the most important advantage of using such tools. However, it should be noted that strategic management tools may function as non-human actors actively involved in the making of the organizational realities in which they are used.

5.4 Conclusions

5.4.1 Application of Strategic Planning tools and Concepts
The study concluded that the most used commonly used techniques are financial analysis for own business, SWOT analysis, PEST analysis as well as Porter’s five forces all having a mean of more than 4.00. The results show moderate use of techniques such as: financial analysis for competitors, experience curve analysis, human resource analysis, spreadsheet “what if” analysis as well as analysis of key (critical) success factors. The results show less focus on techniques such as scenario construction, core capability analysis, value chain analysis, stakeholder analysis and analysis of organisational culture by SMEs operating in Nairobi.

5.4.2 Challenges in the Application of Strategic Planning tools and Concepts
The study findings with regards to the challenges faced by SMEs in the application of strategic planning tools and concepts lead to a conclusion that the process of applying strategic planning tools and concepts was faced with the following challenges: Lack of Effective Communication, lack of education and training on how to use them, employee competency prevents usage of the tools, organization Structure in the usage of tools, lack of employee empowerment, resistance to change leading to lack of adoption of new ways,
lack of direction by top leadership, lack of long term view of the business, failure to see how the tools could be beneficial, general short-termism view of the business, inadequate finances and finally seeing planning as a waste of time.

5.4.3 Strategic Planning tools and Concept and Performance of SMEs
Finally the study established that there was a direct positive relationship between strategic planning techniques and tools and SME performance. The study therefore concludes that performance of SMEs in Kenya is influenced by the use of strategic planning techniques and tools.

5.5 Recommendations
5.5.1 Recommendations for Improvement

5.5.1.1 Application of Strategic Planning tools and Concepts
The study recommends that although organizations do a lot of environmental scanning, in a bid to analyze how well they are faring on in the wake of both internal and external forces, such environmental scans are not enough for an organization to achieve competitive advantage. It is therefore essential that organizations have to focus on the internal strategic factors such as the application of strategic planning tools and concepts. Secondly, there is need for SMEs to make use of important strategic planning tools and techniques such as scenario construction and analysis of organisational culture. Techniques such as scenario construction could be useful for SMEs work in a high uncertainty environment. The use of this technique could provide these SMEs with an approach to flexible planning by developing several alternative views of the future.

5.5.1.2 Challenges in the Application of Strategic Planning tools and Concepts
The study acknowledges the fact that SMEs face a number of challenges when applying the strategic planning tools and concepts. In this regard therefore it is important for SMEs to find out reasons for the negative attitudes towards strategic planning by some employee; perhaps via the use of interviews. Further there is needed to find out the nature
of the problems which restricted the effectiveness of the implementation of SMEs strategy planning tools and concepts.

5.5.1.3 Strategic Planning tools and Concept and Performance of SMEs

Finally the study recommends the need for SME managers to have a positive attitude to strategic planning and as such make an effort to make use of strategic planning tools and techniques that are deemed to very essential to their performances. Additionally the study recommends that SMEs need to properly enhance the process of strategy implementation in order to achieve improved performances this is because no matter how superior its formulated strategy, an SME will not benefit if it is implemented incorrectly.

5.5.2 Recommendations for Further Studies

Although the findings of this research have some generality, they do have two limitations. First of all, the nature of this research is descriptive and the method used is a cross-sectional survey. Further research could be conducted on a small number of these SMEs by using a more in-depth approach. Secondly, the sample was restricted to the SMEs in the CBD in Nairobi. Further research should include other regions in Kenya and analyse other types of organizations.
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Stringer, J. (2006), The Secret to Keeping Employees Committed. (Ezine Articles),


Appendix I: Questionnaire

SECTION A: BACKGROUND INFORMATION

1. **Gender**   Male (  )   Female (  )

2. **Age** (years)   20-25 years □   26-30 years □   31-35 years □   36 years and over □

3. **Please indicate your level of education**
   a. Illiterate []
   b. Primary []
   c. Secondary []
   d. Certificate []
   e. Diploma []
   f. Bachelor []
   g. Other (Please specify) ________________________________________

4. **Are you the owner of the business?**
   Yes (  )   No (  )

5. **Number of years the business has been in operation**

<table>
<thead>
<tr>
<th>Years of Operation</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 years</td>
<td>1</td>
</tr>
<tr>
<td>3 – 6 years</td>
<td>2</td>
</tr>
<tr>
<td>7-10 years</td>
<td>3</td>
</tr>
<tr>
<td>11- 14 years</td>
<td>4</td>
</tr>
<tr>
<td>15 years and over</td>
<td>5</td>
</tr>
</tbody>
</table>

6. **Nature of business/Operation**

_____________________________________________________________________

7. **Please indicate the number of employees in your enterprise.**
   Less than 5 {  }   5-10 {  }   11- 30 {  }   31- 50 {  }
   Over 50 employees {  }

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SECTION B: STRATEGIC PLANNING TOOLS AND CONCEPTS ADOPTED BY SMES

Using a scale of 1-5 tick the appropriate answer from the alternatives

1. Which of the tool below have been adopted by SMEs?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>SWOT analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Porter’s five -forces analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial analysis for purposes of competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial analysis with regards to their own business</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The value chain analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portfolio analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The strategic planning software</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Core capability or competence analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Scenario construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resource analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis of organisational culture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEST or STEP analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis of key (critical) success factors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience curve analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spreadsheet “what if” analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION C: CHALLENGES FACED BY SMES IN THE APPLICATION OF STRATEGIC PLANNING TOOLS AND CONCEPTS

1. I would like to know to what extent you agree or disagree with the following statements regarding the challenges faced by SMEs in the application of strategic planning tools and concepts. 1=Strongly Disagree, 2=Disagree, 3=Neither, 4=Agree and 5= Strongly Agree

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of Effective communication is hindrance</td>
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<tr>
<td>Lack of education and training on how to use them</td>
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<tr>
<td>Incompetent employees</td>
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<tr>
<td>Ineffective organization structure</td>
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<tr>
<td>Lack of employee empowerment</td>
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<tr>
<td>Resistance to change leading to lack of adoption of new ways</td>
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<tr>
<td>Lack of direction by top leadership</td>
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<tr>
<td>Lack of long term view of the business</td>
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<tr>
<td>Failure to see how the tools could be beneficial</td>
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<tr>
<td>Lack of long term vision for the organizations</td>
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<tr>
<td>Limited finance</td>
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<tr>
<td>Seeing planning as a waste of time</td>
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</tbody>
</table>
SECTION D: HOW THE APPLICATION OF STRATEGIC PLANNING TOOLS AND CONCEPTS AFFECT SMES

Using a scale of 1-5 tick the appropriate answer from the alternatives

1. What is your opinion about the following issues that relate to strategic planning?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rigidity and inflexibility of response to the changing environment as a result of strategic planning</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Formal strategic planning would enhance financial performance</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The strategy adopted is the result of a very deliberate process of formulation in your organization</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Strategic planning has encouraged excessive bureaucracy</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Strategic planning have helped in the alignment of the internal environment to the external environment</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The strategy adopted has in your organization “emerged” over time without being the result of a deliberate plan</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The implementation of strategy has been effective</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Our top management doesn’t believe in strategic planning</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Our top management lives for the moment. There is no long term view of things</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Our top management does everything including planning</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>