STRATEGIC MANAGEMENT PRACTICES
EFFECT ON GROWTH OF SMALL AND MEDIUM ENTERPRISES IN NAIROBI

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UNITED STATES INTERNATIONAL UNIVERSITY

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AND MEDIUM ENTERPRISES IN NAIROBI

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for the Degree of Global Executive Masters in Business
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STUDENT'S DECLARATION

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

Signed: ________________________  Date:  6th March, 2017

GLADWELL KIHIA

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

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ABSTRACT

Globalization in today’s information era has greatly affected the business environment. Organizations therefore must take deliberate measures to maintain and grow their business and make necessary adjustments to maintain competitive advantage. Small and Medium Enterprises (SMEs) in Kenya play a critical role in the economy. They created opportunities for entrepreneurship, innovation and employment. This research aimed to determine how of strategic management practices effected the growth of small and medium enterprises in Nairobi County. The specific objectives were to establish: the characteristic constraints of SMEs in Nairobi; the strategic management practices that could address these needs and finally how strategic talent management practices impacted the growth of SMEs in Nairobi.

The study adopted a descriptive research design. The population of interest was the business owners and Managers of SMEs in Nairobi from the Top 100 SMEs list. Simple random sampling technique was used to select the respondents. A sample of 50% of the total population was thus considered sufficient and was used therefore 50 respondents constituted the sample population for the study. Data was collected using structured questionnaires with open and closed questions. The researcher identified a pilot group of 6 individuals from the target population to check the reliability of the research instrument. Descriptive statistical technique of analysis was used and entailed the determination of the mean and frequency distribution of the datasets in order to determine the effect of strategic management practices on growth of small and medium enterprises in Nairobi. SPSS was used to aid in the data analysis and the findings were presented in tables and figures.

Results obtained on effect of incompetent management and leadership on performance of SMEs showed that organizations needed to establish a sound, tightly controlled leadership process. Results obtained on effects of supportive strategic management instruments on performance of SME in Nairobi revealed that; a strategic management system cannot achieve its full potential until it is integrated with the budgets and reward systems. Results obtained on effect of strategy evaluation and control on SME performance revealed that there should be encouragement of flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies.
Based on the results from the analysis and discussion, the study identified that SMEs in Nairobi County faced numerous challenges in their daily operations. These challenges varied from increased competition, the ability to adapt to rapidly changing market demand, technological change, and capacity constraints relating to knowledge, innovation, and creativity. The study found that adoption of strategic management practices could address the challenges of strategic management practices in management of SMEs. The study concluded that to avoid power struggles between departments and hierarchies SME management should create a plan with clear assignments of responsibilities. The study also found that the strategy of a corporation formed a comprehensive master plan that stated how the corporation hoped to achieve its goals and objectives. Strategy formulation involved establishing mission and vision for organizations.

This study recommended that SMEs in Nairobi should always integrate market growth in their budgeting process, SMEs administration should ensure ensures that resources are allocated according to what is in the budget, and achievements should be periodically measured against strategic plan goals. The study further recommends that adoption of SME management should create a plan with clear assignments of responsibilities; senior executives need to abandon the notion that lower-level managers have similar perceptions of the strategy and its implementation. The study recommends that SME should allocate sufficient resources to budgeted items SMES should establish strategy-supportive policies, SME should establish information, communication, and operating systems that enable the managers and members to carry out their strategic roles effectively. The study suggests that future research should try to analyze the effect of knowledge management for future positioning on strategy implementation in small and medium enterprises in Nairobi,
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CHAPTER ONE

1.0 INTRODUCTION

1.2 Background of the Study

Strategy is an approach for corporates to reach their organizational goals with a view to becoming successful in the long-run (Kreikebaum, 1993). It is a pattern or plan that combines a company’s agenda into one cohesive whole (Mintzeberg & Quinn, 1991). Strategy is also seen as an action plan stating how an organisation will achieve its long-term objective (Burnes, 2004). Strategic management is long-term focused, and geared towards futuristic growth potential. It is also holistic, substantial and mainly associated with the senior most management level where company the vision, mission, and culture are determined (Pillania, 2008). It’s a continuous process that involves evaluation and controls of the firm and the various industries that the company is involved in. Strategic management enables assessment of an organization’s competitive advantage and outlines goals and means to meet all current and future competitors. It then re-evaluates every individual strategy frequently to determine whether its implementation has succeeded or needs replacement by a new one to meet dynamic changes characterised by new technology, competitors, economic environments, and/or changing social, financial, political environments (Lamb, 2004). The manner in which strategic management is implemented among SMEs defines the firms’ strategic management practices.

The strategic management process consist of developing a strategic mission, setting objectives, situation analysis, developing a strategy, and finally the actual strategy implementation and continuous evaluation. It is both a dynamic and continuous process where an alteration in one component may result in a complete change of the whole strategy (Finkl & Ploder, 2009). Strategy formulation entails consideration of economic, social, political, technological, and ecological and industry environment factors which include entry barriers, competitive rivalry, availability of substitutes, and bargaining power of buyers and suppliers (Pearce & Robinson, 2007). Managing strategy in action is concerned with ensuring that that selected strategies are actually implemented through developing the most appropriate strategies, structuring support for successful performance in the organization, identifying strategies in the various resource areas and managing change strategically (Johnson, Scholes & Whittington, 2008).
Empirical and theoretical literature supports the need for SMEs to engage in strategic management practices for achievement of high performance (Schraeder, 2002). The evidence that adoption of strategic management practices among SMEs leads to high organization performance implies that the nature of strategic management tools applied by the Top 100 SMEs could be responsible for their superior performance compared to others operating in the same industry. Adoption of strategic management practices tools by SMEs is however limited by access to adequate resources with larger firms applying better practices (Herrmann, Herrmann & Jahnke, 2007).

The adoption of superior strategic management practices provides small enterprises with improved tools that enable survival, growth and maintenance of a sustainable competitive advantage (Omerzel & Antoncic, 2008). The strategic management tool can be used by SMEs as a means of cushioning themselves from the volatile business environments and a way to ensure their long-term existence and growth (Huang, 2006). Dansoh (2005) suggested that strategic planning enabled SMEs to be proactive and vigilant to withstand the changing circumstances. Small and medium enterprises that participate in strategic planning are highly likely to be characterized by achievement of higher sales growth, higher returns on assets, higher profit margins, higher employee engagement and growth, achievement of international expansion and growth, and are less likely to fail (Wang, Walker & Redmond, 2007). Strategic planning offers an operational framework that allowed organizations to enjoy both improved business performance and competitive advantages (Pillania, 2008). For SMEs to succeed and sustain their businesses, they need to adopt superior strategic management practices (Dansoh, 2005).

According to Schraedr (2002) research indicated that firms implementing strategic management concepts tended to be more profitable and successful than those that did not. Pearce and Robinson (2005) defined strategic management as the mixture of decisions and actions that lead to the formulation and implementation of plans fashioned to achieve an organization’s objectives. Pearce and Robinson (2005) further stated that firms needed to think strategically in order to survive. Pearce and Robinson (2007) explained that strategy implementation was concerned with the conversion of a strategy into an organizational action through structure, design, resource planning and management of the strategic change. The entire process of strategic management is considered the more important contribution rather than the final document or policy as it required the
involvement of business owners and key management in the entire formulation and execution.

Koteen (2009) found that strategic planning in small firms, in developing and less developed countries, was often done but only informally and not on a regular basis. Smaller businesses were found to be less adoptive of formal strategic management practices as opposed to larger firms. The strategic management practices adopted by an organization affected its overall performance as supported by theoretical and empirical evidence. Lamb (2004) found evidence that adoption of strategic management techniques improved the performance and relative standing of organizations that face varied societal and political issues. Adoption of sound strategic management practices in organizational structure, resource allocation, corporate culture, leadership, conflict management and change management led to higher levels organization performance.

Today’s entrepreneurs are causing waves globally with their new products and solutions to global issues such as affordable communication. Globalization in the era of information availability has greatly affected the business environment and it has become evident that companies need to review their strategies in order to survive and thrive (Savlovschi & Robu, 2011). Following a study of vast literature, the report of the Observer “Small and Medium Enterprises in Europe 2003” (2003) claimed that SMEs in Europe served as engines of economic growth. The statistics revealed that SMEs were predominant in their economies and had substantial influence on the overall gross domestic product and job creation.(Savlovschi & Robu, 2011)

Research conducted in the UK revealed that SME managers executed the strategy process mainly from an informal fashion and with limited application of strategy management tools and techniques. SMEs seemed to be placing more emphasis on external environmental scanning (customers, suppliers, competitors, universities and lenders) and then defining grand strategy and goals.(Ates, Garengo, Cocca, & Bititci, 2013) However, in literature the majority of studies of SME performance had a tendency to focus on either the symptoms resulting from problems within the firm or upon the reasons cited for failure. Comparatively small analysis of the ingredients that promote and sustain competitive advantage had been carried out (Ates et al., 2013)

Research conducted in India revealed that existing empirical evidence indicated that concepts and theories originating in mature economies did not necessarily fit well with
the circumstances of the emerging economies. Researchers argued that significant differences in the institutional context between countries restricted the applicability of specific strategy models outside of the economy in which it was originally developed and subsequently validated. (Gupta & Batra, 2015)

Africa has its fair share of internationally acclaimed innovators and entrepreneurs. According to Maru (2004) SMEs in Africa have been identified as the engines of economic growth. They lie at the very core of many developing countries’ entrepreneurship environment. They offer a source of the most recent employment and productive investment. SMEs form the basis for growth and poverty reduction.

In Rwanda, their informal private sector is affected by poor infrastructure and lack of access to key development utilities such as electricity. The country relies heavily on foreign aid. Recent economic stimulus initiatives have attempted to reduce this dependency through domestic resource mobilization. (World Economic Forum)

Kenya has exhibited a different behavior from Rwanda with an increase in number of registered businesses growing by up to 53% in 2015. According to the Economic Survey (2016), this sector contributed more than 50 percent of new jobs created. In spite of this seemingly obvious significance, historical data and statistics indicated that out of every five new business registered; three of them fail within their initial months of operation (Kenya National Bureau of Statistics, 2015).

Al-Shammari and Hussein (2008) found that among others, the most significant challenge to SME growth was the negative perception towards them. Potential clients perceived these businesses as lacking in their ability to provide quality services and thought they were unable to satisfy more than one critical project simultaneously. Comparatively, larger firms were chosen and given business because of their perceived clout in the industry and brand recognition. Starting and operating a small business therefore holds a chance of success as well as possibility of failure. Since SMEs are smaller in size, a slight management mistake is more than likely to result in certain death and thus offers no opportunity for an enterprise to learn from its previous mistakes. Additionally, focus on long-term growth was lacking, with most organizations content with making just enough returns to survive and remain above average within the economy or regions where they operate.
If the strategy implementation process is not well-managed, it could also become an impediment to attaining optimal organization performance. David (1997) concluded that companies that had successfully adopted strategic management practices had succeeded showed improvements in their profits, increased their customer base and ultimately increased their market share. Nonetheless, the effects strategic management practice also depended on the effectiveness of the strategy formulation, implementation, and evaluation processes (Maru, 2004). Otieno (2013) concluded that organizations perceived that strategic management practices were very important to the guarantee the future success of organizations and their performance. Njanja (2009) conducted a research on Mombasa County and discovered that there were different extremes, on one end there were the larger, modernize, capital-intensive, resource-based, import-dependent and assembly-oriented enterprises, while on the other side there existed smaller and more informal sector businesses that used basic and traditional technologies and served a specific limited local market. In developing countries, such an imbalance has existed for many years in spite of governments efforts to implement SME promotion programmes. Munro, David (2013) found that the common size based definitions that measured total assets, turnover, and employee numbers varied widely from one country to another and made comparative analysis. It was better to differentiate the SMEs from other micro-enterprises and larger firms on the basis of complexity of their organizational norms. Size based definitions might not have provided accurate scenarios since what might be seen as a high turnover in a developing nation might not be same case in a more developed nation. The very definition of an SME on the basis of a specific criterion lacked uniformity across countries. For instance, one country may define an SME to be an enterprise with less than 500 employees, while another may define the cut-off to be 250 employees (Muogbo, 2013).

Small and medium-sized enterprise (SMEs) classifications are varied from country to country. Micro enterprises consist of firms with less than five full-time employees. Small scale firms employed between 5 and 49 people on full-time terms while medium enterprises employed 50-99 full-time workers (GoK, 2005). Kenyan SMEs were found to play an important role in creation of wealth and employment, distribution of income, diversification of information technology and the spread of available resources. The Economic Survey (GoK, 2012), found that the SME sector contributed to creation of
79.8% new jobs created in the year 2011 and subsequent surveys found that the number had increased by 10% to 89.7% in 2013 (GoK, 2013).

1.2 Statement of the Problem

Adoption of strategic management practices conceptually enables firms to understand their strategic position and identifying how to make strategic choices for the future and manage strategy in action. Employing strategic management is critical to firm’s performance (Johnson et al., 2008). Strategic management requires efficient systems to counter unpredictable events, systems that can sustain company operations and minimize the risks involved (Pearce and Robinson, 2007). Theoretical and empirical evidence supports the argument that adoption of superior strategies leads to improved organization performance. However, most studies have dealt with large organizations and put diverse conditions for the benefits of strategic management to be felt (Lawal et al. 2012). The main challenge lies with small firms which usually limited resources and capacity to implement strategic management practices. Some scholars argue that small firms’ investment in strategic management practices generally eroded their resources, leading to a drop in performance and with no actual corresponding benefits. They believed that the resources could be more beneficial if applied to areas of greater priorities (Njanja 2009; David 1997).

SMEs in Kenya’s economy play an important role in employment and wealth creation, income distribution, accumulation of technological capabilities and spreading the available resources. In fact in 2013, SMEs industry created 89.7% of new jobs created (GoK, 2013). The top one hundred firms are ranked as such because they are usually the best performing companies in their specific sectors and therefore represent the cream of SMEs industry. However, their excellent performance of does not represent the entire SME industry performance since majority of SMEs in Kenya have been found to have poor performance (Ochada, 2014). This necessitated a study to determine whether excellent performance of the top one hundred firms is out of strategic management practices adopted.

While international studies reviewed were able to show the relationship between strategic management and performance, local studies were unable to show the relationship. Lawal et al., (2012) studied the effect of strategic issue management on organizational performance and found evidence that adoption of strategic management techniques
improved organizational performance. Heugens (2003) studied strategic issues management and organizational outcomes among Dutch food firms and found that implementation of issues management activities by firms that were exposed to societal or political predicaments significantly and positively influenced organizational outcome variables. Muogbo (2013) studied the impact of strategic management on organisational growth and development and found that that adoption of strategic management had significant effect on competitiveness and significantly increases organizational productivity. Yunus (2010) studied strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis. The study found that that strategic management practices enhanced both organizational profitability and company market share.

In Kenya, Otieno (2013) studied strategic issue management practices by small and medium enterprises in Mombasa County. The study found that majority of organizations perceived strategic issue management to lead to the future success of organization. Njanja, (2009) studied management strategies that affected the performance of micro, small and medium enterprises in Kenya. The study found that globalisation was the main factor affecting SMEs performance. Wanjohi and Mugure (2008) studied factors affecting the growth of SMEs in rural areas of Kenya and found out that strategies adopted by SMEs were price wars, product differentiation, speed of service delivery and customer service. Machuki and Aosa (2011) examined the influence of the external environment on the performance of publicly quoted companies in Kenya. The study found that varying degrees of external environmental had influence in the companies’ strategic decision making. All these studies were unable to show that strategic management practices among the SMEs led to growth of small and medium enterprises hence the study seeks to fill the gap by establishing strategic management practices effect on growth of small and medium enterprises in Nairobi.

1.3 Purpose of the Study

This research aimed to establish strategic management practices effect on growth of the top 100 small and medium enterprises in Nairobi.

1.4 Research Questions

1.4.1 What are the constraints of the top 100 SMEs in Nairobi in strategic management practices?
1.4.2 What strategic management practices can address these needs?

1.4.3 What are the effects of strategic management practices on the growth of the top 100 SMEs in Nairobi County?

1.4.4 What are the factors influencing strategic management best practices in top 100 SMEs in Nairobi County?

1.5 Significance of the Study

1.5.1 Management of the SME

Contributors will provide information into the matters related to the management of SME’s, such as how they evaluate employee productivity and performance, manage human resources and succession planning.

1.5.2 Entrepreneurs and Business Owners

The significance of this study is to provide entrepreneurs and business owners looking to improve and advance their companies for the greater good of Kenya, the East African region and the rest of the continent with insight to the benefits of adopting strategic management in their organizations.

1.5.3 Policy Makers

The study will provide key policy makers and legislators with information regarding SMEs in Nairobi and how relevant legislation can be improved to adequately cater for this sector.

1.5.4 The Academia

This study will provide room for further research on improving SME adoption of strategic management practices.

1.6 Scope of the Study

The study aimed at establishing the strategic management practices effect on growth of small and medium enterprises in Nairobi. There are over 8,000 SMEs in Nairobi County but our target population was limited to the Top 100 SMEs ranked by KPMG and Nation Media group and specifically to those within Nairobi since the have the required structures for ensuring efficient implementation of strategic management practices. The
target population for this study was the business owners. The study was partial in terms of coverage as it was only covering one geographical location. The study was conducted from August to November 2016.

1.7 Definition of Terms

1.7.1 **Strategy**: Is the determination of the basic long-term goals of an enterprise, and the implementation of different courses of action and the allocation of resources necessary for carrying out these goals (Kreikebaum, 1993).

1.7.2 **Strategic management**: Entails the formulation and implementation of the key goals, objectives and initiatives taken by the company's top management on behalf of the owners (Kreikebaum, 1993).

1.7.3 **Small Micro Enterprise**: Presently there are three comprehensive parameters which describe SMEs micro-entities are businesses with up to 10 employees; small businesses employ up to 50 workers, while medium-sized enterprises have up to 250 employees (Muogbo, 2013).

1.7.4 **Strategy formulation**: Is the developed phase of long-term plans for the effective management of environmental opportunities and threats on the principle of companies’ strengths and weaknesses (Quinn & Ghoshal, 2009).

1.7.5 **Strategy implementation**: Is the process through which a chosen strategy is put into action. It comprises the design and management of structures to realize the best integration of people, structure, processes and resources in accomplishing organizational objectives (Berman, 2009).

1.8 Chapter Summary

The chapter provided a background of SMEs, their contribution to the country’s GDP, their management and the competitive advantage realized by adopting strategic talent management practices. The study considered how some of these needs and barriers could be overcome by implementing strategic management practices. The purpose of the study was to establish strategic management practices effect on growth of small and medium enterprises in Nairobi. The research questions were also clearly outlined that included finding the constraints of SMEs in Nairobi in strategic management practices strategic management practices that can address these needs and the effects of strategic
management practices on the growth of SMEs in Nairobi County. Finally significance, scope and definitions of terms used in the study were presented.

The next chapters will represent literature review that will review the strategic management practices and the effect on growth of small and medium enterprises. Research methodology that will focus on research design, population and sample design, data collection method, research procedures, data analysis method and chapter summary. The next chapter will be the interpretation and presentation of the result findings obtained from the field and finally discussion, conclusion and recommendations and recommendations for further improvement of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter offers a review of the various theories, concepts and studies regarding SMEs, their growth, management, competitive advantage and strategic talent management practices. There are numerous studies undertaken on what mode the strategic management process should take. While conventional strategic management modes in which analysis and extensive access to information play a pivotal role have long been viewed as the central premise of strategic management theory, their importance to small firms is now being questioned (Lumpkin and Dess 2006). It is based on the research questions: What constraints are faced by SMEs in their operations in a competitive and dynamic marketspace? What strategic management practices can address these needs? What is the effect of implementing strategic management practices?

2.2 Constraints among SMEs in Strategic Management Practices

According to Antonio Aragón-Sánchez and Gregorio Sánchez-Marín, there are various factors that force firms to tackle the challenge of improving their competitive advantage. These include growth in use and access to information technology, the internationalization of economy, increased competition among firms, the need for continuous innovations, as well as the frequent and uncertain changes in the global marketspace. These challenges pose a significantly higher threat for small and medium enterprises (SMEs) due to their economies of scale and smaller pool of resources as compared to those of large firms. However, SMEs may enjoy greater flexibility due to the simplicity of their internal organization, being faster at adapting and responding to changes as compared to the larger organizations. This new benefit of adaptability reveals the need to suggest or trace more efficient management processes so that SMEs can apply strategies that will allow them to achieve a better performance.

Antonio Aragón-Sánchez and Gregorio Sánchez-Marín further suggested that there were still concerns regarding the competitiveness of SMEs. Did the improvement of firm management really influence its competitiveness? What strategy should be followed by the firm? What factors really explained competitive success? The manner in which the firm is strategically orientated might be considered a key element with crucial
implications for the management and efficiency of SMEs (Hambrick 1983; Snow & Hrebiniak 1980). Depending on the strategic direction adopted by the owners and their appointed management, the firm may prioritize the emphasis applied to aspects such as technological position, innovation, organizational design, and personnel management (Conant, Mokwa & Varadarajan 1990). These aspects of management can greatly affect the firm’s performance and business efficiency (Slater & Narver 1993).

2.2.1 Budget Constraints

Hewlett (1999) offered that most SMEs are faced with the financial constraints during the time of their operation. At the SME level, it is crucial, to include non-financial measures such as market share or market growth in the budget, in order for the leadership to assess how much improved competitive strength is being achieved. Leadership will also assess the extent to which deviations to these measures arise following changes in the business attractiveness. Since most budgets will be based on cost centered operating departments, it is recommended to include key non-monetary factors that would act as indicators of whether the strategic programs initiated are proceeding on schedule.

The need for financial measurement accuracy in the budgets seemed to have jeopardized the concern for relevance. The various ways to ways to achieve a particular strategic implementation action should be compared at the onset. Although usually done on narrow grounds, a cost/benefit analysis is needed. It is easy to pursue a less favorable object by ignoring the strategic risk management and only focusing on the financial costs and benefits. (Porter, 2005).

Risk assessment in this strategic context involves three steps of analysis that must be executed: a specific assessment to identify which budgetary factors might significantly affect the strategic plan's success; an assessment of the degree of predictability of each; and an assessment of the owner’s own potential for responding to a particular environmental development to ameliorate adverse effects or to take advantage of favorable developments. Therefore, emphasis should be placed on maintaining strategic flexibility (Eisenstat 1993). The next aspect to contemplate in the economic assessment of the strategic planning activities relates to the combination of strategic programs into an overall compendium for the firm. Numerous businesses do not take existing programs into consideration when choosing the overall bundle of strategic programs; thus, the sustained significance of prevailing strategic programs is not scrutinized (Kaplan, 2005).
Nonetheless, the other issue to be considered could be that the package is selected according to a particular cut-off point on a cost-benefit ranking, disregarding how the combination of strategic programs gives the course agreed upon for the business during the objectives-setting stage. More often than not, the strategic planning activities are left open-ended lacking proper evaluation of inclusive business strategy effect and consistency with the business objectives. When a set of strategic programs has been agreed upon it is inferred that future resource provisions have been made for these programs. Failure to allocate the necessary assets and strategic outlays, a strategic program cannot be effected (Eisenstat, 2013).

2.2.2 Incompetent Management and Leadership

Strategic decisions create a sequence of tasks carefully executed so that a favorable business outcome can be achieved in the medium to short term and that must be successfully executed (Mintzberg et al., 1976). Typically, the manager-leader (middle managers and supervisors) are held responsible for the execution of these tasks. Their implementation varies extensively from decision to decision, but essentially all conclusions require efficient implementation to be effective. Even the best decisions fail to be implemented due to the poor supervision of subordinates, among other reasons. Kenny (1999) stressed that those who implemented decisions to the best of their ability were usually those who had made them.

The strategic management process defines the phases to follow to formulate what will expectantly be the best strategy that results in the plan are to be implemented. To avoid these complications from happening and preserve overall financial wellbeing in these economically trying times, organizations must institute sound and tightly controlled leadership processed. Each business must modify its own in light of its objectives and the economic environment it faces (Mintzberg et al., 1976).

Essentially, leadership should comprise of a habitual three-phase approach: planning, measurement and control, and interpretation. All management levels should contribute in each phase, and be totally dedicated to attaining the intended results. The firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external pressures. A competitive advantage over a firm’s opponents can be based on cost or differentiation (Kenny, 1999).
The firm’s leadership should follow the steps since the information gathered and decisions made in these phases form the base for strategy creation and selection. The statement of the organization’s final objective provides the direction to which the strategies should ultimately lead. Development and selection of strategies provides a precise focus and outline for the activities of the organization and the configuration of these activities with its operations. External market data and program evaluation results provide important data to support strategy development. The manner in which the strategy is implemented can have a substantial impact on whether it will be fruitful (Kenny, 1999). The individuals implementing the strategy are usually different from those who articulated it. Consequently, utmost care must be taken to communicate the strategy and the rationale behind it; otherwise, the implementation might not succeed if the strategy is misinterpreted or if lower-level managers resist its implementation because they do not comprehend why the specific strategy was carefully chosen.

2.2.3 Political Factors

Governments play a critical role in any economic environment. As an institution, the government is responsible for the provision of public goods and services as well as creation of the legislature of the society that permit markets to flourish. The government also sets the necessary policies that will enable the efficient dissemination and apportionment of resources to improve the welfare of the people. It also offers important institutional infrastructure, such as regulations that protect property rights, as well as upholding public order. Without such a structure, long term investment and sustainable socioeconomic growth are difficult.

The administration encourages economic development through numerous channels. They can initiate large-scale investments in industry and infrastructure projects that are beyond the scope of the private sector. They also provide social services like public health and education which subsequently raises the standard of human capital and its efficiency in the future. Developing countries, including numerous African countries, have until recently selected a strategy of expanded public sector as the key development strategy. This policy has led to the increase of the significance of the public sector in the commercial life of developing countries and in so doing increased the portion of their government expenditure in GDP from nearly 15 percent in 1960 to nearly 28 percent in 1990 (World Bank, 1997).
The matter of whether resources are absorbed into industrious or non-productive forms of government intake has significant policy implications since the economic development of a nation partially depends on how the limited resources are apportioned and utilized among varied economic sectors. As a result, much deliberation surrounds the basic nature of the connection between public spending and economic development. Some scholars claim that non-productive government overheads drain the meagre resources of African nations and thus hamper economic development (Landau, 2006). For instance, available data revealed that in the 1960s earnings per capita in Africa and in many East Asian nations was at a similar level. Nevertheless, by the mid-1990s, the income levels in East Asian nations developed to more than five times that of African nations (World Bank, 1997).

Some academics and legislators attribute this variance partly to the growing non-productive public consumption and the feeble institutional capability of African countries to design and implement effective and realistic development policies. A fruitful development policy needs a committed government with strong visionary leadership. It also needs effective legislation and its enforcement. The absence of effective institutions in Africa and the respective states’ failure to implement existing laws and rules time and again leads to corruption and malpractice, consequently increasing the cost of conducting business in Africa.

2.2.4 Poor Strategic Monitoring and Evaluation

Poor monitoring and evaluation of a strategic plan can easily bring it down regardless of whether it is at the inception or the completion stage. Having indicators and targets are essential to help keep track of progress. Successes should be measured against strategic plan goals. The advancement of the strategic plan should be scrutinized actively through every single set of milestones and objectives. (Sekran, 1992). Strategic management best practice based standards should be used as a measure against selected completion dates, costs and quality. Operational criteria are then used to evaluate against the creation system. The monitoring and feedback phase contains the exchange of information between the strategic plan designers and study of user feedback (Holland et al., 1999).

An early evidence of success will be expected to manage cynicism. Reporting is then accentuated with custom report development, using a report generator plus users trained in reporting applications. The information gathered is shared with the management who
need it to analyze the effect of the strategic plan on the organization’s performance. Data processing reports based on established metrics and processes are designed to aid in this. They need to include effective quantifiable strategic plan goals that meet strategic plan needs and are reasonable. Performance should also be tied to compensation (Sekran, 1992).

2.3 Strategic Management Practices that Address SMEs Challenges

Strategic management tools offer an opportunity for firms to analyse their position in the industry and what aspects of their value chain offer them the best competitive advantage to realize a market leadership position and ultimately increase shareholder value. Numerous studies have confirmed that what is really needed by firm’s to reach and keep a competitive advantage stems from its intangible resources and its capabilities, because these—being based on non-codified data and tacit knowledge, which make it difficult to imitate them—require a slow process of development (Peteraf 1993; Barney 1991).

Investments on intangible resources such as human capital and the increase capabilities proved quite problematic due to the need to increase the efficiency scale or size (Pil and Holweg 2003). Dr Jill Miller in his research on recruiting and developing talented people for SME growth found that in an SME, your team is your business, therefore recruiting the right talent is imperative. In order to get the best out of a team of people there is need to help them develop both professionally and personally so they want to stay with the organization and are able to perform at their best to achieve the organisation’s goals.

Application of strategic management tools in the job design and recruitment process helps to address the human resource component that contributes significantly to the overall competitiveness of a firm. That is why it is interesting to view this, from the SMEs’ perspective, if it is possible to obtain competitive advantage by utilizing talent management tools. Recruiting appropriately qualified talent does not in itself guarantee immediate positive outcomes unless the new employee is carefully taken through what to do, how to do and expected performance standard says Miller.

It’s imperative to make sure the recruits fit with the organisation culture and identify with the corporate values; otherwise they are unlikely to be motivated to do extra, deliver service as expected and ultimately won’t remain with the company for very long. Furthermore, as the workforce grows and team structures are introduced, it becomes essential to appoint line managers. Research by Step Organization in the UK found that
workforce planning and thinking about succession is as critical for the smooth running of the business, as it is to help employees see a future with the organization.

2.3.1 Commitment of Top Management

Top management’s commitment to the intended strategic direction is one of most important things to consider when implementing a strategy. It is undoubtedly a precondition for strategic management best practices. Therefore, top managers must exhibit their willingness to give both energy and loyalty to the implementation process. This demonstrable commitment then becomes an encouraging signal for all the affected team members (Rapa and Kauffman, 2005). For effective enhancement, and ensuring that the strategy is implemented as intended, senior officials must abandon the assumption that lower-level executives have the same views of the strategy and its implementation, of its fundamental rationale, and its urgency. They must instead believe the contrary and therefore must be determined to persuade the employees of their ideas (Rapa and Kauffman, 2005).

Ambiguity and vagueness in the assignment of responsibilities is one of the reasons that strategic management best practices often result in challenging and complex problems or even fail. In addition, these same responsibilities are dispersed through various organizational units (Rapa and Kauffman, 2005). Cross-functional relations represent an implementation effort. This becomes an actual challenge, since the rest of the organization tends to think only in their specific department structures. Excessive bureaucracy worsens this and can culminate in a failure for the whole implementation process.

To prevent interdepartmental power struggles and within hierarchies, a plan with clear assignments of responsibilities with detailed implementation activities should be created. This is becomes a preventive measure since responsibilities are clearly defined and potential problems are consequently evaded (Rapa and Kauffman, 2005).

2.3.2 Supportive Strategic Management Instruments

To facilitate the strategic management best practices in general, strategic management instruments should be applied to support the processes adequately. The balanced scorecard and supportive software solutions are some managerial instruments that can be used (Rapa and Kauffman, 2005). The balanced scorecard is a widespread management
system that considers both financial as well as non-financial measures. The balanced scorecard offers a functionality to translate a company’s strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). It is a choice instrument as it meets the criteria of a strategic management best practices instrument. Each balanced scorecard has an individual character that assures that the company’s strategic objectives are adequately linked operative measures. It therefore provides even more than a controlling function for the implementation process. It becomes a comprehensive management system, which can complement the navigation of the implementation process.

A strategic management system must be integrated with other control systems such as budgets, information and reward systems for it to realise its full potential. The balanced scorecard provides a framework for this integration and meets the requirements that the strategic management system itself can display (Rapa and Kauffman, 2005). The application of software solutions seems to have been neglected. Current practise has shown that IT-support is gaining incremental importance. Information tools must be availed adequately to allow strategic decision makers to monitor progress towards strategic goals and objectives, track actual performance, pinpoint accountability, and most importantly to provide an early indication of any need to change or reformulate the strategy (Rapa and Kauffman, 2005).

Regrettably, the available IT-support systems seem to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of companies’ daily business. The strategic management best practices perspective requires systems with different criteria than those of conventional systems. The focal point in the implementation process provides support in monitoring and tracking (Rapa and Kauffman, 2005). Previously, these activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be a great help to advance the quality of strategic management best practices. Additionally software solutions offered the foundation for assignments of responsibilities throughout the organization’s implementation processes (Rapa and Kauffman, 2005).
2.3.3 Time Horizon in Strategic Processes

One of the most critical points within strategic management best practices processes is the exceeding of time restrictions. This can be attributed to underestimated timelines by executives who have not a clearly understood the complexities involved in implementing strategies and on the general process to deal with these multidimensional complexities (Rapa and Kauffman, 2005).

It is difficult for the implementation steps to be identified and even more difficult to estimate a suitable time frame. The activities need to be clearly defined and harmonised with the time capacity. This can be achieved by working with the affected divisions and the responsible managers. An additional buffer is calculated to account for unexpected incidents that might occur at any time and disrupt the planned time frame (Rapa and Kauffman, 2005).

2.3.4 Effective Communication

From the onset, the idea that communication aspects should be highlighted in the strategic management best practices seems to be a very basic one. Although studies point out that communication is a significant success element within strategic management best practices, communicating with personnel concerning issues related to the strategic management best practices is often postponed until the changes have already been formed.

In this context, it is recommended that an organization institute a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to soliciting questions and feedback, the communications should tell employees about the new requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason (“the why”) behind changed circumstances (Alexander, 1985).

It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may not misunderstand communication, or the sharing of information, as engagement the direct dialogue that produces active participants in the change process. The way in which a change is presented to employees is of great influence to their acceptance of it. To deal with this critical situation, an integrated communications plan must be developed. Such a
plan is an effective vehicle for focusing the employees’ attention on the value of the selected strategy to be implemented (Rapa and Kauffman, 2005).

Teamwork plays an important role within the process of strategic management best practices. When it comes to implementation activities, it is often ignored. It is indisputable, that teams can play an important part to promote the implementation of a strategy (Rapa and Kauffman, 2005). To build up effective teams within strategic management best practices the Myers-Briggs typology can be useful to ascertain person-to-person differences. Differences in personality can result in serious inconsistencies in how strategies are understood and acted upon. Recognizing different personality types and learning how to handle them effectively is a skill that can be acquired. Over one million surveys are performed each year in corporate settings for team building and management development. More than any other field of activity, implementation is the area that benefits most from a trained and personality-sensitive management team (Noble, 2009).

2.4 Effects of Strategic Management Practices on the Growth of SMEs

A number of studies related to strategic management and performance have been done in Kenya and internationally. Lawal et al., (2012) studied the effect of strategic issue management on organizational performance. The study found evidence that adoption of strategic management techniques improved organizational performance and improved relative standing of organization that was with different societal and political issues. This study however never studied the SMEs and hence the findings may not be representative of SMEs.

Heugens (2003) studied strategic issues management and organizational outcomes assessed whether strategic issues management activities contributed anything worthwhile to corporate performance by reporting two studies on the issues management strategies of Dutch food firms during the introduction of genetically modified ingredients. The study found that implementation of issues management activities by firms that were exposed to societal or political predicaments significantly and positively influenced organizational outcome variables.
2.4.1 Strategy formulation

Strategy formulation is the development stage of long-term plans for the effective management of environmental prospects and threats on the principle of businesses’ strengths and weaknesses. It involves defining the company mission, stipulating achievable objectives, developing strategies and setting policy rules (Quinn & Ghoshal, 2009). Strategy formulation involves establishing mission and vision for organizations. Mission and vision are viewed as two different concepts. Mission describes what the organization is now. It emphasizes the current situation and goals. Wheelen and Hunger (2006) proposed that mission is the purpose or reason for the organization’s existence. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and the scope of the company’s operations in terms of product (including services) offered and markets served (Wheelen & Hunger, 2006).

Wheelen and Hunger (2006) think a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives so that it can realize the mission. It maximizes competitive advantage and minimizes competitive disadvantage. Strategy can be divided into three types. Companies should use them simultaneously. There is a hierarchy of strategy which is a nesting of one strategy within another so that they complement and support one another. The first hierarchy is corporate strategy. It describes a company’s overall direction in light of its general attitude toward growth and the management of its various businesses and product lines (Tripa, 2007).

The second hierarchy is business strategy. Business strategy usually happens at the business unit or product level and it emphasizes improvement of the competitiveness, positions of a corporate products or services in the specific field or market segment served by that business unit (Tripa, 2007). The third hierarchy is functional strategy. It is the approach taken by a functional area in order to achieve corporate and business unit objectives and strategies by means of optimizing resource productivity (Tripa, 2007).

2.4.2 Strategy Implementation

According to Berman (2009) strategy implementation is the manner in which a selected strategy is put into action. It encompasses the design and management of systems to realize the best integration of individuals, structure, processes and resources in reaching organizational objectives. Effecting of strategies is the second stage of the strategic
management process. This is the implementation of the selected strategy or strategies (Byars, 2009). In this stage, it is imperative for the organization to commence an assessment for it to create what will be needed for the application of the formulated strategy. This helps it to achieve the set performance criteria. They further point out that handling the process of implementing and executing strategy within the business needs to be primarily a proactive administrative responsibility that comprises the following primary phases: Establishing capabilities needed to carry out the strategy effectively, developing budgets to apportion the necessary resources into those internal activities important to strategic success, creating strategy-supportive guidelines and operating procedures that will direct managers and members to work precisely according to expectations fashioned by the set strategy.

Once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. This is necessary if organizations are to remain competitive and relevant to current market trends (Aosa, 2002). Just about 60% of organizations do not relate strategy to budgeting, 75% of firms do not link employee incentives to strategy, 86% of business proprietors and managers spend less than one hour a month deliberating strategy, 95% of a typical labor force doesn’t comprehend their organization’s implementation of strategy (Ansoff & Mcdonnel, 2001).

Other important aspects include; motivating managers and members in ways that encourage them to pursue the identified objective actively and, if needed, adjust their responsibility to improve the requirements of successful strategy implementation, rewarding the achievement of managers and members, creating an organizational culture and work climate conducive to successful strategy implementation and execution. Of equal significance is the creating of information, communication, and operational systems that empower the managers and followers to execute their strategic roles effectively, and presenting best practices and programs for nonstop improvement. Senior management also needs to apply their in-house leadership that is necessary to drive implementation onward and to keep refining on how the strategy is being effected (Bennett, 2006).

Many strategic initiatives fail to achieve their intended objectives. According to Cook, (2005) 70% of the failures are due to poor execution. To implement a strategy, change will be required in the business processes and if the implementation is poor, all other elements of management become a waste of time and effort. Thompson and Struckland
(2004) states that implementation of strategy entails converting the organization strategic plan into action and then into results. Heads of major functions in an organization are responsible for seeing that the business plans are successfully implemented. The implementation process typically impacts every part of the organization structure. Every manager has to think of what he has to do in his department in order for the strategic plan to be successfully implemented.

2.4.3 Strategy Evaluation and Control

Strategic management is aimed at improving performance. Once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness. Poister and Streib (1999) stated that strategic management requires continual monitoring of the fit between the organization and its environment, and tracking external trends and forces that are likely to affect the organization. Poister and Streib (2009) also added that successful strategic management requires the development and dissemination of innovations and encourages the flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies. Strategy evaluation, followed by implementation of any necessary changes ensures sustainable performance. The evaluation process compares the desired performance with the actual performance. Control is the process of making the necessary changes to ensure that the desired results of strategy implementation are achieved.

2.4.4 Organisational Growth and Development

Muogbo (2013) studied the effect of strategic management on organisational growth and development (a study of selected manufacturing firms in Anambra state). The results from the analysis showed that strategic management was uncommon among the manufacturing firms; that the embracing of strategic management had noteworthy effect on competitiveness and also influenced manufacturing firms; that strategic management had influence on employee’s performance and that its implementation had significantly amplified organizational output of manufacturing firms; also, it enhanced organisational development of manufacturing firms. The study concluded that though strategic management was not common business practice among manufacturing firms in Anambra State, and Nigeria in general.

Njanja (2009) undertook a study of the management that strategies affected the performance of micro, small and medium enterprises in Kenya. The study found that
globalisation factors and other factors external to the businesses such as incentives, regulation and policy issues, infrastructure had very high effects on the management structures, systems and other internal factors of the firm. This study did not show the relationship between management practices and performance which was the study’s main objective.

Otieno (2013) studied strategic issue management practices by small and medium enterprises in Mombasa County using descriptive survey design and data collected from primary sources using questionnaire. The study found that profitability was considered as the most important performance measure in SMEs, followed by market share, innovation and liquidity respectively. Further, majority of organizations perceived strategic issue management to the future success of organization as very important and essential confirming that SMEs in Mombasa County were aware of the importance of strategic issue management in the success of an organization. The study also found that environmental as well as managerial factors influenced strategic issue management practices by SMEs in Mombasa County.

Yunus (2010) studied strategic management practice and corporate performance of selected small business enterprises in Lagos metropolis. The study established that strategic management had effect on the market share of small enterprises studied. Also, implementation of strategic management was found to have positive relationship with organizational profitability. However, for the positive effect to be felt, the study recommended that appropriate strategic planners, strategic situation, strategic analysis and choice have to be put in place.

2.5 Chapter Summary

This chapter basically reviews some of the previous literary works written by other authors; regarding strategic management practices among SMEs and their effect on SME growth. It basically looks at constraints among SMEs in strategic management practices; the constraints include budget constraints, incompetent management, political factors and poor strategic monitoring and evaluation. These difficulties are greater for small and medium enterprises (SMEs) because their economies of scale and their resources are less than those of large firms. The strategic management practices that address SMEs challenges include; commitment of top management, supportive strategic management instruments, time horizon in strategic processes and effective communication.
Application of strategic management tools in the job design and recruitment process helps to address the human resource component that contributes significantly to the overall competitiveness of a firm. The effect of strategic management practices on the growth of SMEs is that it results to organisational performance through; strategy formulation, strategy implementation and strategy evaluation and control. The following chapter will explain the research methodology used, in an effort to realize the objectives of the study. Attention was dedicated on research design, population and sample design, data collection method, research procedures, data analysis method.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter discussed the research methodology that was used, in an effort to realize the purposes of the study. Attention was dedicated on research design, population and sample design, data collection method, research procedures, data analysis method.

3.2 Research Design
This study adopted a descriptive research design. This is one that is concerned with finding out the occurrence of an event or the relationship between variables. Therefore, this method was considered appropriate for this study, since the researcher intended to gather detailed information through descriptions and was beneficial for identifying variables and assumed constructs. This method provided descriptions of the variables in order to answer to the research questions in the study. According to Mugenda & Mugenda (2003) it is imperative and fitting to use data where subjects are observed in their ordinary set ups without influencing the environment and when gathering information about people’s outlooks and opinions. It was therefore an efficient way to use to obtain information needed to describe the attitudes, opinions and views of the respondents on the assessment of strategic management practices effect on the growth of small and medium enterprises in Nairobi.

3.3 Population and sample design
3.3.1 Population
Target population is the specific population about which information is desired. According to Kothari (2006), a population is described as a well-defined set of people, services, elements, events and groups of things or families that are being investigated. This definition ensures that population of interest is uniform. Population studies are more representative because everyone has an equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (2003). The population for the study was over 8,000 SMEs in Nairobi but the target population was the top 100 business owners of the SMEs within Nairobi since the have good structures for implementation of strategic management practices. The top 100 SMEs were based on rankings by KPMG
and Nation Media Group. They were also targeted since they were well known and the researcher would not be able to cover the whole population because of time.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sampling frame is a list of all individuals within an identified population from which the sample for research is drawn. The sampling frame can also serve as a list that is used to define a researcher's population of concern. For the reason that a researcher rarely has direct access to the entire population of interest in social science research, a researcher must rely upon a sampling frame to represent all of the elements of the population of interest. The sampling frame was the owners of the SMEs within Nairobi. A sample frame is necessary so that each person in the population is recognized so they had an equal chance for selection as a subject (Kombo & Tromp, 2006).

3.3.2.2 Sampling Technique

To achieve the desired homogenous grouping, the probability sampling technique will be the most relevant as it allows for some form of random selection (Gill & Johnson, 2006). Since the sample was drawn from the top 100 owners/managers of the SMEs in Nairobi CBD and had good structures for implementation of strategic management practices, it is imperative to use a method that would allow the researcher to select the business owners or managers involved. Simple random sampling was used for the study since the population is uniform (Kombo & Tromp, 2006). This method was used as it reduces probabilities of bias and all elements have the same percentage of being selected.

3.3.2.3 Sample Size

Mugenda & Mugenda (2003) explain a sample to be a small group that is obtained from an accessible population. It is further recommended that a sample of at least 10% of the total population be used as a representation for true and accurate data. Also according to Gay (1983) as cited by Mugenda and Mugenda (2003) for descriptive studies at least 10% - 20% of the total target population is enough to fulfill a study. A sample of 50% of the total population is thus considered sufficient and was used therefore 50 respondents constituted the sample from the target population of the 100 top SMEs for the study.
3.4 Data Collection Method

To execute the study, primary data was collected using questionnaires. A combination of structured questionnaires and unstructured questions were used to collect primary data. Due to time and financial constraints, structured questions were used and also aided in easier analysis as they were in an instant usable form; while the unstructured questions were used to encourage the respondents to be more open and give detailed responses without holding back any information. In an effort to ensure respondents shared relevant information, the questionnaires were structured to include closed and open-ended questions. For the structured questions a scale of 1 to 5 was used where 1 represented ‘very much agree’, 2 represented ‘disagree’, 3 represented ‘neutral’, 4 represented ‘agree’ and 5 ‘very much agree’. The questionnaire was divided into 2 sections. The 1st section contained demographic information concerning age of the respondents, gender of the respondents, education level and years of experience. The questioner also contained organisation information that was including statement as per research questions.

3.5 Research Procedure

The researcher selected a pilot group of 6 persons from the target population to assess the reliability of the research tool. The pilot data was omitted from the actual study. This pilot study permitted the pre-testing of the research instrument to improve the instrument’s validity and reliability. The pilot study assisted the researcher to become more acquainted with research and its administration procedure as well as detecting items that required adjustment. Pilot studies help the researcher to correct irregularities arising from the instruments, which would guarantee that they measured what was intended. After the pretest, the researcher then proceeded to do the actual data collection. The researcher carried an introduction letter from the university to assure the respondents that the information that they give would be treated confidentially and it would be used purely for research purposes. Existing networks helped to encourage targeted respondents to complete and return the questionnaires in good time to ensure a high response rate. The researcher also encouraged the respondents to participate without holding back the information that they might had as the research instruments would not bear their names. The questionnaire was administered through drop and pick method to respondents and the respondents that were not able to fill the questioners within the stipulated time were contacted through email and telephone.
3.6 Data Analysis
Data collected was quantitative in nature. The descriptive statistical tools were used to describe the data and determine the extent used. Descriptive statistics was used for the quantitative analysis. This included frequency distributions, tables, percentages and mean etc. Data analysis was also done with the use of SPSS and Microsoft excel. Tables were used to review responses for additional analysis and facilitate comparison. This produced quantitative reports through tabularizations, percentages, and measures of central tendency. Cooper and Schindler (2003) record that the use of percentages is significant for two reasons, firstly, they start with simplifying data by decreasing all the numbers to range between 0 and 100. Secondly, they translate the data into standard form with a base of 100 for relative comparisons.

3.7 Chapter Summary
This chapter revealed the research methodology that was used for the study. The study adopted a descriptive research design. The population for the study was the owners of the Top 100 SMEs within Nairobi County. Simple random sampling was used to obtain 47 respondents. The study carried out a pilot study to pretest and validates the questionnaire. The researcher selected a pilot group of 6 individuals from the target population to test the reliability of the research instrument. The study used primary data in form of questionnaire that was administered through drop and pick method to respondents who were the owners or the managers of the SMEs. Analysis was done quantitatively by use of descriptive statistics. This included frequency distributions, tables, percentages and mean. Data analysis was done with the use of SPSS and Microsoft excel. The next chapter discussed the results and findings obtained from the field. The chapter presented the contextual information of the respondents, findings of the analysis based on the objective of the study; to analyze organizational change management strategies on growth and sustainability of SMEs.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The results and findings found from the field are discussed in this chapter. It presents the circumstantial information of the respondents, discoveries of the analysis based on the objective of the study; to explore organizational change management strategies on growth and sustainability of the Top 100 SMEs in Nairobi. The chapter concludes with a summary of the findings.

4.2 General Information

Out of the targeted 50 respondents, 44 filled in and returned the questionnaires since the researcher was not able to cover the entire sample and thus made a response rate of 91% which was satisfactory. According to Mugenda and Mugenda (2003), an acceptable for analysis and reporting; a rate of 60% is good and one of 70% and above is excellent. This response rate therefore was satisfactory to make conclusions on organizational change management strategies on the growth and sustainability of family businesses.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>44</td>
<td>88</td>
</tr>
<tr>
<td>Non Response</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.1 Gender of the Respondents

Results on gender distribution amongst respondents show that 59.1% were male while 40.9% were female; the study show fair engagement of male and female respondents.

Table 4.2: Gender of the Respondents

<table>
<thead>
<tr>
<th>Gender of the Respondents</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>26</td>
<td>59.1</td>
</tr>
<tr>
<td>Female</td>
<td>18</td>
<td>40.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.2.2 Age of the Respondents

The study was interested in knowing the age of the respondents to deduce the difference in opinion. Most of the respondents as shown by 31.8% fell between the age brackets of 30 to 39 years, 22.7% were aged between 20 to 29 years, and 25.0% were aged between 40 to 49 years while 20.5% were aged above 50 years.

Table 4.3: Age of the Respondents

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 to 29 years</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td>30 to 39 years</td>
<td>14</td>
<td>31.8</td>
</tr>
<tr>
<td>40 to 49 years</td>
<td>11</td>
<td>25.0</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>9</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.2.3 Level of Education of the Respondents

On the level of education of the respondents in the organization, the study requested the respondents to indicate their level of education. An understanding of strategic management is important and the level of education provides an indication on the level of exposure to such concepts. From the findings; the study recognized that 38.6% of the respondents had attained a bachelor’s degree, 36.4% had a bachelor’s degree while 25.0% indicated they had attained Secondary education level. Therefore the respondents had the relevant education necessary to complete the questionnaire, understand the basics of strategic management and to run their businesses.

Table 4.4: Level of Education of the Respondents

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>11</td>
<td>25.0</td>
</tr>
<tr>
<td>College</td>
<td>16</td>
<td>36.4</td>
</tr>
<tr>
<td>University</td>
<td>17</td>
<td>38.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.2.4 Business Starting as a Family Business

Literature has shown that most SMEs start out as family businesses. From the research findings, 63.6% of the respondents indicated that the businesses began as a family business while 36.4% indicated that their business did not start out as a family business but over time incorporated more family members.

<table>
<thead>
<tr>
<th>Whether you began as a family business</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>28</td>
<td>63.6</td>
</tr>
<tr>
<td>No</td>
<td>16</td>
<td>36.4</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.5 Number of years of operation

In this question, we asked respondents how long their businesses had been in operation. This is because literature has shown that SMEs tend to fail within the first three years of operation. With regards to the number of years of operation, 40.9% respondents indicated that their business had been in operation for a more than 15 years, 27.3% respondents indicated that their business had been in operation for 7-10 years, 9.1% respondents indicated 3 years and below. This implied that majority of the business had been operational for a considerable amount of time which suggests they were in a position to give reliable information relating to this study.

<table>
<thead>
<tr>
<th>Years of operation</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 years and below</td>
<td>4</td>
<td>9.1</td>
</tr>
<tr>
<td>4-6 years</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td>7-10 years</td>
<td>12</td>
<td>27.3</td>
</tr>
<tr>
<td>above 15 years</td>
<td>18</td>
<td>40.9</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.3 Challenges of Strategic Management Practices among SMEs

4.3.1 Operational challenges

The study sought to establish whether the SME faced challenges in its management. Identification and acceptance of existing challenges is the first step towards making improvements and changes. Results obtained showed that most of the SMEs (86.4%) operating in Nairobi county encounters a number of challenges while 13.6% of the respondents indicated otherwise. The results showed that SMEs operating in Nairobi County encountered numerous operational challenges which will be outlined further in the next questions.

Table 4.7: Operational challenges

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>38</td>
<td>86.4</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>13.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3.1 SME ownership

In this question we asked respondents about the ownership of their businesses because literature has indicated that SME owners are often very involved in the daily operations and make decisions as they move without the formalities characteristic of larger firms. From the research findings, the research revealed that, 50.0% of the SMEs engaged were registered as Partnership business, 27.3% were registered under Sole trader whereas 22.7% were registered under Joint Stock Company. This implied that SMEs with different ownership were fairly involved in this study and majority had the capacity to make on-the-spot decisions a key characteristic of the sector.

Table 4.8: SME ownership

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole trader</td>
<td>12</td>
<td>27.3</td>
</tr>
<tr>
<td>Partnership</td>
<td>22</td>
<td>50.0</td>
</tr>
<tr>
<td>Joint Stock company</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.3.2 Means Used by Companies in Recruitment of New Employees

We enquired on the methods used by companies to recruit new entrants to their organization. Literature has revealed that your team is your business; therefore recruiting the right talent is imperative to the organization’s success. Results on measures used by the firm in recruiting employees showed that 43.2% of the firms employed the use of posters, 29.5% of the firms employed the use of media, and 20.5% of the firms employed the use of referrals while 6.8% of the firms made use of invitations. This revealed that there was room for improvement in the manner in which business owners recruited their employees since the preferred methods were less personal and involved third parties.

Table 4.9: Means used by companies in Recruitment of new employees

<table>
<thead>
<tr>
<th>Means</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media</td>
<td>13</td>
<td>29.5</td>
</tr>
<tr>
<td>Posters</td>
<td>19</td>
<td>43.2</td>
</tr>
<tr>
<td>Invitations</td>
<td>3</td>
<td>6.8</td>
</tr>
<tr>
<td>Referrals</td>
<td>9</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
4.3.3 Budgeting

Investigation on effect of budgeting on SME performance showed that; the respondents strongly agreed that without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented (mean = 4.41, std deviation = 0.50), SMEs in Nairobi always integrate the market share in the budget (mean = 4.39, std deviation = 0.49), proper budgeting administration ensures that resources are allocated according to what is in the budget (mean = 4.36, std deviation = 0.49), SMEs in Nairobi are hurdled by the financial constraints during the time of their operation (mean = 4.34, std deviation = 0.48), SMEs in Nairobi always integrate the market growth in the budget (mean = 4.32, std deviation = 0.47). The standard deviation represented the variation of responses from the mean with the highest variation being 0.5 an indication that the variations in responses were acceptable since the standard deviations were less than 1. Standard deviation is used to measure of variation in data and allows comparison between two or more sets of data to determine if their averages are really different.

<table>
<thead>
<tr>
<th>Table 4.10: Budgeting</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most SMEs are hurdled by the financial constraints during the time of their operation</td>
<td>4.34</td>
<td>0.48</td>
</tr>
<tr>
<td>We always integrate the market share in the budget</td>
<td>4.39</td>
<td>0.49</td>
</tr>
<tr>
<td>We always integrate the market growth in the budget</td>
<td>4.32</td>
<td>0.47</td>
</tr>
<tr>
<td>Proper budgeting administration ensures that resources are allocated according to what is in the budget</td>
<td>4.36</td>
<td>0.49</td>
</tr>
<tr>
<td>The management have the responsibility of approving what is to be spent</td>
<td>4.36</td>
<td>0.49</td>
</tr>
<tr>
<td>Without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented</td>
<td>4.41</td>
<td>0.50</td>
</tr>
</tbody>
</table>
4.3.4 Incompetent Management and Leadership

Results obtained on effect of incompetent management and leadership on performance of SME showed that the respondents strongly agreed that organizations must establish a sound, tightly controlled leadership process (mean = 4.48, std deviation =0.51), the way in which the strategy is implemented can have a significant impact on whether it will be successful, the management lacks the necessary financial skills (mean = 4.34, std deviation =0.48), best decisions fail to be implemented due to the inadequate supervision of subordinates and that the management is held accountable for the implementation of these sub-decisions (mean = 4.36, std deviation = 0.49), a firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats (mean = 4.20, std deviation =0.67). The standard deviation represented the variation of responses from the mean with the highest variation being 0.67 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.11: Incompetent Management and Leadership

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The management has the necessary financial skills</td>
<td>4.34</td>
<td>0.48</td>
</tr>
<tr>
<td>The management is held accountable for the implementation of</td>
<td>4.36</td>
<td>0.49</td>
</tr>
<tr>
<td>these sub-decisions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best decisions fail to be implemented due to the inadequate</td>
<td>4.36</td>
<td>0.49</td>
</tr>
<tr>
<td>supervision of subordinates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizations must establish a sound, tightly controlled</td>
<td>4.48</td>
<td>0.51</td>
</tr>
<tr>
<td>Leadership process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A firm should match its strengths to the opportunities that it</td>
<td>4.20</td>
<td>0.67</td>
</tr>
<tr>
<td>has identified, while addressing its weaknesses and external</td>
<td></td>
<td></td>
</tr>
<tr>
<td>threats</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The way in which the strategy is implemented can have a</td>
<td>4.34</td>
<td>0.61</td>
</tr>
<tr>
<td>significant impact on whether it will be successful</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.3.5 Political Factors

Literature has shown the relevance of SMEs to Kenya’s economic growth. Political stability has been found to create a good environment for business to operate and run in. Results obtained on investigation on effect of politics on performance of SME in Nairobi County showed that the respondents strongly agreed that political factors really impacted their income received from sales of the different organization product offerings (mean = 4.36, std deviation = 0.49) and that a successful development policy requires a committed government with strong visionary leadership (Mean = 4.32, std deviation = 0.47). The standard deviation represented the variation of responses from the mean with the highest variation being 0.49 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

**Table 4.12: Political Factors**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A successful development policy requires a committed government with strong visionary leadership</td>
<td>4.32</td>
<td>0.47</td>
</tr>
<tr>
<td>Financial management helps compare expenses with the income received from sales of the different organization product offerings</td>
<td>4.36</td>
<td>0.49</td>
</tr>
</tbody>
</table>
4.3.6 Poor Strategic Monitoring and Evaluation

The monitoring and evaluation stage of the strategic management process has been found to be critical to the success of any implemented strategic direction. The study investigated the effect poor strategic monitoring and evaluation on SME performance. The results obtained revealed that the respondents strongly agreed that, successes should be measured against strategic plan goals (mean = 4.50, std deviation = 0.51) the progress of the strategic plan should be checked actively through fixed milestones and targets (mean =4.48 , std deviation = 0.51 ) monitoring and evaluation is important in strategic management best practices (mean = 4.32, std deviation = 0.47), poor monitoring and evaluation of strategies can easily bring down the strategies (mean = 4.32, std deviation = 0.47), management requires information on the effect of strategies on performance of the businesses (mean = 4.25 , std deviation = 0.69). The standard deviation represented the variation of responses from the mean with the highest variation being 0.78 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.13: Poor Strategic Monitoring and Evaluation

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring and evaluation is important in strategic management best practices</td>
<td>4.36</td>
<td>0.78</td>
</tr>
<tr>
<td>Poor monitoring and evaluation of strategies can easily bring down the strategies</td>
<td>4.32</td>
<td>0.47</td>
</tr>
<tr>
<td>Successes should be measured against strategic plan goals</td>
<td>4.50</td>
<td>0.51</td>
</tr>
<tr>
<td>The progress of the strategic plan should be examined actively through established milestones and targets</td>
<td>4.48</td>
<td>0.51</td>
</tr>
<tr>
<td>Management requires information on the effect of strategies on performance of the businesses</td>
<td>4.25</td>
<td>0.69</td>
</tr>
</tbody>
</table>
4.4 Strategic Management Practices that Address SMEs Challenges

4.4.1 Commitment of Top Management

From the literature already available, we found that commitment from top management to a company’s strategic direction acted as an inspiration to those in lower positions and enabled wholesome participation in the activities. To avoid power struggles between departments and within hierarchies it was strongly agreed that, one should create a plan with clear assignments of responsibilities (mean = 4.45, std deviation = 0.50), to successfully ensure the strategy is implemented, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation (mean = 4.43, std deviation = 0.48), the most important thing when implementing a strategy is the top management's commitment to the strategic direction itself (mean = 4.34, std deviation = 0.48) and vagueness of the assignment of responsibilities results to strategy failure (mean = 4.32 , std deviation = 0.47). The standard deviation represented the variation of responses from the mean with the highest variation being 0.5 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.14: Commitment of Top Management

<table>
<thead>
<tr>
<th>The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To successfully ensure the strategy is implemented, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation</td>
<td>4.43</td>
<td>0.50</td>
</tr>
<tr>
<td>Vagueness of the assignment of responsibilities results to strategy failure</td>
<td>4.32</td>
<td>0.47</td>
</tr>
<tr>
<td>To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities</td>
<td>4.45</td>
<td>0.50</td>
</tr>
</tbody>
</table>
4.4.2 Supportive Strategic Management Instruments

Results obtained on effect of supportive strategic management instruments on performance of SMEs in Nairobi revealed that it was strongly agreed that, a strategic management system cannot achieve its full potential until it is integrated with the budgets (mean = 4.48, std deviation = 0.50), a strategic management system cannot achieve its full potential until it is integrated with reward systems (mean = 4.45, std deviation = 0.50), to facilitate the strategic management best practices in general, strategic management instruments should be applied to support the processes adequately (mean = 4.35, std deviation = 0.48), a strategic management system cannot achieve its full potential until it is integrated with the information system, the supportive character in monitoring and tracking the implementation process should be in the run effectively (mean = 4.33, std deviation = 0.47). The standard deviation represented the variation of responses from the mean with the highest variation being 0.5 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.15: Supportive Strategic Management Instruments

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To facilitate the strategic management best practices in general, strategic management instruments should be applied to support the processes adequately</td>
<td>4.35</td>
<td>0.48</td>
</tr>
<tr>
<td>A strategic management system cannot achieve its full potential until it is integrated with the budgets</td>
<td>4.48</td>
<td>0.50</td>
</tr>
<tr>
<td>A strategic management system cannot achieve its full potential until it is integrated with the information system</td>
<td>4.33</td>
<td>0.47</td>
</tr>
<tr>
<td>A strategic management system cannot achieve its full potential until it is integrated with reward systems</td>
<td>4.45</td>
<td>0.50</td>
</tr>
<tr>
<td>Information tools must be available and adequate to allow strategic decision makers to monitor progress towards strategic goals and objectives</td>
<td>4.33</td>
<td>0.47</td>
</tr>
<tr>
<td>The supportive character in monitoring and tracking the implementation process should be in the run effectively</td>
<td>4.40</td>
<td>0.50</td>
</tr>
</tbody>
</table>
4.4.3 Time Horizon in Strategic Processes

Literature has shown that many SMEs underestimate the need to set a specific time frame to act as a guide in the implementation of the company’s strategy. It was strongly agreed that expected incidents that might occur should be accounted for in strategic management process (mean = 4.45, std deviation = 0.50) it is important to work with the affected divisions to ensure strategy implementation (mean = 4.38, std deviation = 0.49) one of the most critical points within strategic management best practices processes is the exceeding of time restrictions (mean = 4.30, std deviation = 0.46) and that identification of time-intense activities is importance in strategy implementation (mean = 4.28, std deviation = 0.45). The standard deviation represented the variation of responses from the mean with the highest variation being 0.5 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.16: Time Horizon in Strategic Processes

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>One of the most critical points within strategic management best practices processes is the exceeding of time restrictions</td>
<td>4.30</td>
<td>0.46</td>
</tr>
<tr>
<td>Identification of time-intense activities is importance in strategy implementation</td>
<td>4.28</td>
<td>0.45</td>
</tr>
<tr>
<td>It is important to work with the affected divisions to ensure strategy implementation</td>
<td>4.38</td>
<td>0.49</td>
</tr>
<tr>
<td>Expected incidents that might occur should be accounted for in strategic management process</td>
<td>4.45</td>
<td>0.50</td>
</tr>
</tbody>
</table>
4.4.5 Effective Communication

We deduced that it is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion (mean = 4.40, std deviation = 0.50), differences in personality can result in serious inconsistencies in how strategies are understood and acted upon, teamwork plays an important role within the process of strategic management best practices (mean = 4.33, std deviation =0.49), communicating with employees concerning issues related to the strategic management best practices is frequently delayed (mean = 4.33, std deviation = 0.50), an organization institute a two-way-communication program, recognizing different personality types and learning how to handle them effectively is important in strategic management, communication aspects need to be highlighted in the strategic management best practices (mean = 4.33, std deviation =0.47). The standard deviation represented the variation of responses from the mean with the highest variation being 0.5 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.17: Effective Communication

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication aspects should be emphasized in the strategic management best practices</td>
<td>4.33</td>
<td>0.47</td>
</tr>
<tr>
<td>Communicating with employees concerning issues related to the strategic management best practices is frequently delayed</td>
<td>4.43</td>
<td>0.50</td>
</tr>
<tr>
<td>An organization institute a two-way-communication program</td>
<td>4.33</td>
<td>0.47</td>
</tr>
<tr>
<td>It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion</td>
<td>4.40</td>
<td>0.50</td>
</tr>
<tr>
<td>Teamwork plays an important role within the process of strategic management best practices</td>
<td>4.38</td>
<td>0.49</td>
</tr>
<tr>
<td>Differences in personality can result in serious</td>
<td>4.38</td>
<td>0.49</td>
</tr>
</tbody>
</table>
inconsistencies in how strategies are understood and acted upon

Recognizing different personality types and learning how to handle them effectively is important in strategic management
4.5 Effects of Strategic Management Practices on the Growth of SMEs

The study sought to establish whether implementation of various strategies led to the growth of the business, results obtained show that majority of the respondents as shown by 77.3% agreed that implementation of various strategies led to the growth of the business whereas 22.7% were of the contrary opinion. This implies that implementation of various strategies led to the growth of the SMEs in Nairobi county.

Table 4.18: Effects of Strategic Management Practices on the Growth of SMEs

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>34</td>
<td>77.3</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Respondents also reported that micro enterprises used the business plan for loan application, this shows that small business use more the business plan as a strategic document than for loan intentions, these changes the reality of action at business sizes where it is shown that medium enterprises use the business plan as a strategic document which shows that as bigger as the enterprise the strategies are more and more applied.
4.5.1 Strategy Formulation

Investigations on effect of strategy formulation on SME performance revealed that it was strongly agreed that well-conceived mission statement defines the scope of the company’s operations in terms of product (mean = 4.55, std deviation = 0.50), strategy formulation has led to organization performance (mean = 4.55, std deviation = 0.51), a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives (mean = 4.41, std deviation = 0.50), strategy formulation involves establishing mission and vision for organizations (mean = 4.34, std deviation = 0.48).

Table 4.19: Strategy formulation

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy formulation has led to organization performance</td>
<td>4.50</td>
<td>0.51</td>
</tr>
<tr>
<td>Strategy formulation involves establishing mission and vision for organizations</td>
<td>4.34</td>
<td>0.48</td>
</tr>
<tr>
<td>A well-conceived mission statement defines the scope of the company’s operations in terms of product</td>
<td>4.55</td>
<td>0.50</td>
</tr>
<tr>
<td>A strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives</td>
<td>4.41</td>
<td>0.50</td>
</tr>
</tbody>
</table>
4.5.2 Strategy Implementation

It was strongly agreed came to the attention of the researcher that strategy implementation involves the design and management of systems to achieve the best integration of people (mean = 4.48, std deviation = 0.51) budgets should be developed to allocate the needed resources into those internal activities critical to strategic success (mean = 4.43, std deviation = 0.62), it’s important to establish strategy-supportive policies (mean = 4.41, std deviation = 0.62), strategy implementation involves the design and management of systems to achieve the best integration of resources (mean = 4.34, std deviation = 0.46) it’s important to establish information, communication, and operating systems that enable the managers and members to carry out their strategic roles effectively (mean = 4.30, std deviation = 0.46), it’s important to motivate managers and members in ways that encourage them to pursue the strategies (mean = 4.23, std deviation = 0.57). The standard deviation represented the variation of responses from the mean with the highest variation being 0.62 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.20: Strategy Implementation

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy implementation involves the design and management of systems to</td>
<td>4.48</td>
<td>0.51</td>
</tr>
<tr>
<td>achieve the best integration of people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy implementation involves the design and management of systems to</td>
<td>4.34</td>
<td>0.48</td>
</tr>
<tr>
<td>achieve the best integration of resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It’s important to establish information, communication, and operating</td>
<td>4.30</td>
<td>0.46</td>
</tr>
<tr>
<td>systems that enable the managers and members to carry out their strategic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>roles effectively</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budgets should be developed to allocate the needed resources into those</td>
<td>4.43</td>
<td>0.62</td>
</tr>
<tr>
<td>internal activities critical to strategic success</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It’s important to establish strategy-supportive policies</td>
<td>4.41</td>
<td>0.50</td>
</tr>
</tbody>
</table>
It’s important to motivate managers and members in ways that encourage them to pursue the strategies.

### 4.5.3 Strategy Evaluation and Control

Strategy evaluation and control on SME performance revealed that it was strongly agreed that there should be encouragement of flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies (mean = 4.50, std deviation = 0.51), strategy evaluation ensures sustainable performance (mean = 4.36 , std deviation = 0.49), once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness (mean = 4.36 , std deviation = 0.49), successful strategic management requires the development and dissemination of innovations (mean = 4.36 , std deviation = 0.49), strategic management is aimed at improving performance (mean = 4.36, std deviation =0.49). The standard deviation represented the variation of responses from the mean with the highest variation being 0.51 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

<table>
<thead>
<tr>
<th>Table 4.21: Strategy Evaluation and Control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic management is aimed at improving performance</td>
</tr>
<tr>
<td>Successful strategic management requires the development and dissemination of innovations</td>
</tr>
<tr>
<td>Once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness</td>
</tr>
<tr>
<td>There should be encouragement of flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies</td>
</tr>
<tr>
<td>Strategy evaluation ensures sustainable performance</td>
</tr>
</tbody>
</table>
4.5.4 Organizational Growth and Development

It was strongly agreed that the adoption of strategic management has a significant effect on competitiveness (mean = 4.50, std deviation = 0.46), organizations perceived strategic issue management to the future success of organization as very important (mean = 4.48, std deviation = 0.51), the adoption of strategic management enhance structural development of firms (mean = 4.43, std deviation = 0.51), strategic management had effect on the market share of small enterprises (mean = 4.32, std deviation = 0.47), the adoption of strategic management increases organizational productivity (mean = 4.25, std deviation = 0.44) and that strategic management has effect on employee’s performance (mean = 4.23, std deviation = 0.42). The standard deviation represented the variation of responses from the mean with the highest variation being 0.67 an indication that the variations in responses were acceptable since the standard deviations were less than 1.

Table 4.22: Organizational Growth and Development

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Std Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The adoption of strategic management has a significant effect on competitiveness</td>
<td>4.50</td>
<td>0.46</td>
</tr>
<tr>
<td>Strategic management has effect on employee’s performance</td>
<td>4.23</td>
<td>0.42</td>
</tr>
<tr>
<td>The adoption of strategic management increases organizational productivity</td>
<td>4.25</td>
<td>0.44</td>
</tr>
<tr>
<td>The adoption of strategic management enhance structural development of firms</td>
<td>4.43</td>
<td>0.50</td>
</tr>
<tr>
<td>Organizations perceived strategic issue management to the future success of organization as very important</td>
<td>4.48</td>
<td>0.51</td>
</tr>
<tr>
<td>Strategic management had effect on the market share of small enterprises</td>
<td>4.32</td>
<td>0.47</td>
</tr>
</tbody>
</table>
4.6 Chapter Summary

This chapter sought to find out strategic management practices effect on growth of the Top 100 SMEs as ranked by KPMG and Nation Media Group, with a specific focus on those in Nairobi. The study consisted of demographic factors parts, challenges of strategic management practices among SMEs, strategic management practices that address SMEs challenges and effects of strategic management practices on the growth of SMEs. Results obtained showed that most of the SMEs operating in Nairobi County encounter a number of challenges. Results obtained on effect of supportive strategic management instruments on performance of SME in Nairobi revealed that a strategic management system cannot achieve its full potential until it is integrated with the budgets. It was strongly agreed that well-conceived mission statement defines the scope of the company’s operations in terms of product. The subsequent chapter includes a discussion, conclusion and recommendations on the discoveries of this research.
CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
In this chapter, the researcher provides the major summary of the study, a discussion on the findings of the research compared with the findings in the literature review. The findings were concluded on the basis of role of strategic management practices on growth of small and medium enterprises in Nairobi. Recommendations for further improvement were made through identification of the measures to be taken on organizational change management.

5.2 Summary of the Study
The purpose of this study was to analyze the effect of strategic management practices on growth of small and medium enterprises in Nairobi. The study was steered by the following research questions: what are the constraints of SMEs in Nairobi in strategic management practices, what strategic management practices can address these needs, what are the effects of strategic management practices on the growth of SMEs in Nairobi County, and what are the factors influencing strategic management best practices in SMEs.

The study adopted a descriptive research design which allowed respondents to describe the factors that they believed attributed to their sustainability and growth. The study targeted a sample of 50 respondents. Primary data was collected by means of structured questionnaires owing to its enhanced reliability. Pre-testing was done by administering the questionnaire to 5 respondents who were not included in the actual study. This enabled the researcher to fine tune the questionnaire for objectivity and efficiency of the process. This study used both quantitative and qualitative method of data analysis. The data was presented using tables. Data was analyzed using Statistical Package for Social Sciences (SPSS).

The study noted that the alignment of Strategic Management Process in SME sector is faced with numerous challenges. SMEs in Nairobi face challenges from increased competition, the ability to adapt to rapidly changing market demand, technological change, and capacity constraints relating to knowledge, innovation, and creativity. For many SMEs in Nairobi, however, their potential is often not fully realized due to factors
related to their small scale: lack of resources (finance, technology, skilled labor, market access, and market information lack of economies of scale and scope, higher transaction costs relative to large enterprises, lack of networks that can contribute to a lack of information, know-how, and experience of domestic and international markets, increased market competition and concentration from large multinational enterprises caused by globalization and economic integration, inability to compete against larger firms in terms of R&D expenditure and innovation (product, process, and organization), subject to “churning” and instability; and lack of entrepreneurial zeal, capacity, and know-how. The findings are in line with the research by Harvie and Charoenrat (2015). Regardless of their perceived weaknesses SMEs have not been swept away with the process of globalization and regional integration, but, rather, their role and contribution have changed and evolved which have enabled many to remain internationally competitive and collectively be an important source of employment generation. They represent the foundation of future multinationals and competition.

In relation to the strategic management practices that can address the challenges of strategic management in running SMEs, the study revealed that to avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities to successfully ensure the strategy is implemented, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation. Expected incidents that might occur should be accounted for in strategic management process and it is imperative to work with the affected divisions to ensure strategy implementation, one of the most critical points within strategic management best practices processes is the exceeding of time restrictions and that communication aspects should be emphasized in the strategic management best practices.

The study established that implementation of various strategies led to the growth of the SMEs in Nairobi county, results also revealed that a well-conceived mission statement defines the scope of the company’s operations in terms of product, strategy formulation led to organization performance a well-conceived mission statement defines the scope of the company’s operations in terms of product strategy formulation has led to organization performance, strategy formulation involves establishing mission and vision for organizations. The study also noted that Strategy evaluation and control promoted the SME performance strategy evaluation ensured sustainable performance, once strategies
have been implemented, they should be continuously monitored to ensure their effectiveness, successful strategic management requires the development and dissemination of innovations, strategic management is aimed at improving performance.

5.3 Discussion

5.3.1 Challenges of Strategic Management Practices among SMEs
The study sought to establish whether the SME faced challenges in its management. Results obtained showed that most of the SMEs (86.4%) operating in Nairobi county encounters a number of challenges. Some of the challenges stated were budget constraints, incompetence of management, political factors and poor strategic decisions. The above findings concurred with Hewlett (2009) suggests that most SMEs are hurdled by the financial constraints during the time of their operation. Kenny (2009) stated that even the best decisions fail to be implemented due to the inadequate supervision of subordinates, among other reasons. Some academics contend that non-productive government outflows drain the measly resources of African countries and thereby hinder development of SMEs (Landau, 1986).

It was deduced that without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented (mean = 4.41), SMEs in Nairobi always integrate the market share in the budget (mean = 4.39), proper budgeting administration ensures that resources are allocated according to what is in the budget (mean = 4.36), SMEs in Nairobi are hurdled by the financial constraints during the time of their operation (mean = 4.34), SMEs in Nairobi always integrate the market growth in the budget (mean = 4.32). The above findings were similar to earlier findings by Eisenstat (2013) that without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented. Also by only looking at the financial costs and benefits without taking a strategic risk-assessment into account one might easily pursue the less favorable project or fail to search for less risky alternatives (Porter, 2005).

Results obtained on effect of incompetent management and leadership on performance of SME showed that the respondents strongly agreed that organizations must establish a sound, tightly controlled leadership process (mean = 4.48), the way in which the strategy is implemented can have a significant impact on whether it will be successful, the management lacks the necessary financial skills (mean = 4.34). Best decisions fail to be
implemented due to the inadequate supervision of subordinates and that the management is held accountable for the implementation of these sub-decisions (mean = 4.36), a firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats (mean = 4.20). Kenny (2009) emphasized that decisions fail to be implemented due to the inadequate supervision of subordinates and a firm should match its strengths to the opportunities that it has identified. It is critical that leadership follow certain steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection.

Results obtained on Investigation on effect of politics on performance of SME in Nairobi County showed that the respondents strongly agreed that financial management helps compare expenses with the income received from sales of the different organization product offerings (mean = 4.36) and that a successful development policy requires a committed government with strong visionary leadership (Mean = 4.32). The findings supported Landau (2006) that a fruitful development policy, inter alia, calls for a devoted government with resilient visionary leadership. It also needs effective legislation and its application. The deficiency of effective bodies in Africa and the state's failure to enforce existing laws and regulations often leads to exploitation and mismanagement, thus increasing the cost of conducting business in Africa.

The study investigated the effect poor strategic monitoring and evaluation on SME performance. The results obtained revealed that the respondents strongly agreed that, successes should be measured against strategic plan goals (mean = 4.50) the progress of the strategic plan should be checked actively through fixed milestones and targets (mean =4.48) monitoring and evaluation is important in strategic management best practices (mean = 4.32), poor monitoring and evaluation of strategies can easily bring down the strategies (mean = 4.32), management requires information on the effect of strategies on performance of the businesses (mean = 4.25). It was earlier deduced by Sekran (2012) that monitoring and evaluation come into play at the shakedown phase in strategic management best practices. Poor monitoring and evaluation of strategic plan can easily bring down a strategic plan where it is at the threshold or the completion stage. Milestones and objectives are essential to keep track of progress. Successes should be measured against strategic plan goals. The progress of the strategic plan should be checked actively through fixed milestones and targets.
5.3.2 Strategic Management Practices that Address SMEs Challenges

The objective sought to establish the strategic management practices that address SMEs challenges. It was established that to avoid power struggles between departments and within hierarchies it was strongly agreed that, one should create a plan with clear assignments of responsibilities (mean = 4.45). It was earlier confirmed that to avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities regarding detailed implementation activities. This is a preventive way of proceeding. Responsibilities are clear and potential problems are therefore avoided (Rapa & Kauffman, 2005).

To effectively ensure the strategy is applied, senior executives must abandon the notion that lower-level leaders have the same insights of the strategy and its implementation (mean = 4.43). Rapa and Kauffman (2005) established that to effectively improve the overall likelihood that the strategy is executed as envisioned, senior executives must abandon the belief that lower-level managers have similar awareness of the strategy and its application, of its fundamental rationale, and its urgency. Instead, they must believe the contrary. Every effort must be made to convince the employees of their ideas.

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself (mean = 4.34) and vagueness of the assignment of responsibilities results to strategy failure (mean = 4.32). Rapa and Kauffman (2005) earlier reported the most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategic management best practices. Therefore, top leaders must show their willingness to give energy and devotion to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members.

Results obtained on effect of supportive strategic management instruments on performance of SME in Nairobi reveled that it was strongly agreed that, a strategic management system cannot achieve its full potential until it is integrated with the budgets (mean = 4.48). A strategic management system cannot achieve its full potential until it is integrated with reward systems (mean = 4.45). It was also established that to facilitate the strategic management best practices in general, strategic management instruments should be applied to support the processes adequately (mean = 4.35). A strategic management
system cannot achieve its full potential until it is integrated with the information system, the supportive character in monitoring and tracking the implementation process should be in the run effectively (mean = 4.33). Rapa and Kauffman (2005) deduced that a strategic management system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems.

It was strongly agreed that expected incidents that might occur should be accounted for in strategic management process (mean =4.45). It is important to work with the affected divisions to ensure strategy implementation (mean = 4.38) one of the most critical points within strategic management best practices processes is the exceeding of time restrictions (mean =4.30) and that identification of time-intensive activities is importance in strategy implementation (mean = 4.28). Rapa and Kauffman (2005) had earlier found that in addition to calculating the probable time frame an extra buffer should be calculated to account for unexpected incidents that might occur at any time. Also one of the most critical points within strategic management best practices processes is the exceeding of time restrictions.

The researcher deduced that it is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion (mean = 4.40). The findings supported Rapa and Kauffman, (2005) that it is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may not misunderstand communication, or the sharing of information, as engagement the direct dialogue that produces active participants in the change process.

Differences in personality can result in serious inconsistencies in how strategies are understood and acted upon, teamwork plays an important role within the process of strategic management best practices (mean = 4.33). Noble, (2009) had earlier established that differences in personality can result in serious inconsistencies in how strategies are understood and acted upon.

Communicating with employees concerning issues related to the strategic management best practices is frequently delayed (mean = 4.33), an organization institute a two-way-communication program, recognizing different personality types and learning how to handle them effectively is important in strategic management, communication aspects
should be emphasized in the strategic management best practices (mean = 4.33). This supported Rapa and Kauffman, (2005) that the way in which a change is presented to employees is of great influence to their acceptance of it. To deal with this critical situation, an integrated communications plan must be developed.

5.3.3 Effects of Strategic Management Practices on the Growth of SMEs

Investigations on effect of strategy formulation on SME performance revealed that it was strongly agreed that well-conceived mission statement defines the scope of the company’s operations in terms of product (mean = 4.55), strategy formulation has led to organization performance (mean = 4.55), a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives (mean = 4.41), strategy formulation involves establishing mission and vision for organizations (mean = 4.34). It had earlier been established that a well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and the scope of the company’s operations in terms of product (including services) offered and markets served (Wheelen & Hunger 2006). Wheelen and Hunger (2006) had also noted that a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives so that it can realize the mission.

It was strongly agreed came to the attention of the researcher that strategy implementation involves the design and management of systems to achieve the best integration of people (mean = 4.48). The results supported Berman (2009) that strategy implementation involves the design and management of systems to achieve the best integration of people, structure, processes and resources in achieving organizational objectives. Budgets should be developed to allocate the needed resources into those internal activities critical to strategic success (mean = 4.43), Berman (2009) supported that developing budgets to allocate the needed resources into those internal activities is critical to strategic success.

It’s important to establish strategy-supportive policies (mean = 4.41), strategy implementation involves the design and management of systems to achieve the best integration of resources (mean = 4.34). The findings concurred with Berman (2009) that establishing strategy-supportive policies and operating procedures will guide managers and members to work exactly according to expectations created by the set strategy. It’s important to establish information, communication, and operating systems that enable the managers and members to carry out their strategic roles effectively (mean = 4.30).
Bennett (2006) had stated that establishing of information, communication, and operating systems that enable the managers and members to carry out their strategic roles effectively is crucial. It’s important to motivate managers and members in ways that encourage them to pursue the strategies (mean = 4.23). Bennett (2006) stated that motivating managers and members in ways that encourage them to pursue the identified objective actively is important.

Strategy evaluation and control on SME performance revealed that it was strongly agreed that there should be encouragement of flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies (mean = 4.50). Poister and Streib (2009) had established that successful strategic management requires the flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies. Strategy evaluation ensures sustainable performance (mean = 4.36). Once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness (mean = 4.36), successful strategic management requires the development and dissemination of innovations (mean = 4.36). Strategic management is aimed at improving performance (mean = 4.36). Poister and Streib (2009) established that strategic management is aimed at improving performance. Once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness.

It was strongly agreed that the adoption of strategic management has a significant effect on competitiveness (mean = 4.50), organizations perceived strategic issue management to the future success of organization as very important (mean = 4.48), the adoption of strategic management enhance structural development of firms (mean = 4.43), strategic management had effect on the market share of small enterprises (mean = 4.32), the adoption of strategic management increases organizational productivity (mean = 4.25) and that strategic management has effect on employee’s performance (mean = 4.23). Yunus (2010) had established that strategic management had effect on the market share of small enterprises studied. Muogbo (2013) findings had also indicated that strategic management had significant effect on competitiveness, employee’s performance, organizational productivity and also enhanced structural development of firms.
5.4 Conclusions

5.4.1 Challenges of Strategic Management Practices among SMEs

Based on the results from the analysis and discussion, the study concluded that SMEs in Nairobi County faced numerous challenges in their daily operations from increased competition, the ability to adapt to rapidly changing market demand, technological change, and capacity constraints relating to knowledge, innovation, and creativity. For many SMEs in Nairobi, however, their potential is often not fully realized due to factors related to their small scale: lack of resources (finance, technology, skilled labor, market access, and market information lack of economies of scale and scope, higher transaction costs relative to large enterprises, lack of networks that can contribute to a lack of information, know-how, and experience of domestic and international markets, increased market competition and concentration from large multinational enterprises caused by globalization and economic integration, inability to compete against larger firms in terms of R&D expenditure and innovation (product, process, and organization).

5.4.2 Strategic Management Practices that Address SMEs Challenges

The study concluded that power struggles between departments and within hierarchies affected implementation of strategic management practices and to avoid the power struggles management should create a plan with clear assignments of responsibilities. Senior executives must also abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation. A strategic management system cannot achieve its full potential until it is integrated with the budgets, reward systems and information system. Finally supportive character in monitoring and tracking the implementation process should be in the run and that one of the most critical points within strategic management best practices processes is the exceeding of time restrictions and that identification of time-intense activities is importance in strategy implementation.

5.4.3 Effects of Strategic Management Practices on the Growth of SMEs

The study concluded that a strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives; strategy formulation involves establishing mission and vision for organizations. It’s important to motivate managers and members in ways that encourage them to pursue the strategies, budgets
should be developed to allocate the needed resources into those internal activities critical to strategic success, the adoption of strategic management increases organizational productivity and that strategic management has effect on employees, once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness, successful strategic management requires the development and dissemination of innovations, strategic management is aimed at improving performance and that it’s important to establish information, communication, and operating systems that enable the managers and members to carry out their strategic roles effectively.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Challenges of Strategic Management Practices among SMEs

To mitigate the challenges of Strategic Management Practices among SMEs, this study recommends that SMEs in Nairobi always should integrate market growth in their budgeting process, SMEs administration should ensure ensures that resources are allocated according to what is in the budget, achievements should be periodically measured against strategic plan goals and SMEs in Nairobi should match its strengths to the opportunities that it has identified. Finally the progress of the strategic plan should be checked actively through fixed milestones and targets.

5.5.1.2 Strategic Management Practices that Address SMEs Challenges

The study recommends that senior executives “own” the strategy and avoid assumptions regarding lower-level management perceptions of the strategy and its implementation. Top management's commitment is vital to the success of the whole implementation process. Top managers must exhibit their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive indicator for all the affected organizational members to increase participation.

5.1.1.3 Effects of Strategic Management Practices on the Growth of SMEs

It was recommended that SMEs should allocate sufficient resources to budgeted items; establish strategy-supportive policies, create information, communication, and operating systems that enable the managers and members to carry out their strategic roles
effectively and that it’s important to motivate managers and members in ways that encourage them to pursue these same strategies.

5.5.2 Recommendations for Future Studies

The study sought to examine the role of strategic management practices on growth of small and medium enterprises in Nairobi. The study suggests that future research should try to analyze the effect of knowledge management for future positioning on strategy implementation in small and medium enterprises in Nairobi, establish effect of discontinuous innovation on strategy implementation in small and medium enterprises in Nairobi, to evaluate the effect of organizational transformation on strategy implementation on strategy implementation in small and medium enterprises in Nairobi and determine how coordination of managerial processes affect implementation on strategy implementation in small and medium enterprises in Nairobi
REFERENCES


Irungu, IK. (2011). Adoption of formal strategic management practices among the small and medium enterprises within Mombasa County in Kenya.


APPENDICES

Appendix I: Introduction Letter

Dear Sir/Madam,

I am conducting a study on organizational change management strategies on the growth and sustainability of family businesses in Kenya in partial fulfillment of my GeMBA program at USIU Africa. I am glad to inform you that you have been selected to form part of this study. I kindly request your assistance in completing the attached questionnaire which forms a major input of the research process. The information and data will be strictly used for academic purposes only and strict confidence shall be observed on the same.

You cooperation will go a long way in ensuring the success of this project. I would like to thank you in advance for your time and consideration.

Yours Sincerely,

GLADWELL .N. KIHIA
Appendix II: Questionnaire

Section A: General Information:

1. Gender of the respondent?
   Male [ ]
   Female [ ]

2. What is your age in years .........................

3. What is your highest level of education achieved .........................

4. How long have you worked in the SME in terms of years .................

5. Is this organization a family business ............?
   Yes [ ]
   No [ ]

6. How long has your family business been in operation ______ years?

Section B: Challenges of Strategic Management Practices among SMEs

7. Do you face challenges in the management of your business 
   Yes [ ]
   No [ ]

   Please explain

8. In what year was this business firm founded? --------------

9. What is the form of ownership?
   Sole trader [ ]
   Partnership [ ]

Joint Stock company [ ]

Limited Liability Company [ ]

Other [ ]

10. If other please specify .............................................

11. Describe the product/service your firm is involved in

   ..........................................................................................................

12. How does your firm recruit employees?
   Media ( ) Posters ( ) Invitations ( ) HR Consultant ( ) Referrals ( ) Other ( )

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13. If other please specify…………………………

| Challenges of Strategic Management Practices. Please complete the following questions by rating on a scale of 1 to 5 where: 1 =Strongly disagree, 2 =Disagree, 3 = Agree, 4 =Strongly Agree and 5 = N/A for Not Applicable. |
|---|---|---|---|
| **Budgeting** | | | |
| 14. Most SMEs are hurled by the financial constraints during the time of their operation | Strongly disagree (1) | Disagree (2) | Agree (3) | Strongly Agree (4) | N/A (5) |
| 15. We always integrate the market share in the budget | | | | | |
| 16. We always integrate the market growth in the budget | | | | | |
| 17. Proper budgeting administration ensures that resources are allocated according to what is in the budget | | | | | |
| 18. The management have the responsibility of approving what is to be spent | | | | | |
| 19. Without providing for the necessary assets and strategic expenditures a strategic program cannot be implemented | | | | | |

**Incompetent Management and Leadership**

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<tr>
<td>20. The management has the necessary financial skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21. The management is held accountable for the implementation of these sub-decisions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22. Best decisions fail to be implemented due to the inadequate supervision of subordinates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23. Organizations must establish a sound, tightly controlled Leadership process</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>24. A firm should match its strengths to the</td>
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opportunities that it has identified, while addressing its weaknesses and external threats

25. The way in which the strategy is implemented can have a significant impact on whether it will be successful

**Political Factors**

26. A successful development policy requires a committed government with strong visionary leadership

27. Financial management helps compare expenses with the income received from sales of the different company product offerings

**Poor Strategic Monitoring and Evaluation**

28. Monitoring and evaluation is important in strategic management best practices

29. Poor monitoring and evaluation of strategies can easily bring down the strategies

30. Successes should be measured against strategic plan goals

31. The progress of the strategic plan should be checked actively through fixed milestones and targets

32. Management requires information on the effect of strategies on performance of the businesses

**Section C: Strategic Management Practices that Address SMEs Challenges**

1. What strategies do you use to ensure that your business is competitive?

   ………………………………………………………………………………

69
To complete the following questions please read and then rate each statement between 1 to 5 where: 1 =Strongly disagree, 2 =Disagree, 3 = Agree, 4 =Strongly Agree and 5 = N/A for Not Applicable.

<table>
<thead>
<tr>
<th>Commitment of Top Management</th>
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<tbody>
<tr>
<td>33. The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself</td>
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<tr>
<td>34. To successfully ensure the strategy is implemented, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation</td>
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<tr>
<td>35. Vagueness of the assignment of responsibilities results to strategy failure</td>
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<tr>
<td>36. To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities</td>
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<tr>
<th>Supportive Strategic Management Instruments</th>
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<tbody>
<tr>
<td>37. To facilitate the strategic management best practices in general, strategic management instruments should be applied to support the processes adequately</td>
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<tr>
<td>38. A strategic management system cannot achieve its full potential until it is integrated with the budgets</td>
<td></td>
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<tr>
<td>39. A strategic management system cannot achieve its full potential until it is integrated with the</td>
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</tbody>
</table>

70
40. A strategic management system cannot achieve its full potential until it is integrated with reward systems.

41. Information tools must be available and adequate to allow strategic decision makers to monitor progress towards strategic goals and objectives.

42. The supportive character in monitoring and tracking the implementation process should be in the run effectively.

**Time Horizon in Strategic Processes**

43. One of the most critical points within strategic management best practices processes is the exceeding of time restrictions.

44. Identification of time-intense activities is importance in strategy implementation.

45. It is important to work with the affected divisions to ensure strategy implementation.

46. Expected incidents that might occur should be accounted for in strategic management process.

**Effective Communication**

47. Communication aspects should be emphasized in the strategic management best practices.

48. Communicating with employees concerning issues related to the strategic management best practices is frequently delayed.

49. An organization institute a two-way-communication program.

50. It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion.
<table>
<thead>
<tr>
<th></th>
<th>Teamwork plays an important role within the process of strategic management best practices</th>
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</thead>
<tbody>
<tr>
<td>51</td>
<td>Differences in personality can result in serious inconsistencies in how strategies are understood and acted upon</td>
</tr>
<tr>
<td>52</td>
<td>Recognizing different personality types and learning how to handle them effectively is important in strategic management</td>
</tr>
</tbody>
</table>
Section D: Effects of Strategic Management Practices on the Growth of SMEs

54. Has the implementation of various strategies led to the growth of your business?

Yes [ ]
No [ ]
If yes, in what way……………….

To complete the following questions please read and then rate each statement between 1 to 5 where: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

<table>
<thead>
<tr>
<th>Effects of Strategic Management Practices on the Growth of SMEs. Please complete the following questions by rating on a scale of 1 to 5 where: 1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree and 5 = N/A for Not Applicable.</th>
<th>Strongly disagree (1)</th>
<th>Disagree (2)</th>
<th>Neutral (3)</th>
<th>Agree (4)</th>
<th>N/A (5)</th>
</tr>
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<tbody>
<tr>
<td>55. Strategy formulation has led to organisation performance</td>
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<tr>
<td>56. Strategy formulation involves establishing mission and vision for organisations</td>
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<td>57. A well-conceived mission statement defines the scope of the company’s operations in terms of product</td>
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<td>58. A strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its goals and objectives</td>
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<tr>
<td><strong>Strategy Implementation</strong></td>
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<td>59. Strategy implementation involves the design and management of systems to achieve the best integration of people</td>
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<tr>
<td>60. Strategy implementation involves the design and management of systems to achieve the best integration of resources</td>
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<tr>
<td>61. It’s important to establish information, communication, and operating systems that enable the managers and</td>
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</table>
members to carry out their strategic roles effectively

62. Budgets should be developed to allocate the needed resources into those internal activities critical to strategic success

63. It’s important to establish strategy-supportive policies

64. It’s important to motivate managers and members in ways that encourage them to pursue the strategies

**Strategy Evaluation and Control**

65. Strategic management is aimed at improving performance

66. Successful strategic management requires the development and dissemination of innovations

67. Once strategies have been implemented, they have to be continuously monitored to ensure their effectiveness

68. There should be encouragement of flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies

69. Strategy evaluation ensures sustainable performance

**Organizational Growth and Development**

70. The adoption of strategic management has a significant effect on competitiveness

71. Strategic management has effect on employee’s performance

72. The adoption of strategic management increases organizational productivity

73. The adoption of strategic management enhance structural development of firms

74. Organizations perceived strategic issue management to the future success of organization as very important

75. Strategic management had effect on the market share of
small enterprises

Thank you very much for your cooperation and honest feedback.