EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON THE PERFORMANCE OF SMEs IN MOGADISHU, SOMALIA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

SUMMER 2019
EFFECTS OF STRATEGIC MANAGEMENT PRACTICES
ON THE PERFORMANCE OF SMEs IN MOGADISHU,
SOMALIA

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

UNITED STATES INTERNATIONAL UNIVERSITY-
AFRICA

SUMMER 2019
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: ________________________
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This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________      Date: ________________________
Prof: Paul Katuse

Signed__________________________      Date ________________________
Dean, Chandaria School of Business
The purpose of this study was to establish the effects of strategic management practices on business performance of Small and Medium-Sized Enterprises (SMEs) in Mogadishu. This study was made possible by using the following research questions: What is the effect of strategic planning on business performance of SMEs in Mogadishu? What is the effect of strategy implementation on business performance of SMEs in Mogadishu? What is effect of organizational culture practices on business performance of SMEs in Mogadishu?

Descriptive survey research design was used in this study to effectively address the research problem. This study had a population of 120 managers and supervisors working in SMEs in Mogadishu. The study had a sample of 92 respondents. Structured questionnaire was designed for primary data collection. Analysis of data made us of both inferential and descriptive statistics. Descriptive statistics were utilized in analyzing frequencies and percentages while inferential statistics were utilized in analyzing correlation and regression analysis to establish relationship among study variables. Analysis was done using Statistical Package for Social Sciences version 24 and findings were presented using tables and figures.

The study found out that the three variables; strategic plan, strategic implementation and organizational culture practices had effects on Mogadishu SMEs’ performance but in different levels. First research question determined the effect of strategic planning on business performance of SMEs in Mogadishu. In examining the effect that strategic planning has on business performance of SMEs in Mogadishu, the results revealed that there exists a significant relationship between strategic planning and business performance, r (0.504); p-value < 0.01. The SMEs mangers should formulate effective planning for their businesses to achieve the target performance.

The second research questions wanted to examine the effect of strategy implementation on business performance of SMEs in Mogadishu. Results of the study revealed that there is a statistically significant relationship between strategy implementation and business performance with these measurements, r (0.316); p –value < 0.01. Although the study showed this as slightly lower significance when compared to planning, it is important for business owners to watch out implementation and correct while necessary.
The third research question examined the effect of organizational culture practices on business performance of SMEs in Mogadishu. The results revealed a significant relationship between organizational culture practices and business performance, \( r(0.377); p\text{-value} < 0.01 \). This was ranked as second level among the three factors which means the organizations should need to implement good culture within their business in order to reach the performance they want.

This study sought to examine the effect of strategic planning on business performance. The findings of this study revealed that there exists a statistical significant relationship between strategic planning and business performance. Therefore, this study concludes that it is crucial for the organization to formulate a strategic plan that acts as a guide for their business activities in order to achieve the set targets. This study concludes that strategy implementation should be supplemented by resource allocation activities. Allocation of resources will be useful in strategy execution since necessary resources are tied with activities that are key for strategy execution. This study concluded that there is a significant relationship between organizational culture practices and business performance. Organizational culture determines the values and norms that dictates how things are done within the company as well as how individuals behave towards each other.

Since the study has established a significant relationship between strategic planning and business performance, this study recommends that SMEs should develop a strategic plan that is in line with their operations for future growth prospects. Strategic plan will guide the operations of the SMEs and get to know at what stage they should initiate key decisions such as expansion, mergers and acquisitions. This study recommends that SMEs should carry out strategy implementation by allocating necessary resources to the activities that essential for strategy execution. This study recommends that SMEs should develop an organizational culture that reflects their business model. This is crucial for the SMEs since organizational culture will dictate how things should be run in the company and how individuals should act towards one another in fulfilling the vision of the organization.
ACKNOWLEDGEMENT

I would like to offer my special thanks and acknowledgement to my supervisor Prof. Paul Katuse for his patiently guiding and encouraging me through his comments and fast feedback throughout the project. His advice, support, and constructive criticism he gave throughout the study enabled me to complete my project report in time. I also would like to show my deepest appreciation to prof. Peter Kariri for his relentless efforts and help during the project. Finally I express my gratitude to everyone who paid any input to this work.
DEDICATION

I dedicate this work to my beloved parents and to everyone who had any contribution to achieve such this goal.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

The concept of strategic management refers to the process of formulation, implementation and the evaluation of strategic actions which will enable a firm to achieve its objectives (Garg & Goyal, 2012). Strategic management is also a set of managerial decisions as well as actions which determine the long run performance of a corporation which includes strategy formulation, implementation and control of managerial decisions intended to help the company achieves its set targets. The study of strategic management practices therefore emphasizes the monitoring and evaluation of environmental opportunities and the constraints in light of the company’s strengths and weaknesses (Shalij & Augustine, 2017). According to Bahri, Pierre and Sakka (2017), strategic management deals with complexity that arises out of ambiguous and non-routine situations with the organization wide implications which includes strategic analysis, implementation and choice.

According to Rubio and Aragón (2009), strategic management helps in making decisions about future opportunities and threats faced by the small and medium-sized enterprises. Strategic management stipulates the development of appropriate endeavors that are intended to serve as powerful motivators of individuals and enhances communication, coordination as well as participation in the firm. Sahoo and Yadav (2017) indicate that strategic management is fundamentally about setting the underpinning aim of the company, selecting the most appropriate goals towards those aims and fulfilling both over time. This is done through integrating the managerial capacities and techniques that will achieve organizational success.

Strategic management process encompasses the development of a strategic mission, setting of objectives, developing a strategy, situation analysis, and finally the actual strategy implementation and a continuous evaluation process to keep track of the performance (Bahr, Pieir, & Sakka, 2017). The process is both dynamic in nature and continuous where an alteration in a single component may result in a complete change of the whole strategy. The process of strategy formulation entails the consideration of economic, political, technological and ecological industry
environment factors that consists entry barriers, availability of substitutes, and the bargaining power of buyers and suppliers (Sefiani, Davies, & Bown, 2018). To manage the strategy in place is concerned with ensuring that selected strategies are actually implemented through developing the most appropriate strategies, structuring crucial support for successful performance in the organization and managing change strategically (Gledson & Phoenix, 2017).

In United Kingdom, most businesses including small and medium-sized enterprises operate in a dynamic business environment making it imperative for these firms to adopt an anticipating stance towards changes (Kumar & Antony, 2008). Companies attempt to cultivate a proactive management culture that enables a company to take advantage of the opportunities that exists in its operating environment. Strategic management is considered to be a crucial and indispensable tool for the business organizational performance and for the business organization performance and for any company that wants to gain competitive advantage (Sainidis & Robson, 2016). Various reasons have been advanced as to why a strategic management practice is of great importance to small and medium-sized enterprises’ performance. Generally, the process of developing and sustaining the mission of the organization offers a sense of purpose, focus and direction and enables the firm to adapt under the conditions of externally imposed crisis or stress (O'Regan & Ghobadian, 2005).

A study conducted in the United Kingdom revealed that small and medium-sized enterprises managers executed the strategy process ranging mainly from the informal fashion and with limited application of strategy management tools and techniques (Birinci & Eren, 2013). Small and medium-sized enterprises seemed to be placing more emphasis on external environmental monitoring that is customers, competitors, suppliers and lenders and the defining strategy and goals. However, in the literature the majority of the studies relating with SME performance had the intention to focus on either the symptoms resulting from issues within the firm or upon the reasons cited for failure (Crema, Verbano & Venturin, 2014).

According to Sainidis and Robson (2016), it has often been argued that the principles of management that are developed for small and medium-sized enterprises should be applied to help improve the sector’s performance since strategic management practice as a tool to management holds definite possibilities for beneficial application
in the sector. The adoption of strategic management practices offers small enterprises with improved tools which will enable survival, growth and maintenance of a sustainable competitive advantage. SMEs can use strategic management as a tool of cushioning themselves from the volatile business environments and as a way of ensuring their long-term existence as well as growth (Rubio & Aragón, 2009). Kotey (2005) argues that strategic management practices enabled small and medium-sized enterprises to be proactive and vigilant to withstand the changing circumstances. SMEs that embrace strategic management practices are highly likely to be characterized by achievement associated with higher returns on assets, sales growth, higher profit margins, higher employee engagement, expansion and growth.

Indonesian small and medium-sized enterprises (SMES) that operate in an increasingly dynamic market conditions and competition among firms has encouraged business owners to understand how SMEs can be maintained or enhanced their financial performances (Omsa, Ridwan & Jayadi, 2017). In order to compete, strategic management experts encourage companies including small and medium-sized enterprises to adopt various strategic management practices that will help them achieve the desires objectives as well the intended goals. Various aspects of strategic management practices such as strategic planning offers an operational framework which allowed companies to enjoy both improved business performance and competitive advantage. For small and medium-sized enterprises to be successful and sustain their businesses, there is a strong need of them to adopt superior strategic management practices. However, the adoption of strategic management practices tools by small and medium-sized enterprises is limited by access to the adequate resources with larger companies applying better practices (Crema, Verbano, & Venturin, 2014).

In Turkey as well as in other parts of the world small and medium-sized enterprises are one of the fundamental institutions of societies that must be restructured in order to go through an important change and the transformation process in order to compete with leading and multinational companies (Birinci & Eren, 2013). It is considered that the implementation process of the increasing expectations from SMEs can be made possible by best management practices that offer the overall vision as well as the direction of the organization. Over the last decades the economic and social changes and its developments have increased the importance of business
management in the social systems and a real revolution has been taking place in field of organizational management (Dauda, Akingbade, & Akinlabi, 2010).

Small and medium-sized enterprises in Ghana form a significant form of business contributing a large portion of the country’s Gross Domestic Product. SMEs are dominant features of the business landscape, especially in the developing economies such as Ghana (Donkor & Kwarteng, 2018). The literature suggests that small and medium-sized enterprises play a crucial role in industrial change and innovation, wealth generation, job creation, and the global economic output. Despite the critical role that small and medium-sized enterprises play in the national and competitiveness in Ghana, research indicates that their business performance is highly affected by host factors that threaten their survival (Dauda, Akingbade, & Akinlabi, 2010). According to Fenin, Pesakovic and Amaria (2008) one of the major reasons of the failure of small and medium-sized enterprises in Africa including the ones in Ghana is the inability of practicing strategic management fully in their business models. Mangers of these SMEs on the other hand might be lacking the adequate knowledge about the benefits that come along with effective strategic management practices. The low participation of SMEs can also be associated with the fact that managers are not aware of the strategic techniques and methodologies and they are not able to implement such practices in their business.

Small and medium sized-enterprises (SMEs) is an important sub sector for the Kenyan economy like many other developing nations since it employs about 85% of the Kenyan workforce accounting for about 7.5 million of the country’s population (Gure & Karugu, 2018). The constitutional framework and the new Micro and Small Enterprise Act 2012 offer a new opportunity through which the evolution of SMEs can be realized through the devolution framework. However, the effects of devolution on SMEs development depends on the framework of the regulatory and institutional framework inclined to support small enterprises in an economy. Opuku (2016) the issues limiting SMEs acquisition of the financial services which includes lack of tangible security couples with inappropriate legal and regulatory framework which does not recognize innovative strategies for lending to SMEs.

In the context of Somalia which is located in the Horn of Africa right adjacent to the Arabian Peninsula, the country has historically been regarded as very strategic and
significant country in the area of Academics. As the result of the prolonged period of conflict in Somalia, most systems of control had been broken down (Yusuf & Salad, 2015). The current administration is taking efforts to restores the systems of internal control to support a conducive business environment for small and medium-sized enterprises. According to Sigane and Gichinga (2018) strategic management practices are ranked among the most critical forms of managerial decisions made by the firm and can have a major long-term implications being both positive and negative. Therefore, SMEs to succeed in Mogadishu it is crucial that they fully adapt strategic management practices due to the uncertainty that exists in the business environment and have a contingency plan on how to operate in the Somalia soil.

1.2 Statement of the Problem
Strategy is regarded to be a detailed framework for a business in achieving the desired success in the industry. Most managers use strategy when they want to achieve results. Strategic management and organizational performance on the other hand cannot be separated in small and medium-sized enterprises (SMEs) but most small and medium-sized enterprises seem to place less emphasis when it comes to making an effective strategy for improved performance (Dauda, Akingbade, & Akinlabi, 2010). The business environment in which companies operate is turbulent with constant changes that often render previous strategies irrelevant. The hypercompetitive business environment has pushed companies to limits dictating the need to undertake strategic management practices which can support their plans, choices and decisions that will yield a competitive advantage to achieve the desired success as well as market share (Maroa, 2015).

Strategic management and business performance has been a focus of the intensive research efforts in the recent times of economic business environment that is rapidly and dynamic (Basu, 2014). These can be characterized by phenomena such as globalization, changing customers and investor demands, product market competition in competing successfully in the dynamic environment, improving product quality, and innovating products and processes that are crucial for sustaining competitive advantage (Alidris & Mohamed, 2012). The need for strategic management comes into play to address these issues since it evaluates and controls the business as well as the industry in which the organization operates in by assessing its competitors and setting strategic goals to meet
the existing potential opportunities, but this approach seem to be ignored by most SMEs (Bahr, Pieer, & Sakka, 2017).

Various studies have been carried out globally and locally on the impact of strategic management practices on organizational performance. For instance, Dauda et al. (2010) carried out a study on strategic management practice and corporate performance in Lagos Metropolis; Agwu (2018) conducted a study to analyze the impact of strategic management on the business performance and established that strategic management had a positive relationship with business performance. Gweh (2018) carried out a study on the effect of strategic management on the growth of the firm but none of these studies has investigated the effects of strategic management practices on business performance of SMEs in Mogadishu. Therefore, this study aims to bridge the gap by establishing the effects of strategic management practices on business performance of SMEs in Mogadishu.

1.3 Purpose of the Study
The purpose of this study was to establish the effects of strategic management practices on business performance of Small and Medium-Sized Enterprises (SMEs) in Mogadishu.

1.4 Research Questions
This study was guided by the following research questions:

1.4.1 What is the effect of strategic planning on business performance of SMEs in Mogadishu?

1.4.2 What is the effect of strategy implementation on business performance of SMEs in Mogadishu?

1.4.3 What is effect of organizational culture practices on business performance of SMEs in Mogadishu?

1.5 Significance of the Study
1.5.1 Small and Medium-Sized Enterprises (SMEs)

Small and medium-sized enterprises will benefit from this study by acknowledging the findings on the impact that strategic management practices have on their businesses. Therefore, they will be able to make informed decisions that are critical for success and growth.
1.5.2 Academicians and Researchers

Both academicians and researchers will gain additional knowledge on the subject of how strategic management practices impacts business performance of small businesses. Academicians and researchers can also make use of the findings of the study by making reference in their literature as long as their study cuts across strategic management practices and business performance of small businesses.

1.5.3 Policy Makers

Various policy makers and regulators that are in charge of the business environment guidelines will get insights on how strategic management practices impacts SMEs and be able to come up with policies that are crucial and supportive of their business.

1.6 Scope of the Study

This study focused on top level managers, middle level managers and supervisors that were involved in strategic management practices for small and medium-sized enterprises in Mogadishu. This study was conducted in Mogadishu, Somalia. The previous studies conducted on SMEs in Mogadishu were little so that it became limitation for the study, and it strategized to use studies conducted in other countries. The study was conducted for a period of five months that is from February 2019 to June 2019 in order to allow respondents sufficient time to engage with the study. This study was limited to SMEs operating in Mogadishu.

1.7 Definition of Terms

1.7.1 Strategic Management

The concept of strategic management refers to the process of formulation, implementation and the evaluation of strategic actions which will enable a firm to achieve its objectives. The study of strategic management practices therefore emphasizes the monitoring and evaluation of environmental opportunities and the constraints in light of the company’s strengths and weaknesses (Garg & Goyal, 2012).

1.7.2 Strategic Planning

Strategic planning refers to the organization’s process of defining its strategy or direction and making of decisions concerning resource allocation in order to achieve the defined strategy. The procedure of strategic planning highlights the vision and mission of the
company and integrates both the internal and external business contexts upon which the operations of the firm are defined (Dauda, Akingbade, & Akinlabi, 2010).

1.7.3 Strategy Implementation

Strategy implementation refers to those activities within the organization that are carried out to manage the execution of a strategic plan that has been laid down by the organization (Crema, Verbano, & Venturin, 2014).

1.8 Chapter Summary

This chapter highlighted the background of the problem followed by the statement of the problem, which clearly states the issue of strategic management practices in regards to the business performance of SMEs. The purpose of the study has been stated followed by the research questions that will be used in guiding the study. This chapter has highlighted the significance of the study and various stakeholders will benefit from it. The scope of the study has also been presented and definitions of key terms in the study have been presented in this chapter.

Chapter three covers the research methodology adopted by the study and how various elements of the study is to be integrated to effectively address the research problem. Chapter four covers the results and findings of the study and chapter five presents the discussion, conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The objective of this chapter is to review the literature on the effects of strategic management practices on business performance of SMEs. This chapter offers a literature review on the effect of strategic planning on business performance, followed by the effect of strategy implementation and the effect of strategy evaluation practices on business performance. At the end of the chapter, a summary covering major elements of the chapter will be provided.

2.2 The Effect of Strategic Planning on Business Performance

The increasingly dynamic market conditions and commercial competitiveness among organizations encourage business owners, including small and medium-sized enterprises in Indonesia as well as other parts of the world to acknowledge how businesses should be managed strategically (Omsa, Ridwan, & Jayadi, 2017). Business owners need to understand how small and medium-sized enterprises can be run in order to enhance their marketing and financial performance. For these companies to compete effectively, strategic management experts encourage companies including small and medium-sized enterprises to apply various strategic management practices (Anyieni, 2013).

Strategic planning is regarded to be a forward looking exercise and all organizational managers should be involved with it regardless the size of their companies. When a strategic plan is present and it is well implemented, the company can have little or even no challenges in taking care of external changes (Aldehayyat, 2015). For the organization to survive in turbulence environment in which it operates, then it should operate successfully in line with environmental forces that are uncontrollable and unstable since they greatly affect the decision making process (Bahr, Pieer, & Sakka, 2017). Companies adapt to the environmental forces as they carry out planning and implementing strategic activities. According to Allison (2013), it is through strategic planning process that the organization is able to predict the changes taking place in the business environment and for them to develop a proactive approach as opposed to reacting towards new threats or unforeseen challenges that have a negative impact on the business.
According to Garg and Goyal (2013), there exists a direct correlation between strategic planning and performance of an organization. Companies that are focused and have a strategy in place are more likely to post good results as opposed to similar organizations that have neglected strategic planning initiatives. Kwarteng (2018) argues that planning is crucial to companies as it is for individuals. This is because planning offers a clear and distinctive direction to an organization. Lack of strategy and purpose for the organization may become blurred to the employees, misunderstood by key stakeholders and resources may not be used effectively. In the modern business environment companies need a clear strategy to enable them get into new markets successfully while at the same time maintaining their market share by responding quickly to new market dynamics and technology (Mitton, Dionne, & Schmidt, 2014).

According to Anyieni (2013) over the years businesses have approached the aspect of planning in various ways. Planning at all levels is considered to be the calculation of objectives, concepts and resources within the acceptable bounds of risk that will yield more favorable outcomes that could otherwise exist by chance. Furthermore, it is explained that strategic planning can be seen as the art and science that aims at developing and employing instruments of the national power in a synchronized as well as integrated fashion with attempts of achieving the laid down objectives. According to Garg and Goyal (2012) companies widely use strategic planning as an integral part of their strategy that is as a mean to an end. It is a way through which the company positions itself by prioritizing the use of resources in respect to the identified goals while at the same time guiding its direction and development over time. The aspect of strategic planning within the business covers the entire spectrum of issues concerning precise steps for a smooth transition from the organization’s current conditions to the anticipated challenges of the business environment (Donkor & Kwarteng, 2018). However, a caution that strategic planning rarely flows from one step to the next one smoothly since new ideas at one point may change the decisions that were made earlier.

O’Regan and Ghobadian (2005), argue that planning is crucial for maintaining the size of the existing business, or provide a framework for enhancing its growth. Strategic planning helps companies to take advantage of future opportunities and how to effectively address threats that are likely to come along with opportunities. Strategic planning takes environmental turbulence into consideration and gathers all the necessary information by altering the company’s strategies and plans as the need arises (Dutot & Bergeron, 2016).
Blackburn, Hart and Wainwright (2013) suggest views the process of strategic planning as the process of developing strategies that might contribute to business performance. This can be done by generating all relevant information that brings a better understanding of the environmental factors in order to reduce uncertainty that is strategic awareness which implies as the firm’s ability to assess the total implication of any change.

Wang, Redmond and Walker (2011) see the aspect of strategic planning as an involvement of competitive advantage. They emphasize that strategic planning enables companies to gain sustainable planning as efficiently as possible. Osma et al (2017) indicate that those small and medium-sized enterprises that engage in strategic planning are more likely to achieve higher profit margins and a significant market growth as opposed to the ones that have not embraced the aspect of strategic planning in their commercial activities. They further indicate that the performance of small and medium-sized enterprise is driven by strategic planning. Despite the evidence that comes with strategic planning, it can be recognized that is rare existent in many SMEs since it the owners aspirations to whether the company should embrace strategic planning or not (Gledson & Phoenix, 2017).

According to Kumar and Antony (2008) concluded that all companies need strategic planning for them to adapt to the external business environment and the dynamic needs of consumers that are driven by various demographic factors. Organizations are also becoming more complex and without having a detailed planning framework their survival might be difficult. Successful organizations will anticipate and address the turbulence in the environment through strategic planning that develops plans that are meant to achieve the competitive goals of the organization in ensuring execution of the firm’s mission (Yusuf & Salad, 2015). According to Rubio and Aragon (2009) strategic planning goes beyond just planning for long term financial planning and involve the assessment of the environment in which the company operates. This planning is done through foresight and in a structured process. Furthermore, they indicated there exists a strong relationship between strategic planning and organizational performance since they found out that strategic planning contributes about 69.2% towards performance of SMEs.

2.2.1 Environmental Scanning

Environmental scanning is the process that systematically surveys and interprets relevant data that are essential in identifying the external opportunities, environment is assessed
based on political, economic, ecological, legal, social and technological trends that influence a business, the industry and the entire market as a whole (Chahal, Dangwal, & Raina, 2016). The organization is able to gather information by considering environmental scanning of events, trends, issues and the expectations of different interest groups. Organizations then respond to this kind of information by changing their strategies and plans when the need arises. This is can be achieved by having a strategic plan in place that incorporates the aspect of the business environment in which it operates (Auka & Langat, 2016). According to Anyieni (2013) organizations scan their environment with an attempt to adapt to the dynamic and the uncertainty of the business environment.

Ammar and Chereau (2018) state that the purpose of environmental scanning is to evaluate the essential factors that can have impact on the current state of the business and future development of an enterprise. At the same time the organization should be determining specific implications that the factors have in the process of strategic planning. The firm’s environment usually has two aspects; the internal business environment and the external environment. The internal aspect depicts the variable that are within the organization that is the strengths and weaknesses, corporate culture and resources. The external environment takes into consideration the macro environment factors that are not specific to the company or the industry in which the company operates (Shirokova, Vega, & Sokolova, 2013). Environmental scanning helps SMEs to understand the motivation of the company’s activities and take appropriate actions that is in line the changing external environment (Auka & Langat, 2016).

Aldehayyat (2015), suggest that the PEST module that consists political, economic, social and technological can be useful in assessing the business environment of an enterprise. Strategic planning takes all these factors into consideration since political factors have an impact on the stability of the industry space and uncertainty might make it difficult for managers to develop strategy. Technology factors like internet networks, networking, new innovations and other technological changes may affect the way an SME runs its business (Anyieni, 2013). Birinci and Eren (2013) state that to be successful over time; the company must be in line with its external environment. There must be strategic link between what the business environment wants and what the firms has to offer, as well as between what the firm needs and what the business environment can offer.
2.2.2 Organizational Direction

Temtime (2013), states that strategic planning is crucial for small and medium-sized enterprises as it offers them a sense of direction for a sustainable growth. With an interpretation of information that is gathered during environmental scanning, managers of SMEs are able to determine the direction in which their companies should move. Managers are also able to determine the firm’s mission and vision and they can be incorporated within the framework of the company’s philosophy and used as a context for development and the evaluation of the intended company strategies (Anyieni, 2013). Business managers can overemphasize the significance of clear vision and mission if the firm is not certain where it is headed in the business environment (Auka & Langat, 2016).

Donkor and Kwarteng (2018), state that the mission has the purpose for which the firms exists by reflecting the types of product and services that it produces, who its customers tend to be and the important values that it holds. The mission is based informational analysis of information gathered through environmental scanning while the vision defines the firm’s purpose in terms of the company’s values rather than the bottom line variables. The vision statement also communicates both the values and the purpose of the organization (Dauda, Akingbade, & Akinlabi, 2010). Indeed, mission and vision statements are embodiments of the company identity and tend to carry the motto and creed hence called the statements of creed (Maroa, 2015).

Auka and Langat (2016), argue that visionary companies tend to display a powerful drive of progress that enables them to change and adapt strategic management practices without compromising their cherished core ideas that put them on business. These companies enjoy a long-term performance due to the fact that having a vision and a clear organizational direction enhances performance throughout the entire organization. Crema et al (2013) state that visionary companies can develop strategic thinking under a well-defined entropic dimension. The vision encapsulates a guiding philosophy or ideology of the business and expresses the values, its purpose and the direction through business objectives which are targets towards organizational directs and its efforts. The significance of the company establishing appropriate objectives is to offer a foundation for planning, controlling and motivation across the company to attain its vision (Anyieni, 2013).
2.3 The Effect of Strategy Implementation on Business Performance

According to Parnell (2010) implementation refers to the action stage of the strategic management process. It is regarded as the most difficult and complex stage which involves mobilization of managers and employees with the aim of uniting total organization behind the strategy. It also involves all units in the company and the process is initiated by top management and it should succeed when employees are fully engaged. Rinaldo and Solimun (2017) define strategy implementation as a series of sub activities that re primarily administrative with the aim of determining how resources of the organization should be mobilized to accomplish its strategy in a cohesive manner. Anyieni (2013) strategy implementation refers to the process of allocating resources in order to support the chosen strategies. The process consists of various management activities that are necessary to put the strategy in motion, instate strategic controls that can monitor the progress and ultimately achieve organizational goals.

Sushil (2018), the implementation process of strategy covers the entire managerial activities such as the aspects of motivation, compensation, control process and managerial activities. Despite formulating consistent strategy being a difficult task for any management team, making the strategy a success and implementing it throughout the entire organization is even more difficult. According to Yoshikuni and Albertin (2018) a myriad of factors that can potentially affect the process by which strategies are turned into organizational action. Strategy implementation unlike strategy formulation process is always seen as something of a craft as opposed to science and its research has previously been described as eclectic and fragmented.

An effective strategy implementation process should always achieve the future direction of the organization, design internal action approaches, and make strategic choices and priorities, deal effectively with changes in the organization and uncertainties in external environment, building team spirit and expertise based on resources, people and processes and developing effective strategies to improve organizational performance (Donate & Canales, 2012). Converting strategic plans into actions and the results tests the ability of the manager to direct organizational change, motivating people, building strengthen the company’s competencies and competitive capabilities as well as creating and nurturing strategy. For the strategy to be implemented effectively, the strategy must be institutionalized that it the strategy must permeate a day to day life of the organization (Herath, Bremser, & Birneberg, 2014).
Strategies are crucial in the operations of a company, as much most organizations have good drafted strategies, the implementation of strategies still remains a major challenge. Organization have formulated strategies, and strategy implementation could seem like a walk in the park but in the contrary, transforming of strategies into actions is far more complex, difficult and a challenges and therefore not as simple as one could imagine (Mitton, Dionne, & Schmidt, 2014). In order to ensure that a strategy is successfully translated into actions, then it must be translated into well thought out implemented actions. Strategy must be converted into guidelines for the daily actions of the company’s members. There must be synergy between strategy and a firm in implementing the strategy, the leaders must guide, monitor and control necessary actions and outcomes for successful implementation to take place (Bahr, Pieer, & Sakka, 2017).

Organizations operate in a very turbulent as well as a competitive environment. For organizations to develop and sustain competitive advantage, companies should practice strategic management practices (Njagi & Kombo, 2014). Strategic management comprises of the analysis, decisions and actions that the organization undertakes in order to create and sustain competitive advantage. Creating a brilliant strategy is nothing compared to executing it successfully since the execution is critical to success and without a well-planned approach to execution, strategic goals cannot be achieved. Thus, in the process of striving to achieve the intended results, good strategies should be properly implemented (Birinci & Eren, 2013). Strategy implementation involves converting the strategic plan into action and then into intended results and this strategic process is geared towards improving the company’s performance.

Strategy implementation involves converting the strategic plan into action and then into results. It is considered successful if the firm achieves its strategic objectives and targeted level of financial performance (Njagi & Kombo, 2014). In making decisions on how to implement strategies, managers must be able to determine what internal conditions are needed to execute the strategies plan successfully. It involves creating a series of fits between how things are managed internally and what is required for the first rate strategy execution between strategy and organizational structure, the organization ‘skills and competencies, internal policies, budget allocations, support systems, reward structures, corporate structure and strategy (Anyieni, 2013). The tighter the fits the more likely targeted performance of the organization can actually be achieved. A successful strategy implementation is critical for any organization’s survival. Strategy implementation is
critical in connecting the strategy formulation stage and strategy control and evaluation stage in the strategic management process (Waking'a & Ouma, 2017). According to Aldehayyat (2015) about eighty percent of firms have the right strategies and only fourteen percent have managed to implement them well. Strategy implementation is the action that moves the company along its choice of route towards its goals that is the fulfillment of its vision and mission achievement.

2.3.1 Resource Allocation

Resource allocation is the quantitative plan which sets out the company’s sources and application of funds within a specified period of time most often within a year (Nosrati & Karimi, 2016). Once the company has developed its short-term plan to help it achieve a selected strategy in the long run, it can easily project the operating and financial consequences of the plan within a short-term planning period. The managers in charge of strategy implementation are concerned with developing estimates of cash flows and resources requirements so that they can plan to meet the capacity as well as financing requirement in a systematic way during strategy implementation in the organization (Herath, Bremser, & Birneberg, 2014).

According to Alidris and Mohamed (2012) resource allocation is pegged into strategic corporate plan of the organization which highlights the company’s long-term plan to achieving strategic goals that have been set. A strategic plan of any organization covers a longer period of time, for instance three to five years. The aspect of resource allocation takes place as the second level of the strategic management process, which is strategy implementation. Kwarteng (2018) suggests that at this level, organizations establish annual objectives and allocate necessary resources so that the formulated strategies can be successfully executed. Thus the aspect of strategy formulation without being implemented does not serve any useful purpose. Chahal et al (2016) looks at strategy implementation as acting on what has to be done internally which includes putting all the necessary resources in order to implement the formulated strategy and achieve the intended results.

Mitton, Dionne and Shmidt (2014) argue that companies experience resource constraints when implementing strategic plans since costs are incurred at the stage of strategy implementation. In this stage resources are allocated to specific course of actions for a successful strategy implementation. A well formulated strategy that cannot be
implemented creates no value for the organization. Rahenia and Kargoza (2016) suggest that effective implementation starts during strategy formulation when questions like “how do we do it” should be taken into consideration. Effective strategy implementation process takes place when the company’s resources and actions are tied to the strategic priorities, when key success factors are carefully identified and when the measures of performance and reporting are perfectly aligned. Companies allocate both non-financial and financial resources to the activities marked for implementation in a specified timeline (Gweh, 2018). For a successful strategy implementation it is crucial to control expenditures during the progress of activities that are meant to accomplish the objectives of the organization.

2.3.2 Employee Engagement

Employee engagement is about the individual behavior of complimenting or surpassing of organizational goals (Martins & Nienaber, 2018). Despite employee engagement being personal and not an organizational choice, it is an approach used by the organization to supervise their staff rather than a psychological state experienced by employee in the performance of their work. Halm (2011) organizations prioritize external aspects of employee engagement by transforming policies or making the physical environment more conducive and aligning their performance management systems to the changing environmental factors. These kind of organizations might pride themselves for having superior strategies, resources and excellent strategy execution capabilities due to the appropriate employee engagement practices that the company undertakes and can operate in confidence that strategy implementation process will be achieved through their dedicated and committed staff (Agwu, 2018).

Strategy implementation consists the interpretation of strategic goals into performance objectives. It is an arrangement of disciplines and systems that is built into the performance of an organizational culture (Aldehayyat, 2015). The company’s ability to execute its strategy successfully is a result its ability to socialize employees to its strategy. Organizations that achieve their goals in the long term plan their work and their plan. The realization of organizational strategies is accomplished through disciplined approaches to setting and executing strategic directions through the effective utilization of resources, people and capital (Alidris & Mohamed, 2012). Overtime, the construction of strategy obtained its prominence in the military arena that is popular in the business world at a time when the military career was an ideal qualification for organizational managers.
Auka and Langat (2016) suggest that strategy implementation engages managerial kind of behaviors for employee desired results such as efficiency, retention, job satisfaction, commitment and organizational citizenship for them to take accountability of the planned activities.

Employee engagement is enhanced during strategy implementation as it involves the middle managers as well as supervisors to make sure that strategy has been communicated throughout the organization for a successful implementation through its own workforce (Pholoba, 2015). According to Halm (2011) before a strategic plan can be well-implemented, it has to be documented and should highlight the strategy in enough detail in order to allow the implementer that is employees to craft tactical plans from initiatives can be implemented successfully. Culturally, the organization should always be prepared for change on this scale so that strategy implementation becomes a success.

2.4 The Effect of Organizational Culture Practices on Business Performance

Allison (2013) describes organizational culture as the sum of dominant values, visions, perspectives, standards and modes of behavior that typify an organization. He argues that the dominant culture affects the stakeholders of the organization. Yildirim, Acaray and Candan (2016) argue that organizational culture forms in response to the need for external adaptation and survival as well as internal integration. External adaptation and survival involve finding a niche to enable the organization to cope with the changing environment. Internal integration entails development of language and concepts, group and team boundaries, power and status as well as rewards and punishment in order to establish and maintain effective working relationships among the members of an organization (Wang D., 2015). Organizational culture has been defined by various scholars in different contexts and situations. According to Lund (2013) organizational culture is the way of life of a cluster of individuals and it consists of morals, beliefs, knowledge and any other capabilities gained by one a member of a given society. In other words, organizational culture can be considered as a way of life of a certain group of people and their comprehensive way of living.

Several studies have been carried out in line with organizational culture and performance whereby some of the findings have reported a statistically significant relationship between the two variables while others have reported negative relationship and others reported a mixed findings on the same. Berson, Dvir and Oreg (2008) investigated the
CEO values, organizational culture and the firm outcomes. Their findings indicated that organizational culture had a positive association with the company sales growth as well as innovation. Testa and Sipe (2013) conducted a study on organizational culture audit and organizational performance in the service industry. Their findings indicated that a compelling organizational culture was imperative for companies that seek competitive advantage over their competitors in the long run.

Allison (2013), argues that despite being confirmed that a firm’s culture is likely to influence all management practices and that a collective adherence to the standards and fairness is fundamental in building trust and maintaining of long-term business relationships. Kantur (2016), argues that there lacks a study to directly link the relationship between cultural dimensions and business management practices. Having successful business-to-business relationships implies attributes of commitment, trust and they are measured through constructs like communication openness, investment control, benevolence, control reduction and the collaboration.

Strategy implementation for instance does not occur in a vacuum. There are several factors that come into play when implementing strategy. Maamari and Saheb (2018) in the 7s framework argue that effective organizational change is the relationship between strategy, structure, systems, style, skills, staff and shared values (superordinate goals). Wang (2015) describes strategy, structure and systems as ‘hard' meaning that they are easily measurable, explicit and predictable while shared values, management style, staff and skills are seen as soft because they are less tangible, predictable and implicit.

The root of culture and performance link can be traced back to the Hawthorne Studies that discovered the presence of an informal social system and shared assumptions and beliefs amongst the workers. The studies revealed the presence of “organizational culture” even though not termed so during the investigation (Lowy, 2015). Meng (2014) suggests in his general management framework that effectiveness is a function of values and beliefs (culture) held by organization members, policies and procedures (behavior), translating the core values and beliefs into policies and practices in a consistent manner and the interrelation of core values and beliefs, organizational policies and practices and the business environment of the organization. A culture that is grounded in strategy supportive values, practices and behavioral norms adds to the power and effectiveness of a company’s strategy execution effort. For example if a firm wants to execute a low cost
leadership strategy then a culture of frugality and thrift would be useful: a culture built around pleasuring customers would entail fair treatment, operational excellence and employee empowerment which facilitate execution of strategies aimed at high product quality and superior customer service (Chang & Lin, 2016). Companies that have innovation and technological leadership strategies would require a culture of taking initiative, challenging status quo, exhibiting creativity, embracing change and willingness to collaborate (Mintzberg, 2013).

There should be a good alignment between cultural norms and the behaviors needed for good strategy execution; if there is misalignment then culture becomes a hindrance because the behaviors and actions are contrary to the set strategy (Fortado & Fadil, 2014). Culture bred resistance to actions and behaviors needed for good execution if widespread pose a formidable hurdle that has to be cleared for strategy execution to succeed. A tight culture strategy fit furthers an organization's execution of strategy, provides clear guidance on "how we do things around here", produces significant peer pressure to conform to the acceptable norms and promotes strong employee identification with and commitment to a company’s vision, performance targets and strategy (Harrison & Bazzy, 2017). Strategies are normally formed within the existing organization culture, it therefore has to be adjusted to fit into the new strategies (Lowy, 2015). Owing to diversity in terms of race or tribe. Origin and religion within today’s organizations, the major task in strategy implementation is to create common values, define ethical criteria, and create workplace support strategies and a high achievement motive in the culture of the organization.

2.4.1 Adaptability Culture

This is culture characterized by strategic focus on the external environment through flexibility and change to meet customer needs (Yeh & Madsen, 2016). The culture encourages entrepreneurial values, norms, and beliefs that support the capacity of the organization to detect, interpret, and translate signals from the environment into new behavior responses. In adaptability the culture of risk taking is valued and rewarded. Harrison (2014) sees an adaptive organization as one whose roles are open to continual redefinition and where coordination is achieved by frequent meetings and considerable lateral communications. Siakas (2015) describes an adaptive cycle where managers solve
three fundamental organizational problems that is entrepreneurial, engineering, and administrative.

Strategic benefits presume that the basic values and assumptions underlying a firm’s culture are aligned with the environmental demands confronting the firm (Sunarsih & Mashithoh, 2016). However, in changeable and dynamic environments, values and assumptions may need to be modified to support new thinking and behavior (Basu, 2014). In such situations, organizations with strong engrained cultures may be unable to cope with changes of significant magnitude; as such changes may directly challenge the basic assumptions and values of the organization. Human resources are the most valuable asset for an organization on the other hand. One of the challenges of an organization nowadays is having adequate superior competitiveness. Basically, fulfilling a commitment means the same as an employee fulfilling a duty, responsibility and promise to complete a job. A less adaptive organizational culture would have an impact on employees’ weak commitment which in turn could affect employees’ dedication to their work (Fortado & Fadil, 2014). Employees who have commitment will work optimally as the organization expects. However, in reality, not all employees are able to completely fulfill their commitment.

### 2.4.2 Entrepreneurial Culture

In the entrepreneurial culture, one strong leader takes bold, risky action on behalf of his organization. Strategy making is dominated by active search for new opportunities. Power is centralized in the hands of the Chief Executive (Kshetri, 2014). Strategy moves forward in the entrepreneurial organization by taking large bold decisions. Growth is the dominant goal of entrepreneurial organization. According to Brown (2004) entrepreneurial culture presents more work than a job. It is a lifestyle. Employees are more like a team in most companies, and in some cases, they are even like a family. Kantur (2016) highlighted ways in which organizations can exercise entrepreneurial culture by indicating that the focus should be on treating people with respect, a simple premise which threads through each and every complicated issue that can arise within an organization. Respect and trust provide the necessary base for a vibrant and sustainable corporate culture.

An entrepreneurial organizational set up seeks to open doors for communication (Nesbit & Lam, 2014). According to Anyieni (2013) organizations that create an environment
where people can interact with each other, support and recognize each other’s efforts and provide positive rewards, makes employees aware of the direction of the company they are working for and facilitates strategy implementation. He further noted that treating employees with respect enables them to do their jobs to the best of their abilities. By challenging people to raise the bar, providing them with fun activities, keeping people informed and humanizing management, an organization gets a culture that allows the company to grow and flourish.

### 2.4.3 Mission Culture

Mission describes an organizations’ reason for existence (Allison, 2013). Nesbit and Lam (2014) found that mission is the most important cultural trait that today’s organizations need to focus on. In organizations embracing mission culture, strategic leaders concentrate on establishing and communicating a clear mission and purpose for the organization and allowing employees to design their own work activities with this mission. Leaders play the role of coaches in giving general direction, but encourage individual decision-making to determine the operating details to execute the plan.

According to Khalifa (2012), the effectiveness of mission culture on strategy implementation depends on among other factors, the purpose and aims of the organization, the organization's primary stakeholders; that is clients or customers, shareholders and how the organization provides value to these stakeholders. Wadas (2017) asserts that mission culture has a number of advantages which establish an organization wide unity of purpose. It however works best where an organization has resources to absorb the cost of building and maintaining the value system.

Mission culture according to Wadas (2017) only works with informed and intelligent people, it consumes enormous amount of time to install and can foster such strong sense of organizational identity among employees that it becomes a handicap. This approach has strong overwhelming doctrinal air about it and fosters homogeneity and inbreeding. Though mission culture, can play an important role in strategy implementation, studies covered hardly bring out a detailed outlook on the extent to which this kind of culture affects strategy implementation. While McIntosh and Mulhearn (2015) indicate that effective organizational mission is a critical component in strategy implementation, similarly to other authors such as Khalifa (2012) and Wadas (2017) have not revealed the extent to which mission culture facilitates or acts as a barrier to strategy implementation.
2.5 Chapter Summary
This chapter has provided literature review based on the research topic by highlighting views of different authors on the subject matter. First, it has offered a literature of strategic planning and business performance, followed by literature of strategy implementation and business performance and lastly the literature of organizational culture practices and business performance. The next chapter presents the research methodology that the study adopted.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
Chapter three offered the research methodology used in carrying out the study. The research methodology covers the research design, population, sampling design, data collection methods, research procedures and methods of data analysis.

3.2 Research Design
Research design is the framework that can be used by the researcher in collecting and analyzing data in order to effectively address the research questions or the objectives that guide the study (Cooper & Schindler, 2014). Rouzies (2013) defines research design as the overall strategy that is used in integrating various elements of the study in a logical way by ensuring that the research issue being investigated is addressed efficiently. This study used descriptive research design. According to Edyburn (2015) descriptive research design is a research design that is used in describing the characteristics of a population or phenomenon being studied. This study chose descriptive design because it enables the collection of data both the qualitative and quantitative without influencing the target population in one way or another.

3.3 Population and Sampling Design

3.3.1 Population
Population of the study is the total number of elements that form the study subject the researchers intends to investigate (Cooper & Schindler, 2014). For this particular study, the target population was composed of 120 managers and supervisors that work in 60 SMEs that operated in Mogadishu the capital city of Somalia. The population was obtained from Somalia Business License Agency.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
Cooper and Schindler (2014) define sampling frame as a list or a device that can be used in defining the target population that the researcher has interests in. McGrath and O’Toole (2012) on the other hand define sampling frame as the set of elements from which the
researchers is able to determine a sample of the population. A sampling frame of this study was obtained from Somalia Business License Agency.

3.3.2.2 Sampling Technique

Sampling technique refers to the strategy utilized by the analyst to guarantee that various gatherings which are either heterogeneous or homogeneous is all around spoken to in the last example that will be utilized in the investigation (Cooper & Schindler, 2014). This study used simple random sampling technique. Simple random sampling technique refers to the probability sampling technique whereby each individual is given an equal chance of being selected in the final sample size (Makrygiannakis & Jack, 2018). This method was efficient for the researcher since each individual had an equal chance of being selected in the final sample without any bias or restriction.

3.3.2.3 Sample Size

Sample size is the number of units that is chosen from the entire population from which the data is gathered to fulfill the intended objectives of the researcher (Brooks & Normore, 2015). This study used Yamane’s formula to determine a suitable sample size for this study, with assumption of 95% of confidence level.

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

Where, \(n\) = sample size

\(N = \) Study Population for this study = 120

\(e = \) Alpha level of 0.05

\[
n = \frac{120}{1 + 120(0.05^2)}
\]

\(n = 92\)
The sample size of this study is determined to be 92 respondents from a population of 120 employees who were the study unit of this study.

3.4 Data Collection Methods
Data collection is the process of gathering all data from the respondents that form the target population is a well-established manner that addresses the research objectives efficiently (Cooper & Schindler, 2014). This study was purely based on primary data and this was obtained using a semi structured questionnaire which is the primary tool for data collection that was based on Likert scale of 5 measurements; Strongly Agree, Agree, Neutral, Disagree and Strongly Disagree in respect to the statements addressing the research questions. A questionnaire refers to a research tool that consists of various questions with the aim of gathering information from the target respondents (Cresswell, 2014). This study used a semi structured questionnaire since it has set of standardized questions as well as open ended questions that will allows the researcher to collect data on specific subject. The first section of the questionnaire had demographic details of the respondents, second section had questions on the effect of strategic planning on business performance, the third section had questions on the effect of strategy implementation on business performance and the fourth section had questions on the effect of organizational culture practices on business performance.

3.5 Research Procedures
Cooper and Schindler (2014) define research procedures as the framework or a sketch consisting of step by step on how the research is to be conducted with the aim of answering the research objectives. In this particular study, upon the approval of the project proposal by the supervisor, a letter was drafted to the SMEs selected requesting for permission to allow the researcher to collect the intended information. A pilot test was carried out using 10% of the respondents to test the reliability and validity of the study instrument. The instrument revealed a Cronbach’s alpha values above 0.7 indicating that it was reliable for this study and there were no any adjustments to the study instrument. The next step the researcher was visit the SMEs in Mogadishu with the help of research assistants to locate the target respondents for data collection. The researcher used a pick and drop method to ensure a higher response rate. Then the questionnaire was collected for data analysis.
3.6 Data Analysis Methods
Data analysis is the process through which the researcher inspects, transforms and modeling of data obtained from the respondents into a meaningful information with the aim of discovering new information as well as drawing conclusions that can support specific decision making of the researcher (Cresswell, 2014). This study coded data that was collected from the respondents using SPSS version 24 software in order to establish findings obtained from the respondents. Descriptive statistics was used to analyze frequencies and percentages while inferential statistics was used to analyze correlational and regression to establish the relationship that exists between the study variables. Data was presented using tables and figures.

3.7 Chapter Summary
This chapter has presented the research methodology adopted by the study. The chapter begins by introducing the research design that was used by the study that is descriptive survey, a population of 120 respondents has been described. Simple random sampling technique has been presented as the selected sampling technique of this study; a questionnaire was used for data collection while data analysis methods analyzed both inferential and descriptive statistics and the findings to be presented in tables and figures. Chapter four of this study presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
Chapter four provides the findings of the study obtained from the target respondents that were involved in this study. This chapter highlights general information of the respondents, followed by the findings on the effect of strategic planning on business performance, the effect of strategy implementation on business performance and the findings on the effect of organizational culture practices on business performance.

4.2 Response Rate
The response rate for this study was 73% since out of the 92 questionnaires that were distributed to the target respondents, only 67 were obtained while the remaining 25 questionnaires were not returned attributing to 27% of the respondents that did not respond. The findings are highlighted in Figure 4.1 below.

![Figure 4.1: Response Rate](image)

4.3 Demographic Factors
This study sought to establish the general information of the respondents, the variables included; gender, age, management level and the number of years in the organization.
4.3.1 Respondents Gender

This study sought to establish the gender of the respondents involved in this study, the findings showed that 63% of the respondents were male and 37% were female as shown in Figure 4.2. This implies that gender distribution in the SMEs was well distributed.

![Pie chart showing gender distribution]

**Figure 4.2: Respondents Gender**

4.3.2 Respondents Age

This study sought to establish the age of the respondents involved in the study, 10.4% aged between 18-25 years, 28.4% aged between 26-33 years, 32.8% aged between 34-41 years, 20.9% aged between 42-49 years and 7.5% were above 50 years as shown in Figure 4.3. This implies that the majority were able to understand the information sought in this study.
Figure 4. 3: Respondents Age

4.3.3 Position in the Company

This study sought to determine the position of the respondents within the company, 58% of the respondents were supervisors in the SMEs while 42% were managers as shown in Figure 4.4. It implies that the target respondents had sufficient knowledge on their companies.

Figure 4. 4: Position in the Company
4.3.2 Number of the Years in the Organization

This study sought to establish the number of years the respondents had been with the organization. 57% of the respondents had been working in their company for a period of 6-8 years, 37% had been working for 6-8 years, 1% had worked for 0-2 years, 3% have worked for 3-5 years and 2% had worked for more than 11 years as shown in Figure 4.5.

![Figure 4.5: Number of the Years in the Organization](image)

4.4 The Effect of Strategic Planning on Business Performance

This study sought to establish the effect of strategic planning on business performance. The findings are presented as follows:

4.4.1 Strategic Plan and Vision

On the question whether creating a strategic plan would help the company achieve its intended vision, 43% of the respondents strongly agree, 6% were neutral and 51% agreed as shown in Figure 4.6. This implies that creating a strategic plan would enhance vision attainment of the organization.
4.4.2 Environmental Scanning and Strategic Opportunities

When the respondents were asked whether the organization conducts environmental scanning to identify strategic opportunities, 1.5% of the respondents strongly disagreed, 4.5% disagreed, 53.7% agreed, and 40.3% strongly agreed as shown in Table 4.1. This implies that environmental scanning enables identification of strategic opportunities.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>36</td>
<td>53.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>27</td>
<td>40.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.3 Environmental Scanning and Potential Threats

The respondents were asked to indicate whether environmental scanning enhances identification of potential threats, 52% strongly agreed and 48% agreed as shown in Figure 4.7. It implies that environmental scanning enhances identification of potential threats that can affect the operations of the firm.
4.4.4 Internal Strengths and Opportunities

On the question whether carrying out SWOT analysis helps the company match their strengths to the opportunities, 4.5% were neutral, 35.8% agreed and 59.7% strongly agreed as shown in Table 4.2. It implies that carrying out SWOT analysis helps the company match their strengths to the opportunities.

**Table 4.2: Internal Strengths and Opportunities**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>24</td>
<td>35.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>40</td>
<td>59.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.5 Strategic Planning and Company’s Overall Direction

When the respondents were asked whether strategic plan enables the company to set the overall direction of the company, 49% of the respondents strongly agreed and 51% agreed as presented in Figure 4.8. This implies that strategic planning

![Figure 4. 7: Environmental Scanning and Potential Threats](image)
4.4.6 Sense of Direction

The respondents were asked whether having a sense of direction motivates them to achieve their vision, the majority of the respondents agreed at 51% and 49% strongly agreed as shown in Figure 4.9. It implies that having a sense of direction motivates employees in achieving the vision of the organization.
4.4.7 Job Satisfaction

When the respondents were asked whether having a sense of direction enhances employee job satisfaction, 3% disagreed, 3% were neutral, 59.7% agreed and 34.3% strongly agreed as shown in Table 4.3. It implies that having a sense of direction enhances employee job satisfaction.

Table 4.3: Job Satisfaction

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>40</td>
<td>59.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>23</td>
<td>34.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>67</td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.4.8 Productivity

When the respondents were asked to indicate whether organizational direction enhances productivity, 55% strongly agreed and 45% agreed as shown in Figure 4.10. It implies that organizational direction enhances productivity.

![Figure 4.10: Productivity](image-url)
4.4.9 Employee Engagement

When the respondents were asked whether organizational direction enhances employee engagement, 4.5% were neutral, 64.2% agreed and 31.3% strongly agreed as shown in Table 4.4. It implies that organizational direction enhances employee engagement.

Table 4.4: Employee Engagement

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>3</td>
<td>4.5</td>
</tr>
<tr>
<td>Agree</td>
<td>43</td>
<td>64.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>21</td>
<td>31.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5 The Effect of Strategy Implementation on Business Performance

This study sought to establish the effect of strategy implementation on business performance. The findings are presented as follows:

4.5.1 Resource Allocation and Accountability

When the respondents were asked whether resource allocation in the organization enhances accountability, 41.8% agreed and 58.2% strongly agreed as shown in Table 4.5. This implies that resource allocation in the organization enhances accountability.

Table 4.5: Resource Allocation and Accountability

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>28</td>
<td>41.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>39</td>
<td>58.2</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.2 Resource Allocation and Company’s Expenditure

The respondents were asked whether resource allocation was crucial for the company’s expenditure, Table 4.6 indicates that 3% were neutral, 1.5% were neutral, 62.7% agreed
and 32.8% strongly agreed. This implies that resource allocation is crucial for the company’s expenditure.

**Table 4.6: Resource Allocation and Company’s Expenditure**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Agree</td>
<td>42</td>
<td>62.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>22</td>
<td>32.8</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 4.5.3 Resources and Strategy Implementation

The respondents were asked to indicate whether resource allocation was crucial for successful strategy implementation, 49% agreed and 51% strongly agreed as shown in Figure 4.11. This implies that allocation of resources is crucial for strategy implementation.

![Figure 4.11: Resources and Strategy Implementation](image)

### 4.5.4 Financial Resources

On the question whether resource allocation enhances the use of financial resources in the organization, 54% of the respondents strongly agreed and 46% agreed as shown in Figure
4.12. This implies that resource allocation enhances the use of financial resources in the company.

![Pie chart showing resource allocation practices]

**Figure 4.12: Financial Resources**

### 4.5.5 Risk Management Practices

On the question whether resources allocation enhance risk management practices in the organization, 58.2% agreed and 41.8% strongly agreed as indicated in Table 4.7. This means that resource allocation enhances risk management practices in the organization.

**Table 4.7: Risk Management Practices**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>39</td>
<td>58.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>28</td>
<td>41.8</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 4.5.6 Non-Financial Resources

The respondents were asked whether allocation of resources in the organization enhances the use of non-financial resources in the company, 56% of the respondents agreed, 39.1% strongly agreed and 4.9% disagreed as shown in Table 4.8. It implies that allocation of resources enhances the use of non-financial resources.
Table 4.8: Non-Financial Resources

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>40</td>
<td>56.0</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>24</td>
<td>39.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.7 Employee Engagement and Strategy Implementation

When the respondents of the study were asked whether employee engagement is crucial for strategy implementation, majority of the respondents 69% strongly agreed, 25% agreed while 6% were neutral as shown in Figure 4.13. It implies that employee engagement is crucial for strategy implementation.

![Employee Engagement and Strategy Implementation](image)

Figure 4.13: Employee Engagement and Strategy Implementation

4.5.8 Employee Engagement and Productivity

When the respondents were asked to indicate whether employee engagement enhances productivity in the organization, Figure 4.14 shows that 47% of the respondents strongly agreed, 48% agreed and 5% disagreed.
4.5.9 Task Allocation

When the respondents were asked to indicate whether employee engagement enhances task and responsibility allocation in the company, Table 4.9 shows that 49.3% agreed, and 50.7% strongly agreed as shown in Table 4.9. It implies that employee engagement enhances task allocation and responsibilities in the organization.

Table 4.9: Task Allocation

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>33</td>
<td>49.3</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>34</td>
<td>50.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.10 Operational Efficiency

The respondents were asked to indicate whether employee engagement enhances operational efficiency in the organization, 55.2% agreed and 44.8% strongly agreed as shown in Table 4.10. This implies that employee engagement enhances operational efficiency.
Table 4.10: Operational Efficiency

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>37</td>
<td>55.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>30</td>
<td>44.8</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6 The Effect of Organizational Culture Practices on Business Performance

This study sought to determine the effect of organizational culture practices on business performance. The findings are presented as follows:

4.6.1 Adaptability Culture and Commitment

When the respondents were asked to indicate whether adaptability culture enhances commitment towards new ways of doing things, Table 4.11 shows that 58.2% agreed and 41.8% strongly agreed. It implies that adaptability culture enhances commitment towards new ways of doing things.

Table 4.11: Adaptability Culture and Commitment

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>39</td>
<td>58.2</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>28</td>
<td>41.8</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.2 Adaptability Culture and Strategy Implementation

When the respondents were asked to indicate whether adaptability culture is crucial for strategy implementation, 51% strongly agreed and 49% agreed as shown in Figure 4.15. It implies that adaptability culture enhances strategy implementation.
4.6.3 Communication

The respondents were asked to indicate whether adaptability culture enhances communication across the organization, 1.5% disagreed, 3% were neutral, 43.3% agreed and 52.2% strongly agreed as shown in Table 4.12. It implies that adaptability culture enhances communication across the organization.

Table 4.12: Communication

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>29</td>
<td>43.3</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>35</td>
<td>52.2</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>
4.6.4 Creativity

The respondents were asked to indicate whether entrepreneurial culture enhances creativity in the organization, 1.5% strongly disagreed, 3% disagreed, 38.8% agreed and 56.7% strongly agreed as shown in Table 4.13. It implies that entrepreneurial culture enhances creativity in the organization.

Table 4.13: Creativity

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>26</td>
<td>38.8</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>38</td>
<td>56.7</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.5 Entrepreneurial Culture and Innovation

When the respondents were asked to indicate whether entrepreneurial culture enhances new innovation, 43% agreed and 57% strongly agreed as shown in Figure 4.16. It implies that entrepreneurial culture enhances new innovations.

Figure 4.16: Entrepreneurial Culture and Innovation
4.6.6 Participative Decision-Making

The respondents were asked to indicate whether entrepreneurial culture enhances participative decision-making, 52% agreed and 48% strongly agreed as shown in Figure 4.17. This implies that entrepreneurial culture enhances participative decision-making.

![Participative Decision-Making](image1.png)

**Figure 4. 17: Participative Decision-Making**

4.6.7 Mission Culture and Strategic Plan Implementation

When the respondents were asked whether mission culture enhances implementation of a strategic plan, 3% disagreed, 45% agreed and 52% strongly agreed as shown in Figure 4.18. It implies that the mission culture enhances implementation of strategic plan.

![Mission Culture and Strategic Plan Implementation](image2.png)

**4.6.7 Mission Culture and Strategic Plan Implementation**
4.6.8 Company’s Mission

When the respondents were asked to indicate whether a mission culture helps the company achieve its mission, 54% agreed and 46% strongly agreed as shown in Figure 4.19. This implies that a mission culture helps the company achieve its mission.

Figure 4. 19: Company’s Mission

4.6.9 Company’s Vision

When the respondents were asked to indicate whether mission culture helps the organization in achieving the company’s vision, 48% strongly agreed, and 52% agreed as shown in Figure 4.20. It implies that mission culture is crucial for achieving the company’s vision.
4.6.10 New Ideas

The respondent were asked whether mission culture enhances new ideas in the organization to achieve the company’s vision, 3% disagreed, 50.7% agreed and 46.3% strongly agreed as shown in Table 4.14. It implies that mission culture encourages generation of new ideas that are crucial for the company to achieve its vision.

Table 4.14: New Ideas

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>34</td>
<td>50.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>31</td>
<td>46.3</td>
</tr>
<tr>
<td>Total</td>
<td>67</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.7 Correlation Analysis

This study conducted a correlational analysis to determine whether the relationships between the independent variables and dependent variable existed. A correlational analysis was carried out using strategic planning, strategy implementation and organizational culture practices as independent variables and business performance as the
dependent variable. The findings show that strategic planning had the strongest relationship with business performance, r (0.504); p-value < 0.01. A statistically significant relationship was established. The relationship between strategy implementation and business performance was also statistically significant, r (0.316); p-value < 0.01. Finally, the relationship between organizational culture practices and business performance was also statistically significant, r (0.377); p-value < 0.01 as presented in Table 4.15.

**Table 4.15: Correlational Analysis**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Correlations</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Performance</strong></td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Planning</strong></td>
<td>Pearson Correlation</td>
<td>.504**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.098</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>67</td>
<td>67</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Strategy Implementation</strong></td>
<td>Pearson Correlation</td>
<td>.316**</td>
<td>.003</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.009</td>
<td>.980</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>67</td>
<td>67</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td><strong>Organizational Culture Practices</strong></td>
<td>Pearson Correlation</td>
<td>.377**</td>
<td>.321**</td>
<td>-417**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.002</td>
<td>.008</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>67</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
</tbody>
</table>

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

**4.8 Regression**

Regression analysis was carried out to determine the relationship of all the study variables when combined. The findings show and adjusted R square of (0.384), implying that about (38%) variability in business performance is attributed to strategic planning, strategy
implementation and organizational culture practices as shown in Table 4.16. The remaining (62%) variability on business performance was attributed to other factors that were not examined by this study.

**Table 4. 16: Regression Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.642&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.412</td>
<td>.384</td>
<td>.11469</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Organizational culture practices, Strategic Planning, Strategy Implementation.

b. The Analysis of Variance was performed with the aim of examining whether the means of the variables were statistically significant. The findings in Table 4.17 indicates statistically significant variables, \( F_{(3,63)} = 14.727; \) p-value < 0.000 (P-value < 0.01). Therefore, the means of the variables are statistically significant.

**Table 4. 17: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.581</td>
<td></td>
<td>14.727</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>.829</td>
<td>63</td>
<td>.013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1.410</td>
<td>66</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Business Performance
b. Predictors: (Constant), Organizational Culture Practices, Strategic Planning, Strategy Implementation

The coefficient model in Table 4.18 shows that organizational culture practices had the highest Beta coefficient $\beta (0.613)$; p-value = 0.000; followed by strategy implementation with Beta coefficient $\beta (0.571)$; p-value = 0.000 and finally strategic planning Beta coefficient, $\beta (0.436)$; p-value = 0.037. The p-values are < 0.05, therefore statistically significant.

Table 4.18: Coefficients Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardize Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.783</td>
<td>.593</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>.004</td>
<td>.082</td>
</tr>
<tr>
<td>Strategy Implementation</td>
<td>.443</td>
<td>.084</td>
</tr>
<tr>
<td>Organizational Culture Practices</td>
<td>.385</td>
<td>.071</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Business Performance
4.9 Chapter Summary

Chapter four presented the results and findings gathered from the target respondents involved in the study. Major findings of the study shows that strategic planning had the strongest relationship with business performance, $r (0.504); p$-value $< 0.01$. A statistically significant relationship was established. The relationship between strategy implementation and business performance was also statistically significant, $r (0.316); p$-value $< 0.01$. Finally, the relationship between organizational culture practices and business performance was also statistically significant, $r (0.377); p$-value $< 0.01$. Chapter five presents the discussion, conclusion and recommendations of the study based on the findings.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter offers a summary, discussion, conclusion and recommendations of the study. The first part of the chapter presents the summary, followed by the discussion on the effect of strategic planning on business performance, the effect of strategy implementation on business performance, and the effect of organizational culture practices on business performance. The conclusions and recommendations of the study are also presented in the same order.

5.2 Summary
The purpose of this study was to establish the effects of strategic management practices on business performance of Small and Medium-Sized Enterprises (SMEs) in Mogadishu. This study was guided by the following research questions: What is the effect of strategic planning on business performance of SMEs in Mogadishu? What is the effect of strategy implementation on business performance of SMEs in Mogadishu? What is the effect of organizational culture practices on business performance of SMEs in Mogadishu?

This study used descriptive survey research design to effectively address the research problem. This study had a population of 120 managers and supervisors working in SMEs in Mogadishu. The study had a sample of 92 respondents. A structured questionnaire was used in primary data collection. Data analysis used both inferential and descriptive statistics. Analysis was done using Statistical Package for Social Sciences version 24 and findings were presented using tables and figures.

The first research question examined the effect of strategic planning on business performance of SMEs in Mogadishu. The major factors that the study investigated to identify their effects on strategic planning were Strategic Plan and Vision, environmental Scanning and Strategic Opportunities, Strategic Planning and Company’s Overall Direction and others. After analysis and evaluations the study concluded that there is a significant relationship between strategic planning and business performance, \( r (0.504); p\text{-value} < 0.01. \)

The second research question assessed the effect of strategy implementation on business performance of SMEs in Mogadishu. It looked at the factors; resource Allocation and
Accountability, resource allocation and Company’s Expenditure, resources and Strategy implementation, risk management practices and employee engagement. The study was trying to demonstrate how these factors are related to strategic implementation and their impact. The findings of the work illustrated that there is a statistically significant relationship between strategy implementation and business performance, r (0.316); p – value < 0.01.

The third research question looked at the effect of organizational culture practices on business performance of SMEs in Mogadishu. This research question was broken down into adaptability culture, entrepreneurial culture and mission culture and the study investigated how these factors affect the business performance of SMEs in Mogadishu. The findings showed that there is a significant relationship between organizational culture practices and business performance, r (0.377); p-value < 0.01.

5.3 Discussion

5.3.1 The Effect of Strategic Planning on Business Performance

This study sought to examine the effect of strategic planning on business performance. Major findings of this study revealed a statistical significant relationship between strategic planning and business performance. These findings agree with Anyieni (2013) who argues that business owners need to understand how small and medium-sized enterprises can be run in order to enhance their marketing and financial performance. For these companies to compete effectively, strategic management experts encourage companies including small and medium-sized enterprises to apply various strategic management practices. According to Omsa, Ridwan and Jayadi (2017), the increasingly dynamic market conditions and commercial competitiveness among organizations encourage business owners, including small and medium-sized enterprises in Indonesia as well as other parts of the world to acknowledge how businesses should be managed strategically.

This study also revealed that strategic planning enables a company to exploit future opportunities in the business environment. The findings agree with Dutot and Bergeron (2016) indicating that strategic planning helps companies to take advantage of future opportunities and how to effectively address threats that are likely to come along with opportunities. Strategic planning takes environmental turbulence into consideration and
gather all the necessary information by altering the company’s strategies and plans as the need arises. Blackburn, Hart and Wainwright (2013) views the process of strategic planning as the process of developing strategies that might contribute to business performance. This can be done by generating all relevant information that brings a better understanding of the environmental factors in order to reduce uncertainty that is strategic awareness which implies as the firm’s ability to assess the total implication of any change.

This study has established that environmental scanning enables the company to match their strengths and opportunities in the business environment. Chahal, Dangwal and Raina (2016) look at environmental scanning is the process that systematically surveys and interprets relevant data that are essential in identifying the external opportunities, environment is assessed based on political, economic, ecological, legal, social and technological trends that influence a business, the industry and the entire market as a whole. They further argue that the organization is able to gather information by considering environmental scanning of events, trends, issues and the expectations of different interest groups. Organizations then respond to this kind of information by changing their strategies and plans when the need arises. This is can be achieved by having a strategic plan in place that incorporates the aspect of the business environment in which it operates (Auka & Langat, 2016).

The findings of this study revealed that strategic planning enables the organization to formulate organizational direction that is crucial for its success. The findings confirm with Temtime (2013 suggesting that strategic planning is crucial for small and medium-sized enterprises as it offers them a sense of direction for a sustainable growth. With an interpretation of information that is gathered during environmental scanning, managers of SMEs are able to determine the direction in which their companies should move. According to Auka and Langat (2016) Managers are also able to determine the firm’s mission and vision and they can be incorporated within the framework of the company’s philosophy and used as a context for development and the evaluation of the intended company strategies. Business managers can overemphasize the significance of clear vision and mission if the firm is not certain where it is headed in the business environment.
The findings of this study revealed that strategic planning encourages formulation of a vision to clearly define the purpose of the organization. Donkor and Kwarteng (2018), state that the mission has the purpose for which the firms exists by reflecting the types of product and services that it produces, who its customers tend to be and the important values that it holds. The mission is based informational analysis of information gathered through environmental scanning while the vision defines the firm’s purpose in terms of the company’s values rather than the bottom line variables. The vision statement also communicates both the values and the purpose of the organization (Dauda, Akingbade, & Akinlabi, 2010). Indeed, mission and vision statements are embodiments of the company identity and tend to carry the motto and creed hence called the statements of creed (Maroa, 2015).

Auka and Langat (2016), argue that visionary companies tend to display a powerful drive of progress that enables them to change and adapt strategic management practices without compromising their cherished core ideas that put them on business. These companies enjoy a long-term performance due to the fact that having a vision and a clear organizational direction enhances performance throughout the entire organization. Crema et al (2013) state that; visionary companies can develop strategic thinking under a well-defined entropic dimension. The vision encapsulates a guiding philosophy or ideology of the business and expresses the values, its purpose and the direction through business objectives which are targets towards organizational directs and its efforts.

5.3.2 The Effect of Strategy Implementation on Business Performance

This study sought to examine whether strategy implementation influences business performance. The findings of the study revealed a significant relationship between strategy implementation and business performance. The findings are in line with Rinaldo and Solimun (2017) with their view on strategy implementation as a series of sub activities that are primarily administrative with the aim of determining how resources of the organization should be mobilized to accomplish its strategy in a cohesive manner. Anyieni (2013) strategy implementation refers to the process of allocating resources in order to support the chosen strategies. The process consists of various management activities that are necessary to put the strategy in motion, instate strategic controls that can monitor the progress and ultimately achieve organizational goals.
Sushil (2018) the implementation process of strategy covers the entire managerial activities such as the aspects of motivation, compensation, control process and managerial activities. Despite formulating consistent strategy being a difficult task for any management team, making the strategy a success and implementing it throughout the entire organization is even more difficult. According to Yoshikuni and Albertin (2018) a myriad of factors that can potentially affect the process by which strategies are turned into organizational action. Strategy implementation unlike strategy formulation process is always seen as something of a craft as opposed to science and its research has previously been described as eclectic and fragmented. An effective strategy implementation process should always achieve the future direction of the organization, design internal action approaches, and make strategic choices and priorities, deal effectively with changes in the organization and uncertainties in external environment, building team spirit and expertise based on resources, people and processes and developing effective strategies to improve organizational performance (Donate & Canales, 2012).

The findings of this study revealed that resource allocation enhances effective use of both financial and non-financial resources in the organization. These findings are in line with Nsrati and Karimi who defined resource allocation as the quantitative plan which sets out the company’s sources and application of funds within a specified period of time most often within a year. Herath, Bremser and Birneberg (2014) suggests that once the company has developed its short-term plan to help it achieve a selected strategy in the long run, it can easily project the operating and financial consequences of the plan within a short-term planning period. The managers in charge of strategy implementation are concerned with developing estimates of cash flows and resources requirements so that they can plan to meet the capacity as well as financing requirement in a systematic way during strategy implementation in the organization. According to Alidris and Mohamed (2012) resource allocation is pegged into strategic corporate plan of the organization which highlights the company’s long-term plan to achieving strategic goals that have been set. A strategic plan of any organization covers a longer period of time, for instance three to five years.

The findings of the study show that employee engagement enhances task allocation and responsibilities in the organization. The findings confirm with Martins and Nienaber (2018) indicating that employee engagement is about the individual behavior of complimenting or surpassing of organizational goals. Despite employee engagement
being personal and not an organizational choice, it is an approach used by the organization to supervise their staff rather than a psychological state experienced by employee in the performance of their work. According to Halm (2011) organizations prioritize external aspects of employee engagement by transforming policies or making the physical environment more conducive and aligning their performance management systems to the changing environmental factors. These kind of organizations might pride themselves for having superior strategies, resources and excellent strategy execution capabilities due to the appropriate employee engagement practices that the company undertakes and can operate in confidence that strategy implementation process will be achieved through their dedicated and committed staff (Agwu, 2018).

5.3.3 The Effect of Organizational Culture on Business Performance

This study sought to examine the effect of organizational culture on business performance. The findings of this study found out that there exists a statistical significant relationship between organizational culture and business performance. The findings are in line with that of Berson, Dvir and Oreg (2008) investigated the CEO values, organizational culture and the firm outcomes. Their findings indicated that organizational culture had a positive association with the company sales growth as well as innovation. Testa and Sipe (2013) conducted a study on organizational culture audit and organizational performance in the service industry. Their findings indicated that a compelling organizational culture was imperative for companies that seek competitive advantage over their competitors in the long run. Yildirim, Acaray and Candan (2016) argue that organizational culture forms in response to the need for external adaptation and survival as well as internal integration. External adaptation and survival involve finding a niche to enable the organization to cope with the changing environment. Internal integration entails development of language and concepts, group and team boundaries, power and status as well as rewards and punishment in order to establish and maintain effective working relationships among the members of an organization (Wang D. , 2015).

The findings of this study established that organizational culture is crucial for successful strategy implementation. These findings confirm with Fortado and Fadil (2014) arguing that there should be a good alignment between cultural norms and the behaviors needed for good strategy execution; if there is misalignment then culture becomes a hindrance because the behaviors and actions are contrary to the set strategy. Culture bred resistance.
to actions and behaviors needed for good execution if widespread pose a formidable hurdle that has to be cleared for strategy execution to succeed. According to Harrison and Bazzy (2017) a tight culture strategy fit furthers an organization's execution of strategy, provides clear guidance on "how we do things around here", produces significant peer pressure to conform to the acceptable norms and promotes strong employee identification with and commitment to a company’s vision, performance targets and strategy.

The findings of the revealed that adaptive culture is essential for business performance of the organization. According to Yeh and Madsen (2016) adaptive culture, this is a culture characterized by strategic focus on the external environment through flexibility and change to meet customer needs. The culture encourages entrepreneurial values, norms, and beliefs that support the capacity of the organization to detect, interpret, and translate signals from the environment into new behavior responses. In adaptability the culture of risk taking is valued and rewarded. Harrison (2014) sees an adaptive organization as one whose roles are open to continual redefinition and where coordination is achieved by frequent meetings and considerable lateral communications. Siakas (2015) describes an adaptive cycle where managers solve three fundamental organizational problems that is entrepreneurial, engineering, and administrative.

The findings of this study have also revealed that entrepreneurial culture is essential for effective communication throughout the entire organization. According to Nesbit and Lam (2014) an entrepreneurial organizational set up seeks to open doors for communication. According to Anyieni (2013) organizations that create an environment where people can interact with each other, support and recognize each other’s efforts and provide positive rewards, makes employees aware of the direction of the company they are working for and facilitates strategy implementation. He further noted that treating employees with respect enables them to do their jobs to the best of their abilities. By challenging people to raise the bar, providing them with fun activities, keeping people informed and humanizing management, an organization gets a culture that allows the company to grow and flourish.

The findings of this study show that mission culture helps the organization define its purpose as well as their offering. According to Allison (2013) mission describes an organizations’ reason for existence. Nesbit and Lam (2014) found that mission is the most important cultural trait that today’s organizations need to focus on. In organizations
embracing mission culture, strategic leaders concentrate on establishing and communicating a clear mission and purpose for the organization and allowing employees to design their own work activities with this mission. Leaders play the role of coaches in giving general direction, but encourage individual decision-making to determine the operating details to execute the plan.

5.4 Conclusion

5.4.1 The Effect of Strategic Planning on Business Performance

This study sought to examine the effect of strategic planning on business performance. The findings of this study revealed that there exists a statistical significant relationship between strategic planning and business performance. Therefore, this study concludes that it is crucial for the organization to formulate a strategic plan that acts as a guide for their business activities in order to achieve the set targets. This study concludes that environmental scanning enhances exploitation of opportunities in the business environment in which the organization is operating in since the company is able to match their strengths with potential opportunities.

5.4.2 The Effect of Strategy Implementation on Business Performance

This study sought to establish the effect of strategy implementation on business performance. The findings revealed a significant relationship between strategy implementation and business performance. Therefore, this study concludes that strategy implementation should be supplemented by resource allocation activities. Allocation of resources will be useful in strategy execution since necessary resources are tied with activities that are key for strategy execution. This study also concludes that employee engagement enhance task allocation and responsibilities in the company. Through engagement employees get to understand what is expected of them in line with their job description and how they can effectively contribute in strategy implementation process.

5.4.3 The Effect of Organizational Culture Practices on Business Performance

This study concluded that there is a significant relationship between organizational culture practices and business performance. Organizational culture determines the values and norms that dictates how things are done within the company as well as how individuals behave towards each other. This study concluded that adaptability culture is
essential for the survival of organization as they are able to cope up with dynamic changes taking place in the markets. This study concludes that entrepreneurial culture is essential for business performance since it encourages creativity, innovation and effective communication as people get to interact and share their ideas for potential implementation in the organization.

5.5 Recommendations

5.5.1 Recommendations for Practice

5.5.1.1 The Effect of Strategic Planning on Business Performance
Since the study has established a significant relationship between strategic planning and business performance, this study recommends that SMEs should develop a strategic plan that is in line with their operations for future growth prospects. Strategic plan will guide the operations of the SMEs and get to know at what stage they should initiate key decisions such as expansion, mergers and acquisitions. This study recommends that the SMEs should undertake an effective environmental scanning in order to identify potential opportunities that they can pursue. This will also help the company to match their capabilities to the opportunities available while at the same time addressing potential threats.

5.5.1.2 The Effect of Strategy Implementation on Business Performance
This study has established a significant relationship between strategy implementation and business performance. Therefore, this study recommends that SMEs should carry out strategy implementation by allocating necessary resources to the activities that essential for strategy execution. Allocation of resources will help the organization to make use of the resources available to them and meet the objectives that the company has set. This study also recommends that for an effective strategy implementation the SMEs should engage their employees. This will enhance allocation of tasks and accountability since each employee is aware of their expectations and targets that they should meet.

5.5.1.3 The Effect of Organizational Culture on Business Performance
This study recommends that SMEs should develop an organizational culture that reflects their business model. This is crucial for the SMEs since organizational culture will dictate how things should be run in the company and how individuals should act towards one another in fulfilling the vision of the organization. This study recommends that the SMEs
should develop an entrepreneurial culture since this kind of a culture encourages creativity and innovation that is essential for a modern business to cope up with market dynamics as well as competition.

5.5.2 Recommendations for Further Studies

This study investigated the effects of strategic management practices on business performance of SMEs in Mogadishu. Further studies should be done in other sectors such as banking, manufacturing, tourism and hospitality and retail to establish the effects of strategic management practices on business performance.
REFERENCES


emerging context (India). *Journal of Research in Marketing and Entrepreneurship, 18*(1), 78-91.


APPENDICES

APPENDIX I: COVE LETTER

Dear Respondent

I am a graduate student studying at United States International University (USIU) Africa. I am carrying out a research as a fulfillment of the requirements for the award of a Masters in Business Administration specializing Strategic Management.

This questionnaire is made to help me collect information about Effects of strategic management practices on business performance of SMEs in Mogadishu, Somalia. It will take approximately 5-10 minutes. Thank you for your time.

Your participation is greatly appreciated.
APPENDIX II: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION
This section contains general questions. Kindly answer to the best of your knowledge

1. Kindly indicate your gender
   Male ☐ Female ☐

2. Kindly indicate your age range
   18-25 Years
   26-33 Years
   34-41 Years
   42-49 Years
   50 and Above

3. Kindly indicate the number of years you have worked in the company.
   0-2 Years
   3-5 Years
   6-8 Years
   9-11 Years
   Above 11 years

4. Kindly indicate your job designation
   Manager
   Supervisor
SECTION B: STRATEGIC PLANNING AND BUSINESS PERFORMANCE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree =1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5

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<tr>
<th>No</th>
<th>Questions</th>
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<tr>
<td>5</td>
<td>Your company has created a strategic plan to achieve its vision.</td>
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<td>6</td>
<td>Your organization conducts environmental scanning to identify strategic opportunities.</td>
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<td>7</td>
<td>Your organization conducts environmental scanning to identify threats that may affect your operations.</td>
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<td>8</td>
<td>Environmental scanning is conducted to match the company’s internal strengths and external opportunities.</td>
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<td>9</td>
<td>Strategic planning enhances the company's overall direction.</td>
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<td>10</td>
<td>Having a sense of direction motivates you to work towards the organization’s direction.</td>
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<td>11</td>
<td>Having a sense of direction is crucial for your motivation and commitment.</td>
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<td>12</td>
<td>Having a sense of direction enhances your job satisfaction.</td>
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<td>13</td>
<td>Organizational direction enhances productivity within the company.</td>
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<td>14</td>
<td>Organizational direction enhances employee engagement in your company.</td>
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Any other comment on strategic planning and business performance in your company

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SECTION C: STRATEGY IMPLEMENTATION AND BUSINESS PERFORMANCE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree =1, disagree =2, neutral = 3, Agree = 4, strongly agree = 5

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<th>No</th>
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<td>15</td>
<td>Resource allocation in your organization enhances accountability.</td>
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<td>16</td>
<td>Resource allocation is crucial for your company’s expenditures.</td>
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<td>17</td>
<td>Resource allocation in your organization is crucial for successful strategy implementation.</td>
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<td>18</td>
<td>Resource allocation enhances the use of financial resources in your organization.</td>
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<td>19</td>
<td>Resource allocation enhances risk management practices in the company.</td>
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<td>20</td>
<td>Resource allocation enhances the use of non-financial resources in your company.</td>
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<td>21</td>
<td>Employee engagement is significant for successful strategy implementation in your organization.</td>
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<td>22</td>
<td>Employee engagement enhances your productivity.</td>
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<td>23</td>
<td>Employee engagement ensures accountability of tasks and responsibilities in your organization.</td>
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<td>24</td>
<td>Employee engagement enhances operational efficiency in the company.</td>
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Any other comment on strategy implementation and business performance in your company

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SECTION D: ORGANIZATIONAL CULTURE AND BUSINESS PERFORMANCE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5

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<thead>
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<th>No</th>
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<tr>
<td>25</td>
<td>Adaptability culture enhances your commitment towards the new ways of doing things in the organization.</td>
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<td>26</td>
<td>Adaptability culture enhances strategy implementation in your company.</td>
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<td>27</td>
<td>Adaptability culture is crucial for communication across the company.</td>
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<td>28</td>
<td>Entrepreneurial culture enhances your creativity.</td>
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<td>29</td>
<td>Entrepreneurial culture enhances new innovations within the company.</td>
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<td>30</td>
<td>Entrepreneurial culture encourages participative decision-making.</td>
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<td>31</td>
<td>A mission culture in your company enhances the implementation the strategic plan.</td>
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<td>32</td>
<td>A mission culture in your company encourages the achievement of the company’s mission.</td>
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<td>33</td>
<td>A mission culture encourages the achievement of the company’s vision.</td>
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<td>34</td>
<td>A mission culture enhances setting of goals in the company.</td>
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<td>35</td>
<td>A mission culture encourages new ideas in the company that is in line with the mission statement.</td>
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Any other comment on organizational culture practices and business performance

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