APPLICATION OF MCKINSEY GROWTH PYRAMID STRATEGIES FOR CONTINUOUS GROWTH: A CASE OF SMALL AND MEDIUM ENTERPRISES IN KENYA.

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SPRING 2015
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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

SPRING 2015
STUDENT’S DECLARATION

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

Signed: _____________________ Date _____________________
Anne Wairimu Maguta (607834)

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

Signed: _____________________ Date _____________________
Dr. Peter Kiriri

Signed: _____________________ Date _____________________
Dean, Chandaria School of Business
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ABSTRACT

The general objective of this study was to determine the relationship between implementation of growth strategies and growth of SMEs while the specific objective involved identifying the role of operational skills in SME growth, establish privilege assets that cannot be replicated easily, identify if SMEs have the required growth skills needed for continuous expansion and establish if there is an existing relationship between partnering strategies and SME growth.

The study was descriptive and cross-sectional in nature whose sample size was 70 respondents from SMEs within the Central Business District of Nairobi County trading in computer accessories and hardware. Before the questionnaire was administered, pilot testing was conducting, and the questionnaire was corrected appropriately. Data was collected using questionnaires whose answers were influenced by the Likert scale. Once questionnaires were filled, cleaning and coding was done so as to eliminate any outliers. Once the data was cleaned, the data was input into SPSS software. The analysis was presented in the form of tables, pie charts and graphs with an aim of showing the relationship between growth of SMEs and, data entry was done.

In the first research objective, descriptive statistics on Operational Skills necessary for survival of SMEs indicated that respondents agreed that they were passionate about the business they were running. Likewise, the respondents agreed that leadership in SMEs encouraged employee participation informingly. In regard to operational efficiency, SMEs agreed that they strove to reduce wasted and redundancy. The respondents also agreed that communication on unclear matters was done fast and easily. In regard to human skills, respondents showed that skills and experience improved on one's output. Cost leadership indicated that the respondents did not agree on disagree on setting prices and changes in customer needs and preferences. Lastly, the respondents agreed that products sold were rare and costly to imitate.
The second research objective was to identify the privilege assets not easily replicable by SMEs using one sample statistics that showed SMEs estimated customer needs and expectations. Also in regard to cost of advertising, responses showed that advertising costs reduced with time.

The third research objective was in regard to the growth skill objective the four factors that were researched on were collaborations, market penetration strategies, value innovation and market development. The findings showed that respondents worked with others with an aim of venturing into new markets. Also, well-planned strategies targeting new employees were developed by the respondents. In addition, the respondents stated that they increase unique features with an aim of offering value innovation. Finally, in response to growth skills, the respondents felt that they were providing new features with an aim of targeting new customers or users.

The fourth research objective was seeking to find out if SMEs were striving to implement partnering strategies. This is one objective with responses showing that, most SMEs were not franchising, creating mergers and acquisitions. However, in regard to diversification, the respondents indicated that they were involved in the diversification strategy.

In conclusion, the study showed strategies adopted by SMEs with an intention of harnessing operational skills ensure that business activity runs smoothly. The contrary would result in poor allocation of operational resources such as Human resources and finances. From the study, respondents showed that SMEs strive to use operational skills so as to have growth. Despite the nature of SMEs where there is a limit to resources such as human resource this study showed that SMEs had limit to resources but the resources invested in created growth for SMEs. In regard to Privileged Assets findings indicated that SMEs adopted to strategies that caused competitive advantage. The necessary growth skill needed for continuous expansion existed among SMEs in terms of collaborations and value innovations so as to seek market development and market penetration as guided by Ansoff Marketing Matrix so as to grow market share. In terms of the fourth research objective, the findings of the study showed that fewer SMEs were involved in adapting partnering strategies hence threatening Long-run survival.
The recommendation for the role of operational skills in SMEs Growth is that SMEs need to lay emphasize on investing well in resources necessary for growth specifically the human resource and financial strength with an intention of having future business. Also, SMEs need to understand their capability constantly and through constant innovation, create privileged assets that are not easily copied by competitors so as to sustain growth. In terms of necessary growth skills required for continuity, it was notable that, SMEs must continue to venture to even newer markets and create new markets and products that allow SMEs to grow and expand in terms of market share and global presence. In terms of the partnering strategies, SMEs need to venture into strategies such as franchising and joint ventures so as to ensure SMEs survives, in the long run.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Any business venture strategizes to improve with an intention to expand and maximize shareholder’s wealth through growth. One common growth strategies is the Mckinsey Growth Pyramid, which has similarities the well-established Ansoff growth model, but deviates by looking at strategies of business growth using four distinct pillars. These include operational skills, privileged assets, growth skills and special relationships (Gupta, Gupta and Krishnaswami, 2013).

Because most strive to achieve competitive advantage with an aim of outdoing their rivals, the challenge lies in the failure to implement and develop growth strategies capable of addressing market needs (Hitt and Ireland, 2008). In Mckinsey Growth Pyramid model, operational skills comprise of inspiring leadership, operational efficiencies, human skill management and cost leadership, which are core concepts of successful business organizations. Whereas these can be achieved through the development of an enabling internal environment and focuses on the people, the challenge for SMEs lies in demerits of economies of scale, which deters the development of an inclusive and responsive approach to their management systems.

The current debate and trend and on operational efficiency has evolved towards the development of inspiring leadership as an important strategic approach towards employee loyalty, motivation, and satisfactions (Manuela and Varajao, 2011). This is because; the development and growth of the people and their perspective towards an achievement of an agreed goal are increasingly taking focal stage in operational analysis of the organization and collective achievement objectives. For sustained growth, SMEs need to acquire privileged assets because of their relation to operational efficiencies, competitive advantage and strategic, sustained growth. These privileged assets include efficient
distribution channels, larger customer base, patents, logos, trademarks and established brands,

In order to acquire the privileged assets, SMEs must not only build their brand equity, develop a strong financial base, attract strong customer base, but also become customer centric. Customer centric expects organizations to constantly interact with their customers across all networks, input customer data, analyze it so as to get insight on customer behavior, and preferences, so as to provide customers needs in the most efficient and effective manner for both the business and the customers to benefit from the relationship. Therefore, customer centric entails aligning the organization’s resources, responding effectively and efficiently to the ever-changing customer needs and building relationships that are mutually benefiting to both parties (Kumar, 2012).

Financial management implemented by SMEs must aim at pumping a large pool of its capital investments in specific target areas with the intention to achieve high returns on investments (Hall, Jones, Raffo, and Anderton, 2009). The differentiated strategy has been perceived as the most appropriate choice to take in SMEs investment decisions because it stands as the most viable way of solving the challenge of mixed fortunes. In spite of the simplicity of the strategy, keen interest in its success depends on the detailed and comprehensive analysis of important issues; a firm must also strive to do business differently in order to achieve growth.

The investment route identified by an SME will have grave bearings on its cost of capital structure and cost of debt hence, the degree of effect would vary depending on the characteristics of the firm, especially if the SME is bank dependent or non-bank dependent. Thus, a firm must implement an appropriate, slow and strategic change with an aim of reaping the highest return on its capital investment (Hall, et.al, 2009). One crucial growth factor and capacity to demonstrate growth skills is identified by the timely gathering of information, communications and technology as a roadmap for strategic management. Over the past 80 years, online social networking industry has evolved due to changes in scientific and theoretical frameworks through which communities interact.
and connect to create relationships. In modern turbulent business environment, business leadership should select opportunities that will add value with an aim of reporting more profits through taking advantage of strategic relationships (Gupta, et. al, 2013).

The strategy commonly adopted therefore, has been towards the acquiring of growth skills that make a business entity different from its competitors. Though growth skills differ from industry to industry, the capability, effectiveness and the entrepreneurial mindset must be aimed at the collaborations in market penetration, value innovation, market development and development of new markets. For small and medium enterprises, the strategy of value innovation is generated from internal structures through flexible process and enhancement of research and development. Small firms mostly benefit more from innovative ideas spilled from learning institutions’ research and development and internal processes more than they benefit from research and development from large business organizations (Susman, 2007).

In the recent past, the issue of value innovation has been looked through the lens of continuous improvement as a contextual approach to business process improvement whose outcome leads to incremental improvement. The current business debate posits that radical innovation does not constitute any meaningful continuous improvement, but is rather a redesigning mechanism that is a one-time project, which may fail to contribute towards the realization of long-term objectives (Baregheh, Rowley and Sambrook, 2009). In order to be able to classify an enterprise into Small and Medium Enterprises (SMEs) lacks a distinct definition resulting to use of identifying features quantitatively and qualitatively (Stokes and Wilson, 2010). They posit that, an enterprise falls as a SME if it has employees between one to two hundred and fifty as initiated by the European Commission. In regard to qualitative features, SMEs tend to be managed by owners with a small market share and external control is at minimal. SMEs suffer the disadvantage of economies of scale, which deters the development of an inclusive and responsive approach to their management systems. The current literatures on leadership have laid emphasis on the development of a collective style of leadership that recognizes aspirations, needs and values of all employees and seeks to inspire employees.
Globally, small and medium enterprises (SMEs) have assumed a crucial and critical position in the economic development process. For example, various analyzes that have been done in this sector state that, the sector plays a vital role in assisting economies especially in developing countries (Mwangi, 2007). For instance, SMEs are perceived to contribute the growth of the economy through income generation, creation of employment opportunities, income generation, all these initiatives have resulted in reduction of poverty, equitable distribution of income and growth of economies (Mwangi, 2007). In Africa, Kenya is perceived to be among the countries consisting of huge numbers of SMEs in almost all sectors of the economy and have an immense contribution to the economy.

Kiveu & Ofafa (2013) observe that SMEs play an important role both in Kenya’s economy and the world especially in terms of positive impact on the economic advancement and social hence having flexible management and manufacturing, creating new employment opportunities which enables them to respond appropriately to dynamics in the environment. Furthermore, the author notes that, the primary solution to the development and growth of the Kenyan economy is SMEs, which makeup 99% of all business activities in the country, 81.5% of all employment, and 26.5% of share investments (Kiveu & Ofafa, 2013). Despite the critical role SMEs play in the economy in the country; many have been found to face numerous challenges, as well as problems especially to the new and emerging SMEs.

Due to this it was important to investigate core issues and obstacles that face SMEs especially in the acquisition of growth strategies that can ensure their transitions from small to high growth rates and size development. By doing so, appropriate solutions will be generated specifically on how well-emerging SMEs can embrace and stand tall despite the challenges. This is because establishing an SME business in Kenya has been found to be a challenging venture especially with existing legal and industry restrictive procedures.
1.2 Statement of the Problem

Researchers and practitioners alike have conducted numerous research in the area of small businesses inception and development all aimed at enriching theory and gaining profound understanding of how some small enterprises recently initiated grows over a small time span to cultivate a niche and establish market dominance in a given industry setting. However, while the theme of growth in small firms has been explored at length and has become such a topical issue, the literature on growth processes and transitions in high growth small firms is partial at the very best and underrepresented in the available entrepreneurial and small business journals. In reference to Kenya Institute for Public Policy Research and Analysis (2006), unique, context specific, process studies of small business as an integral part of business development lacks in literature.

It can however be deduced that knowledge of these fundamentals of small business development are critical if inferences to market, industry dynamics and the role of small business ventures and how they develop and thrive in large markets is to be drawn. Initially, a review of small firm literature show that most fail in their early lifecycles due to the many challenges and obstacles they face and are unable to overcome. Also, there is less than satisfactory growth rates observed among firms that survive the ignition inception stage. Lim (2010) states that SMEs that survive longer than six years are below 20% while less that 30% of SMEs instituted survive the first few months of the institution.

In Kenya, it was notable that research in SMEs process of growth was lacking noting that there were several processes related to the traditional organizations, strategy, and management literature (Mwangi, 2007). This was due to the fact that the growth of Kenya SMEs is inhibited by a deficit in innovation, financial resources, market development, operational inefficiencies and other challenges (Kenya Institute for Public Policy Research and Analysis, 2006). The purpose of this study was to explore the application of the Mckinsey growth pyramid strategies with reference to SMEs in Kenya.
1.3 **General Objective**

The general objective of this study was to determine the relationship between implementation of growth strategies and growth of SMEs.

1.4 **Specific Objectives**

1.4.1 To identify the role of operational skills in SME growth
1.4.2 To establish the privilege assets that are not easily replicable by SMEs.
1.4.3 To find out whether SMEs have the necessary growth skills so as to expand continuously without collapse.
1.4.4 To establish the relationship between partnering strategies and SME growth

1.5 **Significance of the Study**

1.5.1 **Country’s Economy**

Understanding the growth processes and development of small firms and business has taken a new dimension, given the importance that these ventures play in the economy. An enhanced understanding of the growth processes would help inform policy debates by the concerned entities on the key fundamentals and necessary ingredients that are vital to the success of such business ventures. For the small business owner, entrepreneur, or manager with growth in mind, a clearer understanding of growth dynamics sheds light on the complexities that will challenge them as they grow their respective businesses (Okello & Matovu, 2011).

1.5.2 **Policy Makers**

This research study is significant in the provision of a body of knowledge for future research works. Moreover, the research findings in one way or the other provide opportunity for policymakers and concerned stakeholders to make necessary modification
to the existing business policies and initiatives of establishing SMEs in Kenya and to extend the overall business environment in the country. Lastly, literature in this area remains inadequate, and the situation makes this study more appropriate to offer to the literature existence in the area of study. On overall, it can be said that, significance of this study is implicated and reflected in the current situation that new and up-coming architects face or experience in their attempt to establish themselves in the market place (Cacciolatti and Fearne, 2013).

1.5.3 Researchers and Academicians

This study will significantly provide relevant information that will allow other researchers and academicians to research. Hence, the literature provided in this paper has provided other researchers and academicians information dwelling on growth strategies by SMEs so as to encourage long term survival. The research identifies how well SMEs are adapting to growth that allows academicians and researchers understand how SMEs are strategizing with and aim for growth.

1.6 Scope of the Study

This study was conducted in Nairobi CBD targeting owner managers in the business of dealing in office stationery, computer hardware, and accessories with a population of 700 as per the 2014 Postel Directory and the Mobile Business Directories.. This study was conducted between June and July 2014. The limitations faced while conducting this study was that there lack a database of SMEs in Kenya. As a result, data of SMEs was extracted from the Nairobi Directory 2014 and the Mobile Business Directory 2014. In the directories, enterprises picked were those registered within the Nairobi CBD.
1.7 Definition of Terms

1.7.1 Growth Skills

These are crucial skills that differentiate a business from its competitors. They include special relation that offer new options, market penetration, collaborations in new markets and market development (Zentes, Morschett, & Schramm-Klein, 2011).

1.7.2 Small and Medium Enterprises

An enterprise owned by a family or community owned and rely on low costs of raw materials, labor, and energy as well as low division of labor having a maximum of 200 employees (David & Wilson, 2010).

1.7.3 Strategic Management

This is the systematic analysis of core functions done by top management in regard to the resources available and performance of the internal and external environment of the organization (Freeman, 2010).

1.7.4 Core Competences

This entails a collection of traits, knowledge, motivation and focus leading to an outcome (Drejer, 2002).

1.7.5 Operational Skills

Stokes & Wilson (2010) define operational skills as key positive attributes that lead to operational efficiency and help in the achievement of organizational goals.
1.8 Chapter Summary

Chapter one has covered the background of SMEs, importance of growth strategies to SMEs and Strategic management. It has also discussed the statement of the problem showing the knowledge gap that will cover by stating the general objective and specific objectives. Also, this chapter has discussed who will be the beneficiaries of the survey covering the scope of the study and providing meaning of terms.

In the next chapter, diverse literature investigates the accredited research work done by previous researchers and compare with the problem being surveyed. Chapter three will cover the methodology that will be used to collect data from the field which will require analysis. The fourth chapter provides the findings summarized using SPSS covering operational skills, privileged assets, growth skills and partnering strategies. A discussion of the findings, recommendations as well as other areas that can be researched on in growth strategies has been covered in the fifth chapter.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Literature review sought to examine the application of the Mckinsey Growth Pyramid Strategies through a Case of SMEs based on a dissection of its four parameters: operational skills, privileged assets, growth skills and special relationships. SMEs could make use of these growth opportunities for business growth. In regard to operational skills, the facets discussed are leadership, operational efficiency, human skill management and cost leadership. The privileged assets unique to SMEs discussed are customer centric, financial strength, the brand equity, and customer loyalty. Collaborations, market penetration strategies, value innovation and market development strategies are the growth skills necessary for SMEs survival and for continuous growth, partnering strategies like franchising, diversification, global operations and mergers and acquisitions are vital.

2.2 Operational Skills available to SMEs for Long-term Survival

2.2.1 Leadership

The role of leadership in growth of business cannot be underrated because it is one of the most important factors of a successful business. Defined by Limsila & Ogunlana (2008) in business as the social perspective a leader can use to draw support from a group of people towards a pre-determined goal, the concept of leadership and its effects on a wide range of organizational issues has been a dominant topic in academia. It is about creating an environment upon which people can contribute to supporting an organizational success. The role of leadership in ensuring the successful and effective achievement of broad organizational goals cannot be undermined. A significant number of researchers
reveal that the development of inspiring leadership is important for employee loyalty, motivation and satisfactions (Manuela, Cruz-Cunha & Varajao, 2011).

In the current past, the attention has been a creation of effective forms of leadership that focuses on the people. This is because the growth and development of the people and their concerted efforts towards an achievement of a common goal are increasingly taking center stage in leadership analysis. For an organization that focuses on growth, leadership forms one of the most prized and critical element, and there is a need to attach greatest effort towards the development of enabling environment upon which organizational objectives can be achieved. Based on their small size, SMEs are driven by the purpose of delivering the best service and must focus on developing a culture of inspiring leadership (Adair, 2009).

In SMEs, the role of leadership is very crucial and is necessary because the followers may lack the professional skills required to run the organization hence inspirational leadership ensures all followers in the organization can deliver for the benefit of the organization (Vaccaro, Jansen, Van Den Bosch, & Volberda, 2010). On the other hand, failure to have inspirational leadership, organizations lack the expected direction required to meet set goals and objectives. As a result, an organization is not able to have growth and survival becomes an illusion for an organization lacking good leadership.

2.2.2 Operational Efficiency

To remain competitive, SMEs must enhance operational efficiency because they not only have limited resources, but operational efficiency is closely related to the efficient allocation of resources growth and profitability. According to Slack, Chambers and Johnston (2007), businesses and organizations that are not operating efficiently risk losing the competitive fight to their rivals and are likely to be out of business. For the reasons of availability of limited resources, the efficient use of resources and competency in resource management is among the most crucial sources of growth. Operational efficiencies assist in making return on investments through strategy formulation that
focuses on high performance, strategic investment, emphasis on critical areas of business and keeping pace with the demand.

However, operational efficiencies are difficult to measure since they tend to emerge step by step and are embedded, tacit and are manifest in different ways within and industry. To solve this challenge, companies a business comes up with a strategy that develops operations in terms of innovation, customization, cooperation, configuration and responsiveness. Such a comprehensive strategy allows a business to reduce waste in all departments and focuses on efficient productivity (Wu, Melnyk, & Flynn, 2010).

SMEs have strategic path they can pursue to ensure they achieve operational efficiency outlined in Mckinsey Growth Pyramid as a key parameter for growth and an important of measure of the competitive edge achievement and business success. The canonical form assessment is that to achieve growth; operations of SMEs should be structured create strategy maps highlighting the areas they want to measure and emphasize (Slack et al., 2007). This will act as the overall architectural framework specifying the critical elements and associated linkages for the overall strategy and serve as a universal message presentation forum for the top management towards specification and subsequent presentation of the envisaged destination. This should be structured around the tenets of several factors that provide performance from a multi and interrelated perspective.

2.2.3 Human Skill Management

Organizations greatest asset is employees by which objectives set by the organization are realized and echoed since strategic management of human skill plays an important role in enhancing the top corporate capacity, offering support and engaging front line managers (Werner, Schuler & Jackson, 2012). This ensures that, the best talents are recruited to perform in areas and departments where their skills and knowledge best placed for business success. Additionally, an inclusive strategic human resource management ensures that support managers and supervisors accomplish their goals by establishing tracking procedures to monitor the success, failures and growth of support managers and supervisors necessary for evaluation of frontline manager by top leadership.
Such statistics is necessary for the measurement of the performances of the support managers and supervisors to enable the human skill management department provide them with the needed support aimed at promoting their skills and knowledge. In the recognition that people form the greatest asset of an organization, human resource must seek to recruit the best and appropriate personnel because effective management of human resource is a critical determinant of a firm’s capacity to remain competitive and improve on the bottom-line (Werner et al., 2012). For SMEs, which are encompassed the problem of resource limitations, a transformational and consultative orientation serve as critical components to the success in human resource skill management as opposed to transactional and enforcement orientation.

It is notable that a positive relationship exists between human skills and the success of any organization through the increase in entrepreneurial success which is necessary for encouraging innovation in an organization (Unger, Rauch, & Frese, 2011). That is human capital when well-managed results to employees are performing their day to day tasks as they exploit new business opportunities as well as discovering unique ways of getting things done. Well developed human capital assist employees in further learning as well as training and collection of new knowledge necessary within an organization. Business firms limited to human skill such as SMEs can outsource the human resource at an affordable cost which will provide professional services necessary allowing the company to run smoothly with minimal hurdles. The challenge of outsourcing human skill is that if the wrong human skill is hired smooth running of SMEs will be hampered (Glaister, 2014).

2.2.4 Cost Leadership

This strategy of growth emphasizes on efficiency through the production of high volumes of standardized goods with the focus of capitalizing on the experience curve effects and economies of scale. For SMEs, who suffer from economies the scale, the attention should be on the production of no-frill products, which are produced at very low cost and
targeted towards a very large customer base. However, the challenge for SMEs in this strategy is the development of a cost effective and reliable distribution channel to carry out the cost leadership strategy. The promotional strategy of low cost should be tailored towards making a virtue out of the low cost product and presenting them in a manner that not only appeal to the customer, but also fulfils needs (Hitt & Ireland, 2008).

Success in the cost leadership strategy is always a daunting task for SMEs because it is largely determined preferential access to labor, raw materials, important inputs and other tangible and intangible components. The lack of these components makes the strategy unsustainable because of the risk of imitation by competitors (Hitt & Ireland, 2008). However, SMEs stand to reap a number of beneficial outcomes by pursuing cost leadership strategy in its growth curve, which include and are not limited to sustained access to inexpensive capital, close supervision of labor, tight cost control and products designed for ease of manufacture, and is linked to organizations values and strategies, based on critical success factors or performance drivers.

The benefits accrued by organizations adopting to cost leadership strategies ensure that capital for growth exists because operating costs lowers hence more money available for further research and development, business expansions, growing untapped markets and upgrades in technology. Likewise, a company records higher profitability since a company will record sales at a lower cost of production. Also, a company adapting to low-cost strategies tend to offer products at a lower market price thus attracting more business to budget focused buyers hence attracting more products in a given industry. A final benefit is that low cost leadership contributes to the sustainability of a company since, when a company’s ability to grow capital exists then it offers security in terms of cash flow sufficiency which is invested in other parts of the business adding long term value to a company.
2.3 Investigate Privileged Assets not easily Replicable

2.3.1 Customer Centric Approach

One of the most privileged assets an organization or firm may acquire in the course of business is a loyal, stable and large customer base because the capacity to acquire and retain customer base is a sign of growth and stability. There are only two key sources of competitive advantage for organizations, which include the ability to learn more about the needs of their customers faster than the competitors and to turn that knowledge or learning into actions faster than their competitors hence making the role of competitive advantage to an organization is delivering the same benefits as before but at a lower cost. (Ian, 2012) To be customer-centric therefore means knowing your customers that is, an organization does not only know its customers, but also can turn the knowledge into an asset by meeting their needs and retaining (Fester, 2011). For growth purposes, SMEs can achieve this critical privileged asset by aligning the resources of the organization so as to deal effectively with the ever-changing needs of the customer.

Customer centric requires organizations to consistently interact with their customers across all networks, collect customer data, analyze it to get insight into customer preferences and behavior, act to provide these needs in the most effective way so both the customers and the business benefit from the relationship. Customer centric, therefore, consists of aligning the organization’s resources, responding effectively and efficiently to the ever-changing customer needs and building relationships that are mutually benefiting to both parties. The resources referred to are not restricted to the customer service team or the personnel, but rather, all products and service, all personnel in the firm, operating systems and procedures, and the organization’s systems have direct impact on the ability of the firm to become customer centric (Fester, 2011). The challenge of having customer-centric strategy is that customers have continuously become very select due to changes in trends, tastes and preferences have been triggered by the availability of information through the mobile phones where customers can compare products, pricing and other features of product hence influencing the choices of customers. For companies that have
been there and are well established they have been able to satisfy current demands as well as predict customers’ needs because of the availability of funds for research and development of products that match the needs. On the contrary for young companies and small enterprises, the turbulent environment means that it is difficult for SMEs to predict and meet the ever-changing needs of customers.

2.3.2 Financial Strength

The possession of financial capacity to undertake organizational activities and programs is not only an important tool for competitive advantage and growth, but a demonstration of capacity to sustain business over a long period. To SMEs, acquiring adequate financial resource is similar to acquiring the critical element of the economy of scale and as such, coming into level play with large multinational entities. The basic competitive strategy in financial management employed by SMEs must aim at injecting a large pool of its capital investments in specific target areas with the capacity to achieve high returns on investments (Hall, Jones, Raffo, & Anderton, 2009). The differentiated strategy has been viewed as the most appropriate path to take in SMEs investment decisions because it remains the most viable path to solving the challenge of mixed fortunes.

Despite the simplicity of the strategy, keen interest for its success lies in comprehensive and detailed analysis of grave issues, a firm must also learn to do business differently in order to attain growth. The investment path chosen by an SME will have profound bearings on its capital structure and the cost of debt. However, the degree of effect would vary depending on the characteristics of the organization mainly among whether the organization are non-bank dependant or bank-dependent and as such, a firm must initiate a slow and strategic change in its efforts to reap highest returns on its capital base (Kamal & Flanagan, 2012). However, it is notable that financial institutions are shy of funding SMEs due to the survival rate caused by the lack of resources such as human resource, skills and other resources that would ensure that the organization can meet its long-term goal of sustenance.
Situations of stagnant economy or economy decline, SMEs use hedging strategies that lead to control of high operating cost which if not controlled reduces the profits or results to losses causing SMEs not to thrive. By the use of such strategies, SMEs can pay attention to their various cost centers with an aim of reducing cost. However, the use of hedging strategies does automatically mean a company will record profits because of other factors such as the sales, the marketing strategies and the external business environment (Loss, 2012). Further, the lack of knowledge of the diverse financial instruments available to SMEs limits in the funding of ventures thus limiting growth as well as ensuring there is sustenance for the long term.

2.3.3 Brand Equity

Brands succeed as a result of how they are positioned so as to capitalize on their unique characteristics which one or more aspects their competition finds a challenge to emulate hence competitive advantage. A company that outperforms competitors in providing value of the firm to customers is competitive advantage. One of the most crucial characteristic of a top brand is its ability to deliver the benefits that customers truly desire. According to Florian, Mark, Lehmann and Scott (2012), the reason why customers prefer a certain brand as opposed to another is because factors like brand image, services and many other tangible and intangible factors mould an attractive aspect that customers clearly identify with and desire.

For SMEs, the path towards growth through brand equity revolves around developing products a product with an identifiable name as compared to its competitors, by making them memorable, easily recognizable and superior in quality and reliability. While considering strong brands, brand equity is a combination of various intangible factors and the actual quality of a product, which may encompass the user imagery, and usage imagery. In addition, the type of character or personality a brand shows, the feeling it elicits to customers and the kind of relationship it builds in its customers (Kamal & Flanagan, 2012). In new competitive areas, this option requires an SME to seek
opportunities that can be integrated vertically or consider skills of business the can be used in other industries.

The challenges SMEs face in creating brand equity is how fast a product is experiencing the life cycle hence by the time a product is launched, competitors have a product with similar features thus shortening a product’s lifecycle making. As a result, SMEs today face the challenge of sustaining their products in the market for a time that will allow the company to make profits. Today’s customers has ever changing preferences and is also availed with countless alternatives from a company’s brand as well as from competitors brands hence the challenge of growing and maintaining brand equity. In order to lengthen the product life cycle, when launching new products or increasing product lines, getting the attention of the consumer and raising curiosity is vital which will hook the consumers terming the product or service trendy (Floyd et al., 2011).

2.3.4 Customer Loyalty

The behavior of customers towards a product or service is an important factor in marketing. For SMEs, customer loyalty is a determinant to success, whether in business-to-business or direct sales of a product or a service to the customer. This underlines why customer loyalty is a privileged asset an SME can acquire in the course of doing business. In Mckinsey Growth Pyramid, customer loyalty is requirement for the growth of a business. However, the attainment of customer loyalty is product of a wide range of organizational initiatives focused on developing effective customer relationships. It involves making decisions about customers, market segments, products and services, and geographic areas and is driven by the following forces; customer (market needs), products offered, technology, market type, sales and marketing method (Rosalind & Audrey, 2008).

Other factors include production capacity, size/growth, and, profit/returns, distribution method in a way the places the customer at the centre of the overall business strategy (Rosalind & Audrey, 2008). This explains the underlying reason why Mckinsey Growth
Pyramid is similar to other growth analytic tools such as Michael porter’s Five Force Model, in which Michael contends that competitive strategy means being different from competitors, especially in product development and customer approach. He explains that strategy means purposely choosing a different or distinct set of activities and practices in order to give a unique mix of values that appeal to the customer. To achieve strong customer loyalty in an organization’s service or product, an SME will need to formulate their strategy based on customer intimacy.

In spite of all the available factors, maintaining customer loyalty is easier for well established companies because of well developed research programs, which allows large companies to understand the needs and wants of customers as well as accurately predict the needs of customers hence managing to maintain customer base and market share (Ou, Shih, Chen, & Wang, 2011). On the contrary, SMEs lack the financial and other sources necessary to particularly predict the needs of customers thereby lacking the ability to successfully maintain customer loyalty resulting to shifting changes in market share. In order to deal with the lack of customer loyalty, SMEs need to subcontract activities that are not core competence so as to be able to deal with core competence hence managing to increase customer loyalty. This is because; customer loyalty is greatly influenced by the approach a company uses to meet customer needs with value.

2.4 Growth Skills necessary for SME’s Survival

2.4.1 Collaborations

Collaborations in new markets is key to gaining entry into a new market. The entrance to new markets presents a range of challenges for businesses, especially SMEs, which lack the capacity to penetrate new markets on their own. One of the most relevant and effective way to gain access to new markets is through strategic collaborations with existing businesses. Collaborations in new markets provide a range of beneficial outcomes for businesses. These include cost leadership, access to knowledge, access to
the new markets and access to intellectual property (Gupta, Gupta & Krishnaswami, 2013).

This is an effective approach of push promotion strategy in marketing initiatives and involves the development strategy that focus on injecting little resources in research and development through a shared platform. Strategic collaborations enable SMEs to gain insights into cultural orientations of the new markets and as such, carry out product alterations along cultural and economic lines to achieve competitive advantage (Gupta et al., 2013). This is a marketing strategy focused on reducing advertising related expenses and using the least amount of time avail to avail the product to the market. In addition, firms that entre into strategic agreements benefit from the advantage of a single and centralized design and production centre that seeks to enhance the capacity of the organization of design and produce standard products in all their stores. Likewise, collaborations ensure SMEs access factors difficult to access due to the size of the firm. The ability of having collaborations with private institutions and government institutions allow SMEs to access professional knowledge which would otherwise been difficult to access (Adegbesan & Higgins, 2010). Also collaboration with larger corporate allow a company to have access of markets that are difficult to penetrate due to factors such as the preferences of the target market and fierce competition from the competitors hence threatening the SME from investing in such a market.

In addition, modern day business operations rely on information and communication technology and this is the main driving reasons behind the need for the formation of an alliance with an established firm in the international markets. As an important growth factor, an SME must harvest ICT as a source of for directing strategic management. In modern business environment, business leaders consider ways through which they can add value and make more profit by taking advantage of strategic relationships (Gupta et al., 2013).
2.4.2 Market Penetration

Penetrating into new and overseas market is an uphill task for international business organizations. This is because of the diversity of our social-cultural differences, which greatly define tastes and preferences. An SME must realize that venturing into new markets means that they are moving from one culture into the next. The must develop a cultural market entry plan and a market segmentation plan. The segmentation of the market is defined by market needs and unique characteristics of demographic profile of each segment. Small firms must focus on the importance of gaining deep insights into demographic profiles of the target segment to provide an excellent means of prioritizing relevant capable of radically improving marketing initiatives (Bowonder, Dambal, Kumar & Shirodkar, 2010). The criteria that should be adopted by the company in market penetration include targeted advertising, new product development and brand differentiation.

For emerging SMEs, entry strategies are a necessity but due to turbulent economic features, a challenge exists due to the lack of resources. This is because it requires SMEs to have strategies of dealing with both inbound and outbound logistics with an aim of meeting the needs of the customers as well as making a profit for the company. In an event the wrong entry strategy is implemented, there a possibility of failure can be recorded resulting to losses for the SMEs. One common penetration strategy is the price adjustment strategy where the price of the product or service is set lower than the expected market price with an aim of accessing new customers from competition (Al-Hyari, Al-Weshah, & Alnsour, 2012).

Another strategy used to is increase variety of distribution channels with aim of getting products and services in various access points hence accessing as many customers as possible. Another strategy that enhances product penetration is increased promotion which creates awareness hence product positioning in the market. The final strategy used to penetrate into markets is product improvement since new looks and new features of products attract and entice customers to want to purchase them hence increasing a
business’s market. To successfully implement a successful penetration strategy, companies need to be accurate in terms of the estimating the target market as well as segment the market very accurately so as to ensure that customers’ needs are met thus satisfying increasing and maintaining the market share (Dzisi & Ofosu, 2014).

2.4.3 Value Innovation

SMEs are dynamic and flexible business enterprises and as such, form fundamental portion of the innovative economy. In this regard, adoption of knowledge-based economy (KBE) business model is gaining popularity in the global economy given the technological advancement in the industry coupled with importance of studying market conditions. Bowonder, Dambal, Kumar & Shirodkar (2010) assert that information and communication technologies (ICTs) both facilitate and at the same time reflect the process of knowledge accumulation and diffusion. For small firms, value innovation is generated from internal structures through flexible process and enhancement of research and development. Small firms mostly benefit more from innovative ideas spilled from learning institutions’ R&D and internal processes more than they benefit from R&D from large business organizations.

A number of approaches are available for categorization and of operational business processes in accordance with rate of applicability, and change level required. Williams (2008) observes that, “Quality-oriented methods such as business process improvement and activity-based costing mechanisms are intended to yield continuous but incremental improvement.” Continuous improvement through value innovation is a contextual approach of business process improvement whose outcome leads to incremental improvement. In order to achieve value innovation, two different issues need redress: activity based-costing and process improvement. However, radical innovation does not constitute any meaningful continuous improvement. Radical innovation on the other hand is a redesigning mechanism that is one-time project.
It is hardly possible to achieve radical and continuous improvement at one go; therefore, management team for small businesses need to devise ways of harmonizing the two different innovation procedures. Radical and continuous innovations apply transversely between business processes but intermittently within a single business process. Hence, there should be a paradigm shift to from the conventional ways of practicing innovation (radical) to practicable innovation (continuous). Process innovation is a five-step procedure that starts with the identification of innovation to redesigning and prototyping (Minna, 2014). Much as innovation is crucial firms across any industry, there are factors that limit innovation leading to a business not being a market leader. Financial challenges have the most impact in limiting innovation to any organization which is also one of the challenges SMEs face. Madrid-Guijarro, Garcia, & Auken (2009) say that; financial constrain greatly affect small firms compared to large firms hence difficult to invest in innovation.

2.4.4 Market Development

Market development, as a measure of growth, requires a strong commercialization plan, which revolves around the need to adapt brands to meet local and regional culture and hold onto the cultural changes. This is because the understanding that branding act as a means of linking items to emphasizing the personality of product items and the product line. This can be achieved by emphasizing the instances where product items fit into the local and regional culture of the target group (Bonsu & Darmody, 2008). In addition to the above, a common competitive advantage used by rival firms is the sale of substitute or similar products so as to fit into local and regional culture of the target market. The adapting of brands ought to match the needs of the local and regional culture of a specific target market. Hence, a company with the primary goal of performance- profitability that outperforms competitors’ performance has competitive advantage (Reijonen, Párdányi, Tuominen, Laukkanen, & Komppula, 2014). The essence of market development for SMEs in any given market is the ability to segment the market and be able to turn non-user of products and services to users. It requires SMEs to understand how to the market
and the different segment and manage to identify markets that would create differentiation and competitive advantage for the Small and Medium Businesses.

Value added competitive advantage occurs in scenarios where competing firms attach strong connection to the understanding of local or regional culture before launching their product lines and is an important measure to market development. Companies that succeed in branding strategies better than their rivals do due to positioning their products and services in a manner they are positioned to take advantage of their unique characteristics that rival companies find difficult to emulate (Ian, 2012). Market development is a competitive advantage that enhances businesses to outshine competitors. This competitive advantage gives it a basis for outperforming competitors because of the value that firms are able to present to the customer and the long-term market development derived from these initiatives (Bonsu & Darmody, 2008).

### 2.5 Establish the Partnering Strategies for SMEs

#### 2.5.1 Franchising

Franchising not only helps in pushing the product into the market, it also helps in developing a cost leadership approach to business management, which are key constructs of Mckinsey Growth Pyramid. Second, franchising enables to manufacture from a centralized location and as such, benefit from economies of scale (Alon, 2012). This presents the advantage of uniform and standardized productions reduce labor costs and legal challenges that encompass operations in off shore settings. In addition, it helps small businesses achieve location economies and experience curve, which are key skills in future successful operations in off shore settings. It supports SMEs in receiving royalties for granting permission to own intangible properties such as trademarks, copyrights, patents and designs for specifies periods (Watson, 2008). SMEs and franchising activities are growing fast thus promoting the growth of different economies. However, in the recent past, franchising has become a common practice as new small business holdings and enterprises consider the approach to promote business
performance (Lee, 2011). In the country, there have been procedures and approaches to promoting the level of franchising in the country. Understanding the role of franchising towards Gross Domestic Product and economic growth is something critical towards sustainability (Barney, 2011).

The idea behind franchising and other business activities is rather crucial because it helps to promote business operations. Such activities, whenever properly managed, tend to have a way of promoting economic performance and sustainability (Barney & Clifford, 2010). Franchising tends to allow customers and other users to consider the benefits of trade and relevance of promoting economic activity and success. Franchising is a process capable of promoting a fair share of the continued benefits resulting from smooth processes of trade (Clarke, 2010). That being the situation, there have been new expectations and moves through which new franchising laws and regulations could be considered towards better support and sustainability. With different strategies to implement growth strategies for SMEs, it becomes possible to promote sustainability.

The challenges of franchises is the lack of sufficient capital required for building the infrastructure required to support interested franchisees ranging from the operations, administration, marketing, staffing and accounting. It is notable that, for a franchise to succeed, and a franchisor starts to earn loyalty, a number of franchise outlets need to be open which turn to a challenge to SMEs because of the funds limitation thus discouraging into venturing into the strategy (Barney, 2011). Also, to manage setting up a solid franchise infrastructure, specialized skills are needed with an aim of creating systems, support and procedures that form the backbone of the franchise allowing the company to grow without hurdles. SMEs are challenged because they lack the necessary skills due to the nature of SMEs in regard to ownership. This challenge can be overcome by hiring professionals and consultant who will offer qualified information in terms of franchising.
2.5.2 Diversification

The choices and decisions in investments made are highly influenced by risks and are therefore, fully dependent on risk profile. To minimize risks, ensure continuity and extend relationships, it is crucial to diversify the range of products and services availed to the market. This is because of the need to fulfill contingent of risk management activities and achieve a balanced dynamic portfolio. The underlying factor is that every business is faced with the principal aim of increasing the amount of wealth by making strategic choices that fit into profile risks and improves on the bottom line (Cova & Salle, 2008).

To attain these objectives and tailor the resources towards growth, SMEs must develop a clear delineation and paucity of the effects portfolio structure on the returns and risks. Diversification also enhances relationships in cross-border alliances, which are main sources of incompatibility in the operations of business. Different cultures may generate differences in the operations of businesses in cross-border alliances. These include differences in leadership styles, objectives, reward systems, promotional strategies, governance, strategy and control among other managerial issues. One effect method of minimizing the impact of incompatibility in cross-border alliance is the harmonization of the culture that drives business (Loss, 2012). This forms the underlying path upon which companies in an alliance may develop uniform approaches strategic decision making, pursue common goals, develop common leadership styles and institute common control mechanisms.

Companies have a choice of either diversifying the market or the product depending on the strategy the company has chosen. When a company chooses market diversification, it means that, the company extends business offering to areas not previous targeted in terms of market segments whether locally within a country or across the borders to other countries. In regard to product diversification, a company spreads risk by producing multiple products where brands valued highly by customers play the part of advertising the new product offering (Hubbard, 2013). The challenge SMEs would face when using the market diversification strategy involves the high cost incurred when venturing into
new markets faced with challenges such as culture differences, unique purchase patterns and other unexpected problems. In addition the initial cost incurred such as research, marketing and other activities needed to sell may be more than SMEs can risk on. Likewise, the product diversification challenges entails the fact that despite possessing a strong market share through the sale of few products or a product, enrollment of new products does not mean that the new product will be successful like the previous enrollment.

2.5.3 Global Operations

When firms decide to move from purely domestic to global operations, they often reap beneficial outcomes as well as face a number of threats. Firms achieve the opportunistic global market development or diversification of its markets. Diversification of markets helps in the long term cushioning of risks, especially in the event of stiff competition posed by new entrants in the traditional markets (Hubbard, 2013). Secondly, global operations enable firms to exploit different economic growth rates and scope. This enables a firm to benefit from realization of location and experience curve economies. In addition, it is an effective method of wading off competition from home, expanding the markets and pursuing a global imperative. For any organization intending to go global need to understand that despite the fact the world has turned into a village due to the presence of internet, companies are still local. Hence a company must identify what strategy to adopt when dwelling on global operations. In order to have a global presence, a company may adopt having a presence in international markets thereby adopting a global market strategy. Global manufacturing strategy allows a company to establish global operations while global sourcing enhances a company to access global suppliers.

Firms must perpetrate for the challenges of globalization and rapid expansion. Moving from purely domestic to global operations presents the legal and logistic challenges of having to deal with global markets, which are encompassed by varying cultures (Cova & Salle, 2008). This implies that for a firm to successfully move from pure domestic to global operations, it must develop the capacity to understand the diverse cultures of its
different markets. Entering culturally-closed markets is often one of the most daunting tasks for most marketing managers. However, with the right entry strategy and skills, it is possible to gain a sizable share of a culturally-closed market. In the absence of trade barriers, the focus should be on understanding the underlying issues of culture that drive such market dominance.

2.5.4 Mergers and Acquisition

The underlying reasons behind mergers have generated significant attention in research and development. Globalization, challenges, changes, and diminishing resources have led to an increase in mergers in the recent past (Hubbard, 2013). A point to note is that mergers are occurring between companies in different industries. There are numerous reasons and factors why companies in different industries. First, these companies merge because one or both may want to benefit from the intangible resources of a new partner. These include proprietary process or brand names. In forging a common front, these companies are likely to exist harmoniously in the market and jointly fight competition in their respective industries.

Second, companies in different industries may share major resources. In merging, they seek to operating synergies that may see them ahead of competition. Last, companies in different industries merge to beat deregulation of industry, such as in the case of telecoms. In light of the observed trends, the banking industry, the insurance industry and the financial services is likely to be the next for global consolidation. This is because all the above industries are undergoing substantial deregulation in world markets. It also assists in growth because it allows a firm to take part in sectors where there are barriers to foreign firms. A small firm is relieved of costs related to the opening up of new markets. By opening up job opportunities to the host countries, a firm is likely to benefit from a number of benefits such as relaxed legal rules and tax breaks (Loss, 2012).

For SMEs to strategize and venture into acquiring other companies, the ability of innovation tends to be a primary source that attracts other companies. The role of
innovation in SMEs influences systems, procedures rules and regulations. As a result, such a firm tend to be attractive thus maintaining the position of acquiring other companies (Williams, 2008). The benefit of adapting the acquirer position means that the company is able to grow faster as well as apply the set regulations, policies and procedures hence being able to maintain the corporate culture.

2.6 Chapter Summary

An organization’s structures and activities usually will change in the different stages of growth. This will be in response to the changes in the operating environment, both internal and external. The social capital, external networking and coaching needs are more intense and hands on during the early stages of innovative start-ups. The Mckinsey Growth Pyramid model has presented a clear path towards growth, which is at the heart of every business. To achieve growth, businesses need to develop growth strategies, which involve well-informed decisions focused on increasing financial performance.

In chapter three, this study will discuss the research methodology used to conduct the survey detailing the population, sample research design and the tools to be used to collect data from the field. While chapter four presents the findings of the four research questions presented in tables and charts. Chapter five discusses the findings in chapter four and provides recommendations as well as plausible areas for further studies.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research design that was applied was discussed justifying the choice of research design, appropriate sample fit for this research. The sample design that was used was simple random and statistical sampling design because it reduced on the biasness of anyone conducting the research. This chapter also discusses the research procedure and tool used for data collection from the sample population identified. Once the data was collected, coding was done and keyed in for analysis using SPSS software which was used to analyze the data collected from the field.

3.2 Research Design

Creswell (2009) defines research design as a framework that enables a researcher to collect the appropriate data in conducting a study regarding the issue under investigation. A research design aided in the attainment of more logical and appropriate research findings. The research design selected for a particular study should contribute towards improving the degree of accuracy in the study. In addition, the design adopted should reflect the entire research including the process of collecting data from the field, analysis, and elaboration of research questions. Creswell (2009) further argues that the credibility, feasibility and usefulness of a particular research study largely depend on the effectiveness of the research design.

This research adopted a descriptive research design because of its capacity to help in collecting information used to demonstrate the variables and factors served as the information for the research (Cohen, Manion & Morrison, 2007). According to Cohen et al., (2007), descriptive research is used to acquire information concerning the current situation of a specific phenomenon describing what exists in relation to the condition or
variables in a situation. Thus, the research conducted was not an experimental research hence, adopted the survey research technique so as to verify the research objectives. Hence, the survey research technique adopted was used to assess the opinions, feelings, experiences and thoughts of a clearly defined sample with an aim to show the relationship between the application of the Mckinsey growth model to continuous growth for sustenance in SMEs.

3.3 Population and Sampling Design

3.3.1 Population

Population can be defined as a large group of individuals or objects that form the main focus of a research inquiry. On the other hand, is a particular segment of a target population; the particular group of people that is identified and well-defined as the collection of individuals that have similar characteristics that were relevant to the research conducted. In Kenya, the growth of SMEs has been inhibited by a couple of challenges. However, Africa Centre for Open Governance (2012) report detailed that, a large number of the SMEs in Nairobi have adopted centralized system of management by which key decisions are made by members of family or by their owners. Hence, they tend to depict a more homogenous nature, based on their management system, the level of employees’ skills, training and capital requirements.

Despite that, it was difficult to quantify the number of SMEs currently established and operating in Kenya, estimates show that they run into thousands (Africa Centre for Open Governance, 2012). However, this study sought to enlist an adequate number of SMEs, and the population was 700 whose sample size was determined by a formula detailed in the sample size section. The SMEs were drawn from listed companies in the telephone, mobile and email directory made by Kenya Postal of Kenya for Nairobi County.
3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sample frame refers to the actual set of units from which a sample has been drawn (Babbie, 2009). The current sample was drawn from the total number of SMEs trading in computer hardware and listed in the directories built by Kenya Postal Corporation of Kenya and were retrieved from the mobile and landline contracts of the Nairobi directory. In selecting the sample size, several factors were borne in mind. The factors included the number of variables, the number of samples selected, importance of the decision, the nature of the analysis that was to be carried out in similar studies, the characteristics of the population meaning the incidence rate, the completion rate and the resources of time and funds constraints (Creswell, 2009). Identification of a representative sample size was sought through taking the mentioned factors into consideration; a thorough and deep investigation was carried out. This assisted in the easy planning, preparation and analysis of the data.

3.3.2.2 Sampling Technique

Adopted for the study is a simple random sampling technique used in arriving at the appropriate participants to take part in the study. The sampling technique ensured that the right sample without bias was derived from the population since it is an approach based on probability of each in a any given population hence each individual having an equal chance to be picked. Whereas it was encompassed by a number of limitations such as inability to make use of it without complete list of population members, it can be potentially uneconomical to achieve (Babbie, 2009).

3.3.2.3 Sample Size

A sample is perceived to be a small portion, quantity or part of a population representing the characteristics of population that is under investigation (Babbie, 2009). This is the
number of subjects to be included in the research study (Babbie, 2009). For the current research, the sample was determined by the formula:

\[ n = \frac{Z^2P(1-P)}{d^2} \]

\( n \) = sample size,
\( Z \) = Z statistic for a level of confidence, (for 95% confidence \( Z = 1.96 \))
\( P \) = expected prevalence or proportion (50%) and
\( d \) = precision (in proportion of one; if 11.7%, \( d = 0.117 \))

Therefore the sample size is, 70

### 3.4. Data Collection Methods

The questionnaire used for primary data gathering entailed statements that were dovetailed to attain the objectives of the study by indicating exactly what the respondents perceived about each question since different respondents may have extreme perceptions on a question. The first portion of the instrument inquired about the respondents’ demographic profile and SMEs. The second portion of the questionnaire examined the specific aspects of the study, relating to the application of the Mckinsey growth pyramid strategies on SMEs in Kenya. The specific aspects entailed questions dealing with the role of the operational skills in SME growth, questions establishing privilege asset that are not easily replicable by other SMEs, another set of questions covered the necessary growth skills required for continuous expansion without collapse and the final set of questions entailed the partnering strategies required for SME growth. This research adopted a structured approach. It consisted of close-ended questions structure to get responses from the participants (Creswell, 2009). About the types of questions to adopt in the questionnaire, Creswell says that questions that are closed-ended in nature guide the researcher with identifying factors important to the research. Therefore, the reason for using a purely structured questionnaire was that the questionnaire was able to collect the required information as per the research objectives where the questions had a scale from 1 to 5. Where 1 was for strongly disagree, 2 was disagree, 3 was neither agree nor disagree, scale 4 was for agree and scale 5 was for strongly agree.
3.5. Research Procedures

An introduction letter from the university was sent to the company thus availing the two directories. Survey questionnaires were administered to the selected SMEs. To ensure the validity, the questionnaires were developed to capture all aspects of the study. Moreover, an expert on this topic was consulted further to confirm the face and content validity of the survey questionnaire, to increase the likelihood of valid outcomes.

After developing the outline for the study and undertaking the necessary preliminary processes, a pilot study was undertaken. The questionnaire was issued first on a pilot project basis. The purpose was to refine the questionnaire so that the respondents have no problem in answering the questions in the course of the main study. Due to lack of a database with SMEs, the Postel Directory and email directory for Nairobi provided the companies that traded in computer hardware and software in Nairobi CBD. In order to distribute the questionnaires successfully, four interviewers scheduled appointments with the respondents with each making a minimum of 2 successful interviews per day. The interviewers would go to the premises and guide the respondent by asking and clarifying questions as well as circling or ticking the answer received. The reason for choosing this approach was because owners of SMEs were busy and it was easy to access them by use of appointments as well as it ensured that the respondents understood the questions. To ensure a success rate of 80%, the use of callback ensured that respondents responded accordingly.

3.6. Data Analysis Method

In any research study, the most important step is data preparation because it acts as a link to the accuracy of the results obtained from a study. For the current study, coding was meticulously undertaken which refers to the translation of data from the questionnaires to the SPPS software for the analysis. Data was analyzed using descriptive statistics. Descriptive statistics approach involves describing a problem, context or an issue.
Despite the fact that this is a similar feature in exploratory studies, this study posed questions that were more descriptive, reliant on prior ideas and methods and better structured.

Data presentation refers to the putting all collected information in a clear and concise manner (Babbie, 2009). In this research, data was presented using tables and figures. The analysis was done using SPSS (IBM SPSS Statistics Version 19). The SPSS provides by default two-sided test, which also assist to control the risk for type I, error. The level of with significance of $\alpha$ 0.5 shows the minimal acceptable level for scientific research (Teddlie, 2009).

3.7 Chapter Summary

This chapter discusses the research design used while conducting the research detailing how the sample size was identified. It further discusses the data collection method and details the research procedure that was used to conduct the research.

Chapter four discusses the results that were collected from Nairobi CBD detailing them in terms of demography, type of business, the response rate and according to the four research questions researched on.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

Chapter four presents the results and findings of the analysis, findings and discussions on the research questions with responses to data collected from the respondents. The first section provides the background information with regards to the respondents while the other section covers the summary of findings with regard to specific objectives.

4.2 Response Rate

A total of 70 questionnaires were administered and all were returned with a 100% of the sample size. As indicated below, by the table illustrated, the response rate was high because the number of registered computer hardware accessories SMEs was small resulting to making the research easy to follow ups on the questionnaire administered.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response Rate</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires Issued</td>
<td>Frequency</td>
</tr>
<tr>
<td>Questionnaires Returned</td>
<td>70</td>
</tr>
</tbody>
</table>

4.3 Background Information

The background information indeed was considered meaningful by the researcher because of the role it played in enabling the understanding of the responses given by the respondents and ensuring that the respondents are situated in SMEs.

4.3.1 Type of Business

The purpose of the type of business section in the questionnaire was to provide information in regard to how SMEs were formed. From the Table 4.2, 57.1% of the
respondents operated companies, respondents that operated as a partnership business were, 20% while 22.9% were in a sole proprietorship. The different ways the SMEs were formed were as shown below.

Table 4.2: Type of Business

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>40</td>
<td>57.1</td>
</tr>
<tr>
<td>Partnership</td>
<td>14</td>
<td>20.0</td>
</tr>
<tr>
<td>Sole Proprietor</td>
<td>16</td>
<td>22.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.2 Years of Operation

The relevance of years of operation in this research was to identify for how long the SMEs had been in business. From the Table 4.3, 4.3% of the respondents indicated 1 year, 22.9% indicated 2 years; 15.7%, 24.3%, 7.1%, 17.1%, 5.7% and 1.4% indicated 3, 4, 5, 6, 8, 10 and 12 years respectively. The majority of the respondents at 24.3% had operated their businesses for at least 4 years.

Table 4.3: Years of Operation

<table>
<thead>
<tr>
<th>Years of Operation</th>
<th>Percentage of the Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>4.3</td>
</tr>
<tr>
<td>2</td>
<td>22.9</td>
</tr>
<tr>
<td>3</td>
<td>15.7</td>
</tr>
<tr>
<td>4</td>
<td>24.3</td>
</tr>
<tr>
<td>5</td>
<td>7.1</td>
</tr>
<tr>
<td>6</td>
<td>17.1</td>
</tr>
<tr>
<td>8</td>
<td>5.7</td>
</tr>
<tr>
<td>10</td>
<td>1.4</td>
</tr>
<tr>
<td>12</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.3.3 Designation of the Respondents

It was important to find out the position held in the SMEs by the respondents because a proper understanding of the operation of the business occurs at the middle and top level positions. From the Table 4.4, 27.1% of the respondents were directors, 34.3% were employees, 4.3% were managers, 8.6% were partners, 24.3% were proprietors while 1.4% were sales executives. This shows that most of the respondents (32.9%) were employees.

Table 4.4: Designation of the Respondent

<table>
<thead>
<tr>
<th>Designation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>19</td>
<td>27.1</td>
</tr>
<tr>
<td>Employee</td>
<td>24</td>
<td>34.3</td>
</tr>
<tr>
<td>Manager</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Partner</td>
<td>6</td>
<td>8.6</td>
</tr>
<tr>
<td>Proprietor</td>
<td>17</td>
<td>24.3</td>
</tr>
<tr>
<td>Sales Executive</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.3.4 Age group of the Respondents

The age data was relevant because it showed the decision makers of the organization were popularly from what age group. From Figure 4.1, the majority of the respondents at 41\% were aged between 26-30 years, 9\% were aged between 18-25 years, 24\% were aged between 31-35 years, 21\% were aged between 36-40 years while 4\% were aged between 41-45 years.

Figure 4.1: Age group of the Respondent
4.3.5 Gender of the Respondents

The gender provided information in regard to the composition of the decision makers within the SMEs in Nairobi. Figure 4.2 indicates that, majority of the respondents at 64.3% were male while 35.7% were female.

![Figure 4.2: Gender of the Respondents](image)

4.3.6 Number of Current Employees

The section of current employees sought to identify the number of people involved in the operations of the SMEs. From Table 4.5, the maximum number of employees working in the sampled companies were 8 while the minimum was 1 with an average was 3.03 employees.

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>42</td>
<td>60</td>
</tr>
<tr>
<td>4-6</td>
<td>27</td>
<td>38.6</td>
</tr>
<tr>
<td>7-9</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100</td>
</tr>
</tbody>
</table>
4.4 The Role of Operational Skills in SME Growth

4.4.1 Descriptive Statistics on Leadership Skills

Statistics on leadership skills were meant to identify if the respondents possessed the necessary skills needed to run a business. From the Table 4.6, the respondents’ stated that they had led the company to deal with the challenges honestly and with commitment has a mean of 4.77 which is in the range of agree from likert scale. A small standard deviation is presented of .423 which suggests that all employees agreed uniformly that employees dealt with the challenges honestly and that they were committed in applying Mckinsey growth pyramids for growth of SMEs in Kenya.

The respondents being passionate about their business has a mean of 4.84 which is in the range of agree from likert scale. Suggesting that, many of the respondents agreed that they are passionate about being in the computer business. It has a very small standard deviation of .367 which suggests that all employees agreed uniformly that they are passionate in the supply of computers and computer hardware products. The respondents communicated the company goals has a mean of 4.43 which is in the range of agree from likert scale. This suggests that the company goals are communicated to all employees. This is evident from recording a very small standard deviation of .554 which suggests that all employees agreed uniformly that they are aware of the company goals.

The respondents claimed that the leadership of the organizations encouraged employee participation when dealing with challenges with a mean of 4.27 which is in the range of agree from likert scale. This means that employees were made part of solving problems in the organization and participation. The standard deviation was standard deviation of .448 which suggests that all employees agreed uniformly that they encourage employee participation when dealing with challenges within the organization.
Table 4.6: Descriptive Statistics on Leadership Skills

<table>
<thead>
<tr>
<th>Operational Skills</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>I lead the company to deal with the challenges honestly and commitment.</td>
<td>4.77</td>
<td>.423</td>
</tr>
<tr>
<td>I am very passionate about your business.</td>
<td>4.84</td>
<td>.367</td>
</tr>
<tr>
<td>I communicate the company goals.</td>
<td>4.43</td>
<td>.554</td>
</tr>
<tr>
<td>I encourage employee participation when dealing with challenges.</td>
<td>4.27</td>
<td>.448</td>
</tr>
</tbody>
</table>

4.4.2 Descriptive Statistics on Operational Efficiency

The operational efficiency section found out if the SMEs were striving to reduce on elements such as waste and other unnecessary inefficiencies. From Table 4.7, reduction of waste and redundancy, the mean was of 4.59 which is in the range of agree from likert scale suggesting that in most of the SMEs they work as they strive to eliminate redundancy and waste. Similarly, the standard deviation of .525 was recorded which is small meaning that the respondents seem to agree on dealing with waste and redundancy.

Whenever the respondents faced challenges, the respondents agreed that they would seek consultation and be guided with a mean of 4.27 from the likert scale. With a Standard Deviation of .525, it reflected that employees and owners of the business work well and understand what is communicated by the management of SMEs.

The respondents when communicating to their employees, they easily understand the information or instructions with a mean of 4.40 which is in the range of agree from likert scale. This suggests that communication is between the owners of the SMEs and the employees have good communication. This emphasized by a small standard deviation of .575.

In regard to seeking clarification on unclear communication, employees said that in their organization they are able to get clarification faster and easily with a mean of 4.23 in
likert scale. With a standard deviation of .726, it suggests that employees are able to seek clarification whenever a communication was not clear.

Table 4.7: Descriptive Statistics on Operational Efficiency

<table>
<thead>
<tr>
<th>Operational Efficiency</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization operates as it reduces waste and redundancy</td>
<td>4.59</td>
<td>.525</td>
</tr>
<tr>
<td>The technology chosen is appropriate for your business.</td>
<td>4.23</td>
<td>.423</td>
</tr>
<tr>
<td>Employees approach me for advise on official matters whenever necessary.</td>
<td>4.57</td>
<td>.579</td>
</tr>
<tr>
<td>When communicating to my employees, they easily understand the information or instructions.</td>
<td>4.40</td>
<td>.575</td>
</tr>
<tr>
<td>When a communication is not clear, my employees clearly ask for clarification without hesitation.</td>
<td>4.23</td>
<td>.726</td>
</tr>
</tbody>
</table>

4.4.3 Descriptive Statistics on Human Skills

This section sought to find out if the respondents had skills acquired while working for the SMEs and if it set the SMEs apart from other competitors. Table 4.8 indicates response to experience acquired while working in the organization over time in relation to increased output has a mean recording of 4.47 of agree from the likert scale. Likewise, in terms of standard deviation, this factor recorded a .503 showing that work experienced improved on ones output.
Table 4.8: Descriptive Statistics on Human Skills

<table>
<thead>
<tr>
<th>Human Skills</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experience acquired within the organization has resulted to increased output over time.</td>
<td>4.47</td>
<td>.503</td>
</tr>
<tr>
<td>Our business sets the floor in regard to pricing of goods for competitors to follow.</td>
<td>3.84</td>
<td>1.270</td>
</tr>
<tr>
<td>The products and services we trade in are not affected by change in consumer tastes and changes in prices.</td>
<td>4.34</td>
<td>.759</td>
</tr>
<tr>
<td>Our products and services are rare and costly to imitate.</td>
<td>4.39</td>
<td>.839</td>
</tr>
</tbody>
</table>

4.4.4 Descriptive Statistics on Cost Leadership

In regard to cost leadership, the research sought if companies used the cost leadership strategy to penetrate the market. In response to that, Table 4.9 indicated that, SMEs sets prices of computers and computer accessories and the competitors follow, the respondents neither agreed nor disagreed on being price setters with a mean score of 3.84. This means that, setting of prices of computers and their accessories were not influenced by any of the players in the industry. The standard deviation was 1.27 suggesting that all employees were not agreeing neither disagreeing.

In terms of customer preferences and the effect it has on the pricing of computers and accessories, the respondents agreed that, changes in consumer tastes and preferences does not affect how the products are priced recording a mean score of 4.36 and a standard deviation of .759.

The respondents agreed that the products they sold were rare and costly to imitate with a mean recording of 4.39 in the Likert scale. Also this was a perception seemed to be uniform among the respondents with a standard deviation of .839.
Table 4.9: Descriptive Statistics on Cost Leadership

<table>
<thead>
<tr>
<th>Cost Leadership</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our business sets the floor in regard to pricing of goods for competitors to follow.</td>
<td>3.84</td>
<td>1.270</td>
</tr>
<tr>
<td>The products and services we trade in are not affected by change in consumer tastes and changes in prices.</td>
<td>4.34</td>
<td>.759</td>
</tr>
<tr>
<td>Our products and services are rare and costly to imitate.</td>
<td>4.39</td>
<td>.839</td>
</tr>
</tbody>
</table>

4.5.  Investigate Privilege Assets not easily Replicable

4.5.1.  One-Sample Statistics on Privilege Assets

This section of the questionnaire established the assets SMEs acquired so as to be able to have continuous growth. From the Table 4.10, the statements uniqueness resulting to the competitive edge has $p<0.05$, the significance level for all statements has a $p$-value of 0.00. This shows that the statements are all significance at $p<0.05$ and all the privilege assets i.e. database for clusters, excellent customer service, culture of anticipating customer needs and expectations and understanding the customers’ needs. As the company grows, the cost of advertising has been reducing, are not easily replicable on the application of Mckinsey growth pyramids for growth of SMES in Kenya.
Table 4.10: One-Sample Statistics on Privilege Assets

<table>
<thead>
<tr>
<th>Uniqueness resulting to competitive Edge</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company has a database of all customers.</td>
<td>3.70</td>
<td>1.408</td>
<td>.000</td>
</tr>
<tr>
<td>We have excelled in delivering excellent customer service</td>
<td>4.43</td>
<td>.714</td>
<td>.000</td>
</tr>
<tr>
<td>We have a culture of anticipating customer needs and expectations</td>
<td>4.39</td>
<td>.490</td>
<td>.000</td>
</tr>
<tr>
<td>Company makes a point to feel what the customers fell and genuinely convey that understanding to customers</td>
<td>4.41</td>
<td>.525</td>
<td>.000</td>
</tr>
<tr>
<td>As the company grows, the cost of advertising has been reducing</td>
<td>4.26</td>
<td>.863</td>
<td>.000</td>
</tr>
<tr>
<td>This business is not affected by a sagging economy</td>
<td>4.20</td>
<td>.910</td>
<td>.000</td>
</tr>
<tr>
<td>When introducing new products, it is easy to launch products successfully</td>
<td>4.43</td>
<td>.693</td>
<td>.000</td>
</tr>
<tr>
<td>The business has been able to starve off price battles</td>
<td>4.30</td>
<td>.598</td>
<td>.000</td>
</tr>
<tr>
<td>Most of your business is from the same clients. (repeat business)</td>
<td>4.11</td>
<td>.843</td>
<td>.000</td>
</tr>
<tr>
<td>It is easy to up-sell and cross-sell to your repeat customers</td>
<td>4.26</td>
<td>.630</td>
<td>.000</td>
</tr>
<tr>
<td>Our repeat customers do free marketing for us. (word of mouth)</td>
<td>3.93</td>
<td>1.171</td>
<td>.000</td>
</tr>
<tr>
<td>Customers provide honest and quality feedback on your products and services as well as satisfaction when using a product.</td>
<td>4.44</td>
<td>.500</td>
<td>.000</td>
</tr>
</tbody>
</table>

4.6. Necessary Growth Skills for Survival

4.6.1 Collaborations

The research found out if there was any collaboration that SMEs created with an intention of having long-term survival. From Table 4.11, it shows that SMEs partnered with each other to venture into new markets, collaborated with other traders to access expertise in running business from experts and existing customers kept on making repeated sales with a positive correlation of \((r=0.83)\), \((r=0.879)\) and \((r=0.624)\) which is significant at \(p<0.01\).
Table 4.11: Statistics on Collaborations

<table>
<thead>
<tr>
<th>Collaborations</th>
<th>Expansion without collapse</th>
<th>Sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company has joined with other traders or trader to venture into new markets.</td>
<td>0.83(**), 0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Our business has collaborated with other traders to access expertise in running business from experts</td>
<td>.879(**), 0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Our existing customers are purchasing more of products</td>
<td>.624(**), 0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

4.6.2 Market Penetration Strategies

This section of market penetration strategies was meant to find out what marketing strategies were adapted by SMEs from the Ansoff Matrix marketing strategies with an aim of growing their current market share. From Table 4.12, the respondents claimed that they had a well-established plan targeting new customers in the existing target customers and recorded a positive correlation of (r=.297) which is significant at p<0.05. This indicates that, the three growth skills as they increase, SMEs expand without collapsing hence having long-term survival.

Table 4.12: Statistics on Market Penetration Strategies

<table>
<thead>
<tr>
<th>Market Penetration Strategies</th>
<th>Expansion without collapse</th>
<th>Sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have a well-established plan targeting new customers in the existing target customers</td>
<td>.297(*), 0.012</td>
<td>0.012</td>
</tr>
</tbody>
</table>

4.6.3 Value Innovation

The section on Value Innovation was meant to identify what innovations SMEs have adapted so as to meet the demands of the customers. Table 4.13 indicates that, SMEs have increased unique features to the current product and eliminating costs has raised benefits accrued by customers of existing products have a negative correlation of -.079 and -.130 which are not significant at both P<0.01 and P<0.05.
Table 4.13: Statistics on Value Innovation

<table>
<thead>
<tr>
<th>Value Innovation</th>
<th>Expansion without collapse</th>
<th>Sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have increased unique features to the current product</td>
<td>-.079</td>
<td>.517</td>
</tr>
<tr>
<td>Eliminating costs has raised benefits accrued by customers of existing products</td>
<td>-.130</td>
<td>.285</td>
</tr>
</tbody>
</table>

4.6.4 Market Development

The research sought to find out if SMEs were involved in creating new markets and targeting existing markets with new products. According to the findings in Table 4.14, it showed that, SMEs were providing new features that had never been offered in the industry, by implementing a plan targeting new customers in new markets, and had new ways of enhancing current products to have new uses to our current customers having a positive correlation of 0.050, 0.195 and 0.202 respectively but are not significant at both P<0.01 and P<0.05.

Table 4.14: Statistics on Market Development

<table>
<thead>
<tr>
<th>Growth skills</th>
<th>Expansion without collapse</th>
<th>Sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your business is providing new features that have never been offered in the industry</td>
<td>.050</td>
<td>.683</td>
</tr>
<tr>
<td>We have a well-established plan targeting new customers in the existing target customers</td>
<td>.297(*)</td>
<td>.012</td>
</tr>
<tr>
<td>We have implemented a plan targeting new customers in new markets</td>
<td>.195</td>
<td>.106</td>
</tr>
<tr>
<td>The business has ways of enhancing current products to have new uses to our current customers</td>
<td>.202</td>
<td>.094</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).
4.7. Relationship between Partnering Strategies and SME Growth

The purpose of conducting research on partnering strategies was to identify the strategies SMEs were applying with an aim of having continuous growth and sustenance. From the Table 4.15, all partnering strategies have a positive correlation which is significant at p<0.01 in regard to disagreeing on venturing into partnering strategies. This indicates that if SMEs increased formulation of partnering strategies, there was an increase in SME growth and long term survival.

Table 4.15: Pearson Correlation for Partnering Strategies

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

<table>
<thead>
<tr>
<th>Partnering Strategies</th>
<th>SMEs growth</th>
<th>Sig(2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part of expansion strategy is that we have created franchises as way of expansion</td>
<td>.839(**)</td>
<td>.000</td>
</tr>
<tr>
<td>As part of survival, I have bought a franchise as a way of survival</td>
<td>.790(**)</td>
<td>.000</td>
</tr>
<tr>
<td>A benefit of using franchising as one of my strategies has been that I have acquire expertise advice in management, finance and in marketing</td>
<td>.797(**)</td>
<td>.000</td>
</tr>
<tr>
<td>I have acquired knowledge on growing market share from being in a franchise</td>
<td>.808(**)</td>
<td>.000</td>
</tr>
<tr>
<td>My business has ventured into business and markets outside Kenya</td>
<td>.804(**)</td>
<td>.000</td>
</tr>
<tr>
<td>Investing in international business has allowed me to have alternative sources of suppliers</td>
<td>.691(**)</td>
<td>.000</td>
</tr>
<tr>
<td>International business has allowed me to overcome tariff barriers</td>
<td>.699(**)</td>
<td>.000</td>
</tr>
<tr>
<td>Doing business outside the country has increased my market share</td>
<td>.591(**)</td>
<td>.000</td>
</tr>
<tr>
<td>Managed risk by venturing into other businesses. (Diversification)</td>
<td>.480(**)</td>
<td>.000</td>
</tr>
<tr>
<td>Expanded our product lines so as to have many products available for the different segments in the market</td>
<td>.563(**)</td>
<td>.000</td>
</tr>
<tr>
<td>My business has enhanced growth through acquisition and mergers</td>
<td>.625(**)</td>
<td>.000</td>
</tr>
<tr>
<td>Mergers and Acquisitions have resulted in accruing benefits from intangible resources such as stronger brand names</td>
<td>.578(**)</td>
<td>.000</td>
</tr>
<tr>
<td>The mergers and acquisitions have resulted to tangible benefit such as lowered costs</td>
<td>.615(**)</td>
<td>.000</td>
</tr>
</tbody>
</table>
4.8 Chapter Summary

Chapter four discusses the results and findings of the analysis, findings and discussions on the research questions with responds to data collected from the respondents whereby, the first section provides the background information with regard to the respondents while the other section covers the summary of findings with regard to specific objectives.

Chapter five discusses the findings of the study for each research objectives, the appropriate recommendations that will benefit SMEs and also possible areas for further research.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of discussion of the findings of the research, conclusions relating to the research objectives, suggestions or recommendations on the application of McKinsey growth pyramids for growth in cases of SMES in Kenya. Areas that need further research have also been discussed. Discussions show a comparison of the major findings of the study with relevant findings in the literature review section. These findings will be discussed according to the specific objectives of the study which include to identify the role of operational skills in SME growth, to establish the privilege assets that are not easily replicable by SMEs, to find out whether SMEs have the necessary growth skills so as to continuously expand without collapse and to establish the relationship between Partnering Strategies and SME growth. Conclusions focus on answering the research questions from the study in relation to the major findings from the study.

5.2 Summary

The general objectives and of this research was to establish the Effects of application of McKinsey growth pyramids for growth in cases of SMES in Kenya. The respondents were presented with a series of statements touching on different issues on the application of McKinsey growth pyramids for growth, for example, the role of operational skills in SME growth, the privilege assets that are not easily replicable by SMEs, the necessary Growth skills for continuous expansion without collapse and relationship between partnering strategies and SME growth.

The research design adapted for this research was descriptive research design because it was used to assess thoughts, opinions, and feelings of a sample used so as to show the relationship between the application of the McKinsey growth model and how SMEs
lifecycle is sustained. Hence, descriptive research design shows relationships between variables and describes the fact as a reality (Cohen et al., 2007). The population of the companies listed in the Kenya Postel Directory was 700. The sample size of the study was 70 and data was collected using questionnaires, and it yielded a success response rate of 100%. The research methods used entails used of simple random and statistical sampling design because it reduced the biasness of researcher conducting the study. Data was collected; coding was done and keyed in for analysis using SPSS software (IBM SPSS Statistics Version 19) which was used to analyze the data. The SPSS provided two-sided test, which was used to control the risk for type I, error. Level of significance with $\alpha 0.5$ shows the minimal acceptable level for scientific research (Teddlie, 2009).

Descriptive statistics on Operational Skills necessary for survival of SMEs indicated that respondents were passionate about the business they were running. Likewise, the respondents agreed that leadership in SMEs encouraged employee participation informingly. In regard to operational efficiency, SMEs agreed that they strove to reduce wasted and redundancy. The respondents also agreed that communication on unclear matters were done fast and easily. In regard to human skills, respondents showed that skills and experience improved on ones output. Cost leadership indicated that respondent did not agree on disagree on setting prices and changes in customer needs and preferences. Lastly, the respondents agreed that products sold were rare and costly to imitate.

One sample statistics showed SMEs estimated customer needs and expectations. Also in regard to cost of advertising, responses showed that advertising costs reduced with time. In regard to the growth skill objective the four factors that were researched on were collaborations, market penetration strategies, value innovation and market development. The findings showed that respondents worked with others with an aim of venturing into new markets. Also, well planned strategies targeting new employees were developed by the respondents. In addition, the respondents stated that they increase unique features with an aim of offering value innovation. Finally, in response to growth skills, the
respondents felt that they were providing new features with an aim of targeting new customers or users.

The fourth research objective was seeking to find out if SMEs were striving to implement partnering strategies. This is one objective with responses showing that, most SMEs were not franchising, creating mergers and acquisitions. However, in regard to diversification, the respondents indicated that they were involved in the diversification strategy.

5.3 Discussion

5.3.1 The Role of Operational Skills in SMEs Growth

From the table 4.2.5, all the descriptive statistics in operational skills have a mean above 4 and a standard deviation of less than 1. The average despondence is in the range of agree from likert scale except Our business sets the floor in regard to pricing of goods for competitors to follow where the respondents neither agreed nor disagreed on being price setters with a mean score of 3.84 and a standard deviation of 1.27 suggesting that all employees were not agreeing neither disagreeing. Stokes & Wilson (2010) define operational skills as key positive attributes that lead to operational efficiency and help in the achievement of organizational goals. From this study it indicates that most of the statements on operational skills such as leadership, operational efficiencies, human skill management and cost leadership contribute to growth of SMEs.

In Mckinsey Growth Pyramid, operational efficiency comprises of inspiring employees in SMEs. From the study most of the respondents agreed that leadership as part of the operational skill ensures the successful and effective achievement of broad organizational goals cannot be undermined this is also in line as suggested by Limsila & Ogunlana (2008) as the social approach a leader can use to draw support from a group of people towards a pre-determined goal, the concept of leadership and its effects on a wide range of organizational issues has been a dominant topic in academia. Further, good leadership
motivates employees hence increasing employee loyalty and eliminating high employee turnover. Inspirational leadership ensures that employees do not require supervision and hence the employees record high results.

In regard to operational efficiency, a company must adapt to the best practices in all its functions so as to ensure that waste is at its minimal or eradicated (Tinnilä, 2013). Likewise, an enterprise must strive to ensure that; all processes within the organization do not get repeated once executed. By so doing, an enterprise is able to cut down on cost while dealing with the different operations. Issues of job rotation, specialization should be factors that SMEs must pay attention to so as to have motivated human resource at all times. However, operational efficiencies are difficult to measure since they tend to emerge step by step and are embedded, tacit and are manifest in different ways within and industry. To solve this challenge, companies a business comes up with a strategy that develops operations in terms of innovation, customization, cooperation, configuration and responsiveness. Such a comprehensive strategy allows a business to reduce on waste in all departments and focuses in efficient productivity (Wu, Melnyk, & Flynn, 2010).

Much as SMEs are recommended to have an inspiring leader, human resource skill is vital for the smooth running of the business. An enterprise will require their human resource in a state of productivity which is influenced by how well the human resource has been organized (Karanja, 2013).

For SMEs who suffer from economies the scale, the attention should be on the production of no-frill products, which are produced at very low cost and targeted towards a very large customer base. However, the challenge for SMEs in this strategy is the development of a cost effective and reliable distribution channel to carry out the cost leadership strategy. The promotional strategy of low cost should be tailored towards making a virtue out of the low cost product and presenting them in a manner that not only appeal to the customer, but also fulfils needs (Hitt & Ireland, 2008).
Hence, operational skills affect positively the application of Mckinsey growth pyramid for continuous growth. This indicates that respondents focused on operational skills as key positive attributes that lead to operational efficiency and help in the achievement of organizational goals as suggested by Stokes & Wilson (2010). Also, operational efficiency comprises of inspiring leadership, operational efficiencies, human skill management and cost leadership and this is shown by very high score of commitment by employees and owners leading to growth of SMEs.

5.3.2 Availability of Privilege Assets not easily Replicable by SMEs.

The second objective was to establish the privilege assets that are not easily replicable by SMEs. From the table 4.2.6, the statements resulting to competitive edge are all significance at p<0.05 and all the privilege assets i.e. database for clusters, excellent customer service, culture of anticipating customer needs and expectations, understanding to customers, As the company grows, the cost of advertising and other costs on privileged assets continue to reduce despite the fact that they are not easily replicable. This indicates that the statements on the organization use of Customer Centric Approach, Financial Strength. Brand Equity and Customer Loyalty have majority have mean greater than 4 which means that most respondents agreed on that most of privilege assets are not easily replicable by SMEs in Kenya. In spite of all the available factors, maintaining customer loyalty is easier for well established companies because of well developed research programs, which allows large companies to understand the needs and wants of customers as well as accurately predict the needs of customers hence managing to maintain customer base and market share. On the contrary, SMEs lack the financial and other resources necessary to particularly predict the needs of customers thereby lacking the ability to successfully maintain customer loyalty resulting to shifting changes in market share. In order to deal with the lack of customer loyalty, SMEs need to subcontract activities that are not core competence so as to be able to deal with core competence hence managing to increase customer loyalty.
The importance of having a customer centric approach is that it allows an enterprise to align all their activities to meet the needs of the customer. The challenge any enterprise faces while trying to align their activities and resources is that, it is difficult to specifically pinpoint customer needs and preferences because they are constantly changing. Likewise, proper analysis of the needs, preferences and tastes means that a company satisfies customers needs which creates customer loyalty. The loyalty aspect of customers is mainly influenced by how well a firm has met the needs of the customers and done so with consistency thereby keeping the customers content. From the study many employees know their customers very well and hence they can turn the knowledge into an asset by meeting their needs and retaining (Fester, 2011). This enables customers to be easily attracted by SMEs in Kenya as suggested by Florian et al., (2012), the reason why consumers opt for specific brand and not another, is due to the brand image, services, collection of attributes and other intangible and tangible factors so as to create a whole that relates to customers desires and expectations.

Brand image is important for any enterprise’s product because the main role is to ensure that it differentiate a product from the rest. Also branding allows a product to have unique features which either attract consumers or deter them from the product (Horan, O’Dwyer, & Tiernan, 2011). When choosing a brand image an enterprise must conduct research so as to understand how consumers perceived the product to be and with the input, the enterprise creates the expected image.

The issue of privileged assets, that is, the assets that a firm own which helps in achieving competitive advantage over competitors hence consumers prefer you and not a competitor is key in the Mckinsey Growth pyramids since it ensures growth and profitability of an organization.
5.3.3 The Necessary Growth Skills Required for Continuous Expansion Without Collapse.

The third objective was to find out whether SMEs have the necessary growth skills so as to continuously expand without collapse. From table 4.2.7, shows that SMEs joined with other SMEs to venture into new markets, collaborated with other traders to access expertise in running business from experts and existing customers kept on making repeated sales have a strong positive correlation which is significant at p <0.01 and the respondents claimed that they had a well-established plan targeting new customers in the existing target customers a weak positive correlation of (r=.297) which is significant at p<0.05. Collaborations are known to help SMEs in dealing with any issues facing SMEs because they are limited in terms of resources.

In order to be able to access markets that would be difficult for SMEs to access, collaborating with local enterprises or enterprises that have done business in such areas results to the growth of SMEs market share. This indicates that, the three growth skills as they increase, SMEs expand without collapsing hence having long-term survival. Hence SMEs have the necessary growth skills so as to continuously expand without collapse. This indicates that the presence of growth skills in SMEs will initiate growth and expansion of SMEs in Kenya. From the study ,findings indicated that Collaborations in new markets created the entrance to new markets and presented a range of challenges for businesses, especially SMEs, which lack the capacity to penetrate new markets on their own and this is indicated from this study by some SMEs increased unique features to the current product and eliminating costs raised benefits accrued by customers of existing products which have a negative correlation of -.079 and -.130 which are not significant at both P<0.01 and P<0.05.

The SMEs business is providing new features that have never been offered in the industry, they have implemented a plan targeting new customers in new markets, and the business has ways of enhancing current products to have new uses to our current customers have a weak positive correlation respectively but are not significant at P<0.05.
To enforce value innovation SMEs are constantly coming up with new innovations so as to meet the ever changing needs of customers. Innovations vary falling on functions such as marketing, product shape and other characteristics and how the organization is run. For the growth to be experienced in SMEs, they must focus on the importance of gaining deep insights into demographic profiles of the target segment to provide an excellent means of prioritizing relevant capable of radically improving marketing initiatives (Bowonder et al., 2010). One common penetration strategy is the price adjustment strategy where the price of the product or service is set lower than the expected market price with an aim of accessing new customers from competition. Another strategy used to is increase variety of distribution channels with aim of getting products and services in various access points hence accessing as many customers as possible. Another strategy that enhances product penetration is increased promotion which creates awareness hence product positioning in the market. The final strategy used to penetrate into markets is product improvement since new looks and new features of products attract and entice customers to want to purchase them hence increasing a business’s market. In addition to the above, a common competitive advantage used by rival firms is the sale of substitute or similar products so as to fit into local and regional culture of the target market. The adapting of brands to match the needs of the local and regional culture of a specific target market. Hence, a company with the primary goal of performance-profitability that outperforms competitors’ performance has competitive advantage.

5.3.4 The Relationship between Partnering Strategies and SME Growth.

The last objective was to establish the relationship between Partnering Strategies and SME growth. From the table 4.2.8, all partnering strategies have a positive correlation which is significant at p<0.01. This indicates that if SMEs increased formulation of partnering strategies, there is an increase in SME growth and long term survival. The research also found out that partnering strategies which involves companies creating relationships that will open up new options such as joint ventures, strategic alliances,
franchising, are part and parcel of the Mckinsey Growth pyramids and should be adopted by organizations (Alon, 2012).

From the study all partnering strategies had a positive correlation which is significant at p<0.01. This indicates that as the company increased formulation of partnering strategies, there was an increase in SME growth in Kenya. The study also indicated that, if a SME or an organization adopts the Mckinsey Growth pyramids strategy, the growth Skills that refers to the vital skills that make a business different from its competitors, for example, market penetration, value innovation, collaboration in new markets and market development, will be realized and this is bound to propel the organization to greater heights.

Currently the success of any business enterprise lies on how well it invests in partnering strategies. Companies are striving to expand in terms of market and size using strategies such as mergers, acquisitions, franchising and diversification. The benefit of using franchising is that it allows any enterprise to venture into markets that would have been a challenge due to factors such as economic restraint, difference in culture and regulations. Hence for SMEs to survive, they must be willing to venture into franchises either by purchasing franchises within their choice of expertise or willing to sell their business idea so as to grow faster overcoming the barriers experienced when going alone.

Mergers and Acquisitions are important for survival of any enterprise thus SMEs are not an exception. The benefit of using this strategy is that it allows SMEs to join up with other enterprises be they as small as SMEs or of other sizes with an aim of tapping on strengths SMEs may be short of. Strengths such as finance, expertise and great management skill are in shortage in SMEs and by creating mergers with stronger companies will benefit the SMEs with an aim of survival. The benefit of Mergers and Acquisitions is that, the owners of the SMEs dictate to what level they are able to work together so as to maintain independence.
Diversification of a business ensures that a company spreads risks because all businesses including SMEs are faced by turbulent issues and continues to record profits. Despite this, how a business diversifies should be well strategized to avoid branching to businesses that do not support a business in case of failure or poor performance. The benefit of investing in diversification is that any business is able to alter high risk thereby ensuring that the SME continues to perform as expected and better (Oyewobi, Windapo, & Cattell, 2013).

Franchising not only helps in pushing the product into the market, it also helps in developing a cost leadership approach to business management, which are key constructs of Mckinsey Growth Pyramid. Second, franchising enables to manufacture from a centralized location and as such, benefit from economies of scale (Alon, 2012). This presents the advantage of uniform and standardized productions reduce labor costs and legal challenges that encompass operations in off shore settings

5.4 Conclusion

5.4.1 The Role of Operational Skills in SMEs Growth

Strategies adopted by SMEs with an intention of harnessing operational skills ensure that business activity runs smoothly. The contrary would result to poor allocation of operational resources such as Human resources and finances. From the study, respondents showed that SMEs strive to use operational skills so as to have growth. Despite the nature of SMEs where there is limit of resources such as human resource this study showed that SMEs had limit to resources but the resources invested created growth for SMEs (Glaister, 2014).

5.4.2 Availability of Privilege Assets not easily Replicable by SMEs.

Privileged Assets enhance a company to achieve competitive advantage. According to the findings, most SMEs have adopted activities that result to competitive advantage.
Competitive advantage allows a company to do business as before but at a lower cost hence increasing profits (Ian, 2012).

5.4.3 The Necessary growth skills Required for Continuous Expansion without Collapse

This research objective was guided by Ansoff Marketing Matrix Strategies where market development and market penetration was an important factor in adopting growth skills. Also this objective aims at SMEs having collaboration and value innovation. The study showed that, SMEs sought to market development and work towards market penetration so as to grow their market share (Loss, 2012).

5.4.4 The Relationship between Partnering Strategies and SME Growth.

Partnering strategies allows SMEs to not only record profits but to also lead SMEs to have sustenance through. From the findings, it showed that fewer SMEs were involved in adapting partnering strategies. This means that, most companies did not engage in either franchising, venture in global operations, mergers and acquisitions or diversification. As a result SMEs failed to grow in the longer thus did not create sustenance (Alon, 2012).

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 The Role of Operational Skills in SMEs Growth

The use of the Mckinsey growth pyramid allows SMEs to not only grow but grow in the long run which is necessary so that SMEs can survive. As mentioned in the literature review, SMEs face challenges such as the lack of resources necessary for growth such as appropriate human resource and financial strength. SMEs need to lay emphasize on investing well in resources necessary for growth specifically the human resource and financial strength with an intention of having future business.
5.5.1.2 Privilege Assets that are not easily Replicable by SMEs.

This model shows that for any organization to survive it requires to establish assets that have competitive advantage hence not easily replicable by the competitors. SMEs have unique clientele base and encourage loyalty by the unique products offered to consumers. In order to constantly enjoy competitive advantage, SMEs must understand their capability and through constant innovation, create privileged assets that are not easily copied by competitors so as to sustain growth.

5.5.1.3 The Necessary Growth Skills Required for Continuous Expansion without Collapse.

Another factor in the Mckinsey growth pyramid that expands an organization is growth skills through venturing into new markets and development of new markets. Much as the study showed that SMEs have the necessary growth skills that enhance growth, it was notable that, SMEs must continue to venture to even newer markets and create new markets and products that allow SMEs to grow and expand in terms of market share and global presence. By so doing, this ensures that SMEs expand to become larger companies in the long run.

5.5.1.4 The Relationship between Partnering Strategies and SME Growth.

Most organization including SMEs tend to do the first three objectives however, the use of partnering strategies is not implemented in organizations and this affects how an organization grows in the long run. From the study, results showed that SMEs do not implement partnering strategies such as franchising and joint ventures which guide the SMEs to plan for the growth in the long run.

5.5.2 Further Areas for Research

Since the research was on the application of Mckinsey Growth pyramids for growth strategies with reference to SMEs in Kenya, further research on comparison of application the Mckinsey Growth Pyramid in large companies and SMEs. Another area
that would be researched is how effective the Mckinsey Growth Pyramid is in SMEs in Kenya.
REFERENCES


Moderating Role of Organizational Size, 49(1), 28-51. doi:10.1111/j.1467-6486.2010.00976.x


APPENDIX I: INTRODUCTION LETTER

United States International University

Date: 8 April 2014

TO WHOM IT MAY CONCERN

RE: RESEARCH PROJECT BY ANNE WAIRIMU MAGUTA STUDENT ID 607834

The bearer of this letter, Ms. Anne Maguta, is a student at United States International University (USIU) pursuing Master’s Degree in Business Administration (MBA).

As part of the coursework assessment, she is required to submit a research project report. Her area of study is the “An Application of the Mckinsey growth pyramid strategies: A case of SMEs in Kenya”; which requires her to collect data and information from various relevant institutions.

Kindly assist by enabling her access data, information and contact to respondents who can complete her questionnaires. I assure you that the information provided will be treated with the utmost confidentiality.

Further, the findings of the research will be availed to you upon request to the student by way of a copy of the final report. In addition a copy of the research report will also be available at the USIU library.

Should you have any enquiries regarding the student and her area of study, please do not hesitate to return to us on contacts provided herein. Thanking you in advance for your cooperation and participation.

Yours sincerely,

[Signature]

Prof. George Achoki
The Dean, Chandaria School of Business
United States International University

P.O. Box 14634 - 00800 Nairobi, Kenya • Phone: 254 - 20 - 3606000 • Fax: 254 - 20 - 3606100/101, 8562001
APPENDIX II: QUESTIONNAIRE

Dear respondent,

Please note that the researcher is conducting a study on Application of the Mckinsey Growth Pyramid strategies: A case of SMEs in Kenya. The information to be collected will be in form of a questionnaire.

Your cooperation and participation will be vital for the stated study hence without you, the study will not be complete. Kindly answer the questions honestly and feel assured of your anonymity and information provided will be handled with utmost confidentiality.

Lastly, thank you for your response to my request and will supply you with the results if interested.

Yours Sincerely,

Anne Maguta.

The Researcher

Section I: Personal Demographics

Type of Business: ________________________________

Years of Incorporation/Registration: ________________________________

Location: _____________________________________________

Designation of respondent: ________________________________

Age group of the respondent

- □ 18-25 Years
- □ 26-30 Years
- □ 31-35 Years
- □ 36-40 Years
- □ 41-45 Years
- □ 46-50 Years
- □ 51 Years and above

Gender:  □ Male  □ Female

Number of Current Employees: ________________________________

Please tick the most appropriate number of each statement that that represents the desired response.

Section II: Operational skills: These are key positive attributes that lead to operational efficiency and help in the achievement of organizational goals by ensuring that employees are motivated and have great leadership.
<table>
<thead>
<tr>
<th>S/NO</th>
<th>Attributes measuring the efficiency of the enterprise.</th>
<th>STRONGLY DISAGREE</th>
<th>DISAGREE</th>
<th>NEITHER AGREE OR DISAGREE</th>
<th>AGREE</th>
<th>STRONGLY AGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>When faced by challenges I lead the company to deal with the challenges honestly and commitment.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>I am very passionate about your business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>I communicate the company goals and the benefit employees with acquire once the goals of the company are achieved.</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>I encourage employee participation when dealing with challenges</td>
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<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>The organization operates as it reduces waste and redundancy</td>
<td>1</td>
<td>2</td>
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<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>The technology chosen is appropriate for your business</td>
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<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>Employees approach me for advise on official matters whenever necessary</td>
<td>1</td>
<td>2</td>
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</tr>
<tr>
<td>8.</td>
<td>When communicating to my employees, they easily understand the information or instructions.</td>
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<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>9.</td>
<td>When a communication is not clear, my employees clearly ask for clarification without hesitation</td>
<td>1</td>
<td>2</td>
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</tr>
<tr>
<td>10.</td>
<td>Experience acquired within the organization has resulted to increased output over time</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>11.</td>
<td>Our business sets the floor in regard to pricing of goods for competitors to follow</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12.</td>
<td>The products and services we trade in are not affected by change in consumer tastes and changes in prices.</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>13.</td>
<td>Our products and services are rare and costly to imitate.</td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
</tbody>
</table>
Section III: Privileged Assets: these assets that a firm own which help in achieving competitive advantage over competitors hence consumers prefer you and not a competitor.

<table>
<thead>
<tr>
<th>S/NO</th>
<th></th>
<th></th>
<th>STRONGLY DISAGREE</th>
<th>DISAGREE</th>
<th>NEITHER AGREE OR DISAGREE</th>
<th>AGREE</th>
<th>STRONGLY AGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The company has a database of all customers.</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>We have excelled in delivering excellent customer service</td>
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<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>We have a culture of anticipating customer needs and expectations</td>
<td></td>
<td>1</td>
<td>2</td>
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<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>The company makes a point to feel what the customers fell and genuinely convey that understanding to customers</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>As the company grows, the cost of advertising has been reducing</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>This business is not affected by a sagging economy</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>When introducing new products, it is easy to launch products successfully.</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8.</td>
<td>The business has been able to starve off price battles</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9.</td>
<td>Most of your business is from the same clients. (repeat business)</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10.</td>
<td>It is easy to up-sell and cross-sell to your repeat customers</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11.</td>
<td>Our repeat customers do free marketing for us. (word of mouth)</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12.</td>
<td>Our repeat customers provide hones and quality feedback on your products and services as well as satisfaction when using a product.</td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Section IV: Growth Skills: Vital skills that make a business different from its competitors
eg market penetration, value innovation, collaboration in new markets and market development.

<table>
<thead>
<tr>
<th>S/NO</th>
<th>Statement</th>
<th>STRONGLY DISAGREE</th>
<th>DISAGREE</th>
<th>NEITHER AGREE OR DISAGREE</th>
<th>AGREE</th>
<th>STRONGLY AGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Our company has joined with other traders or trader to venture into new markets.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Our business has collaborated with other traders to access expertise in running business from experts</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3.</td>
<td>Our existing customers are purchasing more of products</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>We have increased unique features to the current product</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5.</td>
<td>Eliminating costs has raised benefits accrued by customers of existing products.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Your business is providing new features that have never been offered in the industry.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7.</td>
<td>We have a well established plan targeting new customers in the existing target customers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8.</td>
<td>We have implemented a plan targeting new customers in new markets.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9.</td>
<td>The business has ways of enhancing current products to have new uses to our current customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Section V: Partnering Strategies: involves companies creating relationships that will open up new options such as joint ventures, strategic alliances, franchising etc.
<table>
<thead>
<tr>
<th>S/NO</th>
<th>Creation of relationships such as joint ventures, for expansion of the business.</th>
<th>STRONGLY DISAGREE</th>
<th>DISAGREE</th>
<th>NEITHER OR AGREE</th>
<th>AGREE</th>
<th>STRONGLY AGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Part of expansion strategy is that we have created franchises as way of expansion.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>As part of survival, I have bought a franchise as a way of survival</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3</td>
<td>A benefit of using franchising as one of my strategies has been that I have acquire expertise advice in management, finance and in marketing</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>I have acquired knowledge on growing market share from being in a franchise</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5</td>
<td>My business has ventured into business and markets outside Kenya</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Investing in international business has allowed me to have alternative sources of suppliers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>International business has allowed me to overcome tariff barriers</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Doing business outside the country has increased my market share</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9</td>
<td>Managed risk by venturing into other businesses. (Diversification)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>Expanded our product lines so as to have many products available for the different segments in the market.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11</td>
<td>My business has enhanced growth through acquisition and mergers (M &amp; A)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12</td>
<td>Mergers and Acquisitions have resulted in accruing benefits from intangible resources such as stronger brand names</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13</td>
<td>The mergers and acquisitions have resulted to tangible benefit such as lowered costs</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Thank you for taking up your valuable time in filling this questionnaire.
Thanks once again.
Sincerely,