

**GROWTH STRATEGIES USED BY TOP 100 SMES IN BUSINESS
ENVIRONMENT IN KENYA**

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DECLARATION

This research project is my original work and has not been submitted for examination in any other University.

Signature Date

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This research project has been submitted with my authority as the university supervisor.

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ABSTRACT

The Small and Medium Enterprises (SMEs) in Kenya business environment have been essential to economic growth. They have employed the majority of the working population and also grown to be large companies in certain sectors. The growth strategies used by them thus are important to be known as these may then be used to aid the other small businesses in their growth. The study sought to determine strategies used by Top 100 SMEs in the business environment in Kenya. The study utilized a descriptive research design to test the hypothesis of the relationship that existed between growth strategies and level of growth achieved. The population for this study involved 100 SMEs as ranked in 2013 and data was from the firms. Data analysis incorporated descriptive statistics and inferential statistics (regression analysis). It was found that SMEs grew between 5 and 20% per annum. The most widely used strategies were diversification and market development. The relationship between the growth of companies and the strategy used was not established and thus the strategy used does not necessarily bring growth of a certain degree. The study also found out the SMEs changed the growth strategy to mainly enhance survival. The study recommends that SMEs should assess the appropriate growth strategy after looking at their environment to grow. This will allow them to grow within the business environment according to their current challenges and the opportunities which are available to them. The major limitation for this study was that the SMEs growth strategies that were identified were within a small sample and thus may not represent the entire SME sector. The study further recommends that future researchers should conduct research on corporate governance structure and impact of growth strategies on financial performance. This research also recommends researchers to establish whether the structure affects the growth strategies and help in funding of the SME by financial institutions based on them.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The growth of firms is dependent on what the company does with its resources and its interaction with the environment. A business will grow continuously if it is able to give value to its customers and manage its resources to enable it to profitably sell its products or services. Growth strategies aid a firm to move from its current sales and profitability level to a higher level. Growth strategies can be firm based such as diversification, concentration, and joint ventures, vertical or horizontal integration, mergers and acquisitions or product and market based as per Ansoff (1957) product and market growth strategies matrix.

According to Porter (1980) competitive environment encompasses rivalry among competitors, ease of substitution of products, buyers' and suppliers' bargaining power, as well as ease of entry. To compete effectively, a firm has to combine its resources and adapt to the environment. The dynamic capabilities theory explains sustainable competitive advantage as derived from the firm's ability to alter the resource base by creating, integrating, recombining and releasing resources (Eisenhardt & Martin, 2000). Based on Barney (1991), the resource based perspective of the firm explains a firm's ability to gain sustainable competitive edge through its core competencies. Game theory as per Neumann and Morgenstein (1944) is a theory of how rational choices can be made when the costs and benefits for each player depend on what other players do.

There is need to increase knowledge on the growth strategies used by SMEs as they continue to be central to the country's economy since they employ the most people and are key to growth of economy. SMEs eventually grow to big corporations while a lot of the SMEs remain at the same level and so it is worth to note how the SMEs who grow to be big firms do it and this would be through their growth strategies. A study on the growth strategies of the Top 100 SMEs in Kenya would aid in understanding the big SMEs and how they conduct their business in the Kenyan competitive environment.

The Government of Kenya, according to the 2008 economic survey, categorizes a business that employs 1 to 99 people as a small and medium enterprise. Small and Medium Enterprises (SMEs) are key to Kenya's economic growth. The enterprises in Kenya are associated with employment of a big percentage of the working population. According to Economic survey (2006) the industries employed more than 5.1 million jobs and created more than 50% of new jobs in 2005.

1.1.1 Concept of Growth Strategy

Growth strategies are those initiatives that businesses put in place to ensure they expand and fulfill their objectives. Some common mechanisms to measure a firm's size incline towards revenue, profits, alongside human and physical capital (Barkham et al., 1996). Strategies that enable a firm to increase its size may include diversification of products and markets, concentration, vertical integration and joint ventures (Pearce and Robinson, 1989). Growth strategies emanate from a firm's internal environment. They are a function of the firm's management assessment of what needs to be done with internal resources to exploit the opportunities available to the firm.

A firm's ability to maintain a competitive edge over its rivals can be explained by its dynamism or ability to adapt. It's this competitive advantage that enables a firm to grow due to added value given to the customers within the market. Growth strategies such as diversification must be accompanied by the ability to add value to the customers in the new markets for them to be effective. A firm should strive for continuous growth with the aim to increase or maintain its level of sales and profits to guarantee survival (Claver et al., 2006).

Growth can be construed to be from internal sources as per the resource based view (Collis and Montgomery, 1995) or the way a firm positions itself as per the industry structure (Porter, 1980). A firm may decide to grow through strategic fit by pursuing opportunities which fits its resources or have strategic stretch by leveraging its resources to achieve a greater output for its small resources. The growth can be said to be from core competencies which can be leveraged to fit any situation which the firm encounters as per the dynamic capabilities theory.

Growth strategies depend on many factors which affect the firm. The decision makers of the firm have a stake in deciding the way a firm is to grow. High growth is will probably vary as regards smooth growth, swift/organic growth, or acquisitions (Davidson & Delmar,2006). A firm's decision to take up any of the growth strategies may thus be focusing on the rate of growth that they expect. A firm may decide to take up the strategy that fits with market expectations thus if it's assumed there will be a big rise in demand for products or services it offers it may decide to take a strategy that enables it to grow fast such as a merger or an acquisition.

1.1.2 Competitive Business Environment

The competitive business environment is constantly changing and rivalry among players in any industry intensifies as the market grows or shrinks. Some aspects that affect the competitive environment are inclusive of the degree of competitive rivalry, market model and productivity, differentiation degree, and the expansion of market. Furthermore, the phase of the involved products' and services' life, economies of scale, capital intensity, and the regularity of new product unveilings could also have implications on the competitive business environment. (Pearce and Robinson, 1997). The competition makes some firms to pull out and others to grow to be dominant. Due to this dynamism, it has become paramount for businesses to be strategically fit to survive and grow. The action of one rival will usually affect the others as explained in the games theory.

Based on Ansoff and McDonnell (1990), thriving organizations continuously review their areas of operation as a strategy to spot potential discontinuities in line with parameters such as finance, competition, technology, and politics to avert any form of adversity on their operations. It is this ability to respond to competitive environmental changes that influence business expansion; also, the affected firm's strategies must thus encompass some flexibility to adapt to different scenarios in the market. The competitive business environment will have the five factors in Porter's (1980) competitive environment theory working to enhance a firm's competitiveness or to reduce it. Porter (1985) asserts that businesses gain much from the environment because it presents opportunities and challenges that ultimately spur effective decision-making.

Sources of competitive advantage encompass superior customer service, lowered costs, and high quality products (Montgomery and Porter, 1991). According to Johnson and Scholes (1997), it is difficult to imitate primary strengths because they are more robust; this implies that they are connected to management linkages. The sources of competitive advantage could be external, such as the emergence of new of markets or new strategic alliances to the firm such as the ownership of unique assets.

1.1.3. Top 100 SMEs in Kenya

The study will focus on SMEs from a cross section of industries operating from Kenya. The SMEs will be the top 100 SMEs as surveyed in the year 2012. This is a survey undertaken by the Business Daily, a publication of Nation Media and KPMG, an accounting and business consulting firm, to identify and recognize Kenya's fastest growing businesses within medium sized business segment. The survey has been ongoing since 2008. A top 100 company is one that has successfully maintained progressive growth in its market position, leading to a fairly sound financial position and good returns for its shareholders, employees and community over time (Muema, 2011). The survey recognizes firms that have not surpassed a turnover of shillings one billion. It showcases business excellence and entrepreneurship in the medium sized business segment (Muema, 2011).

The Top 100 SMEs survey had SMEs with revenues between 70 million to a billion shillings per annum and staff of more than 26 being 75% of companies and 50% of companies having staff of over 50 according to this therefore makes most of them to fit into the classifications. According to Jutla et.al (2002) SMEs contributed to 80% of the world's growth. The European Union has also found out that the SMEs contribute to more than 67% of employment and 58% of Gross Value Added (Edinburgh Group report, 2013). The proportion of employed persons in Kenya in SMEs was 74.3 in 2006 and 76.5 per cent in 2008 (Jitihada, 2010).The importance of SMEs to the World's and Kenya's growth cannot be thus overemphasized.

The Top 100 SMEs are recognized due to contribution's they have made during a particular year. They are a good representative of growth and would be the best to emulate for any SME that would be growing within the Kenyan business environment. According to Small bone, Leigh Northhigh, growth SMEs was different from other SMEs due to difference in approach to product and market development. The study will try to see if there is such a relationship within the Top 100 SMEs in Kenya.

1.2 Research Problem

Small businesses as Johnson and Scholes (2003) recognize are likely to operate in a single market or a limited number of markets, probably with a limited range of products or services and are also likely to be private. These factors usually compromise the ability of the business to change according to the needs in the competitive environment. There is a perception that most SMEs will be always ridden with the same environmental problems and will thus not survive and grow to be large corporations. Many if not most businesses start-ups have not survived after their first 5 years (Economic survey 2005).

The Top 100 SMEs have however achieved growth in their industries from being small to large and they have been able to sustain their growth and place in their industry. The top 100 SMEs in Kenya have already been surveyed against others and seen as successful against certain benchmarks such as ratios. They thus can provide strategies which have worked for SMEs in the Kenyan business environment. The Top 100 SMEs survey had SMEs with revenues between 70 million to a billion shillings per annum and staff of more than 26 being 75% of companies and 50% of companies having staff of over 50 according to Business daily 24th October 2011.

Methodological difference of the studies done with growth strategies by Mueni Mutiso (2013) focused on growth strategies in Nairobi University, which was a case study. Adoption of growth strategies by African Merchant Assurance Company Kenya limited by Kibet Robert (2013) was also a case study. Intensive growth strategies adopted by Total Kenya Limited in response to competition in the oil industry in Kenya by Midwa John which was a case study. . Growth strategies adopted by Barclays bank of Kenya by Olum Angela, (2010) was a case study. Growth strategies adopted by Cooperative bank of Kenya Muchiri Susan (2012) was a case study.

There have been studies looking at SMEs but they have had different concepts than that of growth strategies SMEs have used to expand their business. The absence of studies regarding mechanisms of growth in SMEs is evident limited interest in small firms, low availability of economic data, and the notion that small enterprises limited or no effort towards growth (Davidson, 1991: Oakey, 1993). Ghafoor and Iqbal (2007) studied the role of internet in the growth of SMEs. The study of growth of SMEs dependence on information systems and information was done by Levy and Powell (2004). This study hopes to enhance the body of literature by looking at businesses that have been successful in the same environment that has seen so many of them fail in the first few years.

There have been studies which were different in context. Njuguna, (2009) looked at the application of growth strategies by Athi River Mining Ltd. Kiilu, (2004) studied the application of Ansoff's growth strategies by internet service providers in Kenya. Ojunga (2007) surveyed market share growth strategies adopted by pharmaceutical companies in Kenya for branded prescriptive medicine. While Murigi, (2010) researched on growth strategies in ICT firms of the top 100 SMEs in Kenya the study of successful SMEs from a cross section of industries has not been done and this is a gap. Survey of growth strategies adopted by insurance companies in Kenya was by Yego K (2013) and growth strategies adopted by growth incubated start-up enterprises by Njoroge Wambui, (2016) were different in context.

The question of how best to have the SMES growing has not been well answered and there might not be one answer on how the businesses which are starting up and have been successful have used strategy to ensure their survival. The study aims to determine the growth strategies used by SMEs in the Kenyan business environment?

1.3 Research Objective

The study sought to explore common growth strategies that have enabled small and medium businesses to grow in the Kenya business environment.

1.4 Value of the study

There has been detailed research on small and medium enterprises and challenges they face, from research of groups funded by Government generated funds such as Youth and Women funds to ICT start-ups. This study has added to the knowledge about growth of SMEs to Government and other interested funding institutions and stakeholders. The study has increased knowledge of the business environment in Kenya which SMEs are working in and how to overcome the various challenges in the environment. The strategies have brought out the best practices which would enable small and medium businesses to try them and find out if they would work for them as they did for the successful firms.

The study has increased knowledge on how SMEs are using their competitive resources and the dynamism of those resources in the context of the Kenyan business environment. This study has increased knowledge of the working of Resource Based View and Dynamic Capability Theory in relation to SMEs in Kenya. The strategies used by start-ups to grow and survive would be of interest to strategic management scholars, as they would further add to the body of knowledge from which scholars have for start-ups and SMEs on the area of SMEs ability to grow and survive.

It will aid investors in realizing their desired returns by objectively reviewing the strategies, which a business is using versus what has been used successfully by enterprises' in Kenya. The investors would better understand the business environment and the way to maintain the value on their investment.

The study encompassed the SMEs expansion in relation to the growth strategies, which they have adopted within their environment. Their environment plays a big role in this and although they may not be aware of the method they are using to develop their strategy they are usually using already written theories to do this and they may also mix the strategies and change them. The study has a population of SMEs which uses a mixture of theories and strategies which may not be perfectly aligned

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section highlights the utilization of the dynamic capabilities theory, resource based view and game theories and then gives the relationship between growth strategies and competitive business environment and gives the link between the identification of the strategies with the competitive environment.

Generally, SMEs are perceived as the driving force of economic growth since they facilitate job creation and poverty alleviation. Gibson (2006) and Saucer (2005) explain that they are the means that have enabled the achievement of accelerated economic growth and rapid industrialization. Although the benefits of SMEs to a country's development are generally appreciated, the entrepreneurs face many obstacles that limit their long-term survival, growth and development. According to Arinaitwe (2002) research, indicate that small businesses growth in a country has shown that the rate of failure in developing world is higher than in the established countries. Saucer (2005); Monk (2000) explain that due to failure the SMEs should formulate both long term and short term strategies as a remedy for failure.

The SMEs serve a critical function in the Kenyan economy. Based on the Economic Survey (2006), the sector contributed to over 50 percent of new jobs created in 2005 and over 80 percent of jobs created in 2014 were dominated by SMEs. The Kenya Bureau of Statistics (2007) reveals that in every 5 commercial entities, 3 decline in the initial months of inception. This is despite their importance and significance in the economic sector of Kenya. Longenecker, et al. (2006) explain that this failure is attributed to the lack of planning, inappropriate financing and poor management. Oketch (2000) states that credit deficiency also constitute the most serious constraints facing SMEs and inhibit their growth.

SMEs do employ certain mechanisms, including fair pricing, special offers, discounts, superior customer service, provision of a range of services and products. The strategy is a planned effectively, purposeful and indicates the entire course of action to achieve certain or specific set goals. According to Thomson et al, 2007 he explains strategy as a lasting action plan created to attain a goal set by the management of the business and which finally becomes a success. Porter, 2006 states that a business usually develops strategies to push or help them gain a strategic initiative in the business environment. Strategies that are set up provide the business with opportunities for the business to deal with challenges in the operating environment.

For a business to be successful, it has to prioritize client needs. It has to be responsive to the customers' needs effectively and continuously improving quality of service delivery. Other factors contribute to the success and growth of SMEs. According to King and McGrath (2002), education is an essential aspect that positively impact to business growth. Those entrepreneurs who have large stocks of human capital and vocational training have an advantage to adapt their businesses to the constantly changing business environment. It is clear that the attainment of success does not rely on a magic bullet. Instead, business success emanates from adopting all the possible success-inclined strategies. The sale of different products and offering of various services is as important to a business as incorporating sound management of finances.

2.2 Theoretical Foundations

According to Mintzberg (1994), strategy is a plan, a ploy, a pattern, a position and a perspective. A growth strategy is used by a firm in anticipation of changes in environment that affect a firm in order for it to exploit the opportunities available. Hill and Jones (2001) perceive strategy as an action adopted by a company to attain its goal(s). Strategy is the best way for a firm to move forward and survive in a dynamic environment of operation. A firm uses strategy to stay ahead of competitors or to keep its position in the industry it operates in.

Business growth is explained in different ways such as value addition, revenue generation and expansion in relation to business volume. Kruger (2004), asserts that, it may also be measured in the quality of products, position in the market and the customers' goodwill. It is an important indicator of a flourishing business. Andrews 2001 explains 'Growth strategy' is a plan formulated and implemented for the expansion of a business performance in the market. The strategy might be for the internal or external growth of a business.

Barney (2002), argues that a business has different strategies to adopt in the creation and the sustenance of internal growth. The ability of a business to create, access and commercialize new knowledge in the market is important to their sustained competitiveness. The internal or organic growth is stimulated by the companies own efforts to use its resources to have more market share and sell more of its products or services.

2.2.1 Dynamic Capabilities Theory

According to Helfat et.al (2007), a dynamic capability is the competence of an organisation to create, extend or modify its resource base purposefully. The dynamic capabilities theory views the firm as the one having capabilities that are incremental, renewing and regenerative (Ambrosini, Bowman and Collier,2009) and thus able to give sustainable competitive advantage .From these capabilities firms have the ability of sensing ,seizing and transforming opportunity (Teece ,2011) throughout the life of a product or products by changing available products or service to add new value and eventually make the company to continuously grow through various initiatives which make its products or services different from their competitors.

The theory focuses on a firm's ability to renew its resource base. It encompasses dynamism of the resource base unlike the Resource Based View theory which views the resource base as static (Ambrosini, Bowman &Collier, 2009). The dynamism of resources enables a firm to have sustainable competitive edge.

Dynamic capabilities comprises of particular strategic and organizational process such as product development as well as alliancing and strategic decision, which prompts value creation within the dynamic markets by modifying resources into fresh value-creating strategies. They are crucial but insufficient conditions for competitive advantage. They can be used to foster available resource configurations to pursue lasting competitive advantage. According to Wernerfelt (1995), dynamic capabilities are resource-based perspectives. They are those specific human, physical and organizational assets that can be utilize to execute value-creating strategies.

They include the abilities or capabilities that are important to the competitive edge of a business such as advertising skills for consumer products businesses. Similarly, strategic decision making where the management pool their various business, functional and personal expertise to decisions that shape the major strategic moves of the firm.

2.2.2 Resource-Based View

The resource-based view theory views the firm as capable to have competitive advantage through resources in the company which are inimitable, add value, rare and not substitutable (Barney, 1991). According to Akio (2005), the theory looks at the internal resources of the firm. The less the resources are available within the industry the more the competitive advantage the firm with the unique resources has in relation to the competing firms.

The theory focuses on the potential of a firm to use its core competencies to outdo the competition. For example, a company with superior marketing capabilities which cannot be replicated will use the same to continuously sell its products and thus be much more competitive than its rivals. According to Wernerfelt (1984), it is possible to conceptualize a firm to uniquely incorporate both tangible and intangible resources and capabilities. A firm's growth would thus be much faster if it had this unique bundle of resources that would enhance its competitive advantage.

This is an influential theoretical model for comprehending the achievement and sustenance of competitive advantage in a business over time. According to Henderson & Cockburn (1994), the framework centers on the inner organization of a business. This is a complement of the traditional emphasis of strategy on a business structure and strategic positioning within that structure or the determinants of competitive advantage. Amit and Schoemaker (1993), explains that resource based view assumes that businesses can be conceptualized as bundles of resources are heterogeneously distributed across businesses and the resource differences persist over time.

When businesses demonstrate attributes such as rarity, inimitability, and non-sustainability, they can attain an effective competitive edge by implementation of fresh value-creating strategies that are not easily duplicated by competing businesses. Collis and Montgomery (1998) say that when such resources and their related activity systems complement one another, they are likely to create a sustainable competitive advantage.

2.2.3 Game Theory

Game theory as per Neumann and Morgenstein (1944) is a theory of how rational choices can be made when the costs and benefits for each player depend on what other players do. Game theory presents decision making in situations of competition. The formulation of a business strategy calls for one to know their company and its competitors.

According to Turocy and Stengel (2001), the determination of optimum strategy to handle varied situations is among the major objectives of game theory. It is essential to note that the game theory centers on the premise that that a firm's strategy impact will be affected by what the other firms in the environment do either as recourse to the firm's actions or on their own initiative. This interaction between firms in an industry will bring about growth to some firms while others may be stagnated depending on opportunities available.

Turocy and Stengel (2001) also state that a player's strategy can dominate another if has higher relatively higher payoffs, regardless of the actions of other players. It weakly dominates the other strategy if it is always at least as good. A firm with thus a dominating strategy will grow faster than the rest in the same industry. Camerer et al. (2001) went on to outline the game theory assumption that all players rely on analysis to believe in their potential, and choices. In addition, Osborne & Rubinstein (1994) highlighted that rationale and strategic reasoning is an assumption that motivates decision-makers.

2.3 Growth strategy and Competitive business environment

A growth strategy refers to a strategic plan formulated and implemented for expanding a firm's business. A growth strategy is planned by the management of the firm. Firms use growth strategies that enable it to expand so as to gain from advantages of being a bigger firm such as survival, economies of scale, profitability, prestige and power and influence of government policy. According to Brian (1996) evidence suggests that profit grown through increasing revenues can boost stock price 25 to 100 percent higher than profit grown by reducing costs. It is therefore viewed, as a better option in the environment than that of improving efficiency of operations.

Growth strategies can be organic or inorganic. The organic growth refers to the growth internal to the organization while inorganic refers to external growth. The choice of whether to use the internal or external growth strategies depends on the resources of the firm and the outlook for the industry. According to Pearce and Robinson (1989) growth strategies were a combination of the two sources of growth and included diversification of products and markets, concentration, vertical integration and joint ventures. Ansoff's (1957) product and market growth matrix has concentrated on internal ways of growing firms which are diversification, market penetration, product development and market development.

Porter (1980) has described the competitive business environment as comprising five factors that are bargaining power of buyers, barriers to entry, rivalry between existing competitors, threat of substitute products and bargaining power of suppliers. The competitive environment of a business is the part of a company's external environment that consists of other firms trying to win customers in the same market. It is the segment of the industry that includes all immediate rivals.

The impact of growth strategies in various competitive environments is dependent on use of resources within the firm and an environment which would allow the strategies to reap benefits for the firm. The competitive environment may have players who would neutralize the impact of the growth strategies of one firm as explained by the game theory. According to Porter (1996) there have been dramatic operational improvements in companies which do not create sustainable competitive advantage as they are easily imitated. According to him strategy is thus important to enable a firm to have a unique and valuable competitive position. Ability of the firm to adapt to different changing situations would enhance a firm's competitive advantage in light of the other players also strategizing to win more market share.

Understanding the core competencies of a firm is crucial as is the understanding of the industry which the firm operates. A firm may use its internal resources to grow within as per the resource based view (Barney, 1991) and continuously grow using its dynamism. However, may reach a point where the competitive environment reaches equilibrium as per game theory (Neumann & Morgenstern, 1944) such that for every new growth strategy it puts in place its competitors are able to deal with it and regain their market share. An example would be the use of Government funds to aid SMEs has which has not borne as much fruit as expected due to factors such as location of the businesses in urban areas (Kiraka, Ruth, Kobia, and Katwalo , 2013) due to saturation.

Constant scanning of environment by the firm would enable it to sense, seize and transform opportunities, which are available to it (Teece, 2011). The firms constant scanning of competitive environment results in decision making which gives rise to growth strategies formulation and implementation and thus increase in firm's size. This process would be easily repeated if the firm is able to regenerate its capabilities to suit the environment.

2.3.1 Growth strategies

Diversification according to Pearce and Robinson (1997) represents a departure from a firm's existing operations; typically, the internal generation or acquisition of a separate business with synergistic possibilities. It involves adoption of new products or movement to new markets with current products. It might be related or unrelated to current industry, competencies or value system. Thompson and Strickland (2003) contend that related diversification involves adding business whose value chain fits with the value chain of the current business while Johnson and Scholes (2004) indicate that diversification that exhibits disconnection occurs when an setting surpasses its current measures of value, sector, as well as its current competencies.

The components of market development, according to Doyle (1994), are inclusive of popular market products in the market that are mostly characterized by cosmetic-based changes to consumers in associated markets through the addition of varied distribution mechanisms or via modifying the promotional media. Market penetration is a strategy of expanding sales based on existing products in existing markets (Lancaster, 1988). This may involve additional distribution and marketing channels. Product development, according to Pearce and Robinson (2001) this strategy involves marketing new products to existing customers. The strategy involves pitching new products who are already loyal to the company's other products or developing new features for existing products to ensure continued use.

Mergers and acquisition involve combining two separate businesses to one (Chiplin & Wright, 1987), in the case of mergers the firms form a new firm and while an acquisition does not bring about a new one. Joint Development, according to Kiilu (2004) is development of growth strategy in conjunction with other parties. This may be in form of joint ventures, strategic alliances, franchising and licensing.

2.3.2 Porters Generic strategies

Porter (1980) put forth three generic strategies that can be used by a firm to gain competitive advantage in the industry it is in. The three, included cost leadership, differentiation and focus. The Porter's generic strategies have further been related to the environment which they would effectively work.

Table 2.1; Porters Generic Strategies

Target scope	Advantage	
	Low cost	Product uniqueness
Broad (industry wide)	Cost Leadership strategy	Differentiation strategy
Narrow (market segment)	Focus strategy (low cost)	Focus strategy (differentiation)

(Source Generic strategies Model Porter M.E 1980)

The literature review shows that different theories which have been studied point to a mix of factors which lead to success of firms in their quest to grow. Addition of value to owners or shareholders is the main motivator for growth. Executives in firms must thus analyze the environment and decide on the best way forward depending on resources, as explained by the resource based value Barney 1991 and dynamic capabilities theories, Helfat et.al (2007), the competitive environment as expounded by Neumann and Morgenstein (1944) in the game theory and by Porter (1980) in his competitive theory to find the best way forward for growing the size or profitability of the firm.

2.4 Empirical Studies

This section covers local and international studies that have been done in relation to growth of firms. The studies depicts the author(s), the year when the study was published, the title of the study, the place where the study was conducted, the methodology that was used and the results that were obtained. The studies are also in line with the arguments of the theories that support this study.

In 2012, Saleh conducted a study which was exploring the strategies adopted by Small and Medium Enterprises in Saudi Arabia found out that there was lack of a theoretically grounded and holistic view of strategic option, which had been adopted by these small and medium size companies. The study further stated that most researches focus on the role and importance of SMEs in the economy. Most references did not provide an in-depth analysis and integration of SME's strategy in the Kingdom of Saudi Arabia. On the other hand, Glenn H. Mazur (1998), in his research paper entitled strategy deployment for small and medium size enterprises found out that such companies often lack time and energy to implement strategic plans.

In a research paper entitled variety in strategic management, perceptions of strategy, a study of entrepreneurship in fast growth medium-sized firms which was presented during the strategic management society annual conference by Perks and Bouncken (2004), it was in found out that small and medium sized firms (SMEs) rarely utilize formalized strategic management concepts despite their strong contribution to the development. However, some fast-growing medium sized companies, entrepreneurs in Europe whose businesses had grown rapidly from small to medium size in terms of employment over a five-year period had typical and mixed strategic management styles.

Different stages of SMEs business required the strategic planning and it was observed that most of the units within SMEs in Pakistan are sick because of lack of planning strategies. The strategy however continuous strong growth is not necessarily one of the aims of an enterprise, then success has been measured in other ways (Rohra and Junejo,2009).While in a paper by Miroslav and Yanko (2010), on the impact of a firm's specific characteristics on the growth of SMEs in the central and eastern part of Europe, it was found out that the determinants of a fast-growing medium size company is related not only to the traditional determinant of size but also to other specific characteristics associated with its financial structure and productivity.

In a study conducted by Memba et al (2012), seeking to establish the impact of Venture Capital on the growth of medium size companies in Kenya, it was found out that that lack of finance was one of the main reasons why these companies do not perform well in most developing countries. The study collected data from the said companies before and after the use of venture capital finance. Memba et al (2012) also went further and established that these companies made significant growth after accessing the financing and recommended that other similar companies should follow suit to attain the desired growth.

From the literature review, it is clear that more focus on the link between growth strategies used by SMEs has extensively researched in internationally. However, more concentration has been laid upon whether the SMEs have strategies or not and if they have implemented them. In the Africa context, little focus has been given on the link between growth strategies and SMEs, more concentration has been laid on their performance and reasons for poor performance especially in developing countries.

The use of various methods such as Resource based view for growth and the Game theory have been explored with SMEs. This however impacts them as they scan environment and copy the various strategies which are being used by competitors to make their own growth plans. The SMEs also try to change the way they use their resources to ensure they grow and thus will be using dynamic capabilities theory to expand their size.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter reviews the method of conducting research that was employed by the researcher based on the following sub thematic areas as shown in the study; research design, population, data collection and data analysis. The data for the research was obtained and analyzed using the methodology spelt out in this chapter.

A research design aims to address effectively the defined or identified research problem using existing evidence. Research in social sciences gather essential information through the specification of evidence to effect hypothesis testing, program assessment, or accurate description and the assessment of meaning based on observation.

There are many ways to classify research designs. Social researchers ask two fundamental types of research questions Descriptive research designs constitutes a strategy to elicit responses to inquiries regarding aspects of research problems such as participants, location, and associations. In this regard, a descriptive research provides a viable mechanism to derive information on the existing parameters and subsequently offer a description of existing components in relation a particular situation's conditions. The other category of research design is explanatory design: it is utilized when there are limited or no hypotheses associated with a given research problem. In a way, it aims to present insights for future studies in the preliminary investigation phase of problems.

3.2 Research design

The study was a cross sectional survey. Thus it considered growth strategies used by the organizations at a certain time. The research is descriptive attempts to discover the common strategies as they are at one point in time. The adaptation of a survey research aims to collect facts from many firms (Sekaran 2006; Cooper and Schindler, 2006). In this study, a descriptive survey design is appropriate because its main objective entails data collection from several firms.

The design enabled the researcher to gain as much information as possible about various strategies that have enabled the firms to grow in the same environment at a particular point in time. This enhanced understanding of the environment and strategy interplay. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection (Glass & Hopkins, 1984).

The survey used a questionnaire, which enabled the respondents to give views on how they adopted various growth strategies. The questionnaires were administered by giving them to the respondents at their place of work. They were then collected after they were filled.

3.3 Population of the study

A population refers to an entire group of individuals, events or objects having common observable characteristic (Mugenda and Mugenda, 2003). The population of the study is the TOP 100 SMEs as identified by Nation Media Group and KPMG in the country. This implies that the total population of this study was the 100 firms.

A census was undertaken and 36 firms participated in the research. The firms covered were from the top 100 firms in the year 2013. This list was available in the TOP 100 SME website. A census enabled a diverse group of companies to give suitable strategies, which have worked for them and improve statistics on strategy implementation.

The 36 firms that participated represent 36% of the population and this is in line with Mugenda and Mugenda (2003) who state that a sample size of 10% to 30% is a good target for the portrayal of the whole population. As a rule of thumb to determine a sample size, Salkind (2005) proposes that a size of 30 to 500 is suitable for a majority of academic research. The number of firms that participated was therefore deemed as suitable for the study.

The study was had the low response rate due to the challenge that it took long to get responses and some firms did not fully complete the forms. The data collection method of pick and drop was limited due to the fact that respondents will sometimes fill the form inappropriately or at their own pace which may not suit the study. The willingness of the respondents to fill in the form also would reduce the number of firms which filled the form. The fact that the firms are not sure about the motive of the study would reduce response rate.

3.4 Data Collection

A questionnaire is suitable for the collection of primary data to foster the attainment of research objectives. Typically, a questionnaire contained open and closed questions linked with specific research objectives. (Cooper & Schindler, 2007). Data was collected using a questionnaire which was dropped at the various firms which had been chosen for the study and picked up later after they were filled.

The questionnaire had two main parts; General information about the company and interviewee, and questions on growth strategies formulation and implementation and their effects. The questionnaires were addressed to employees with knowledge of the business and growth strategies used by their firms. The employees included staff from various departments from sales to accounting who had been involved in strategy making of the firms.

The data collection was done with a structured questionnaire that enabled the data collected to be easily analyzed into patterns and trends. This enhanced the quantitative analysis of the research. While the questionnaires were distributed to over 60 firms only 36 provided feedback within the allocated time.

3.5 Data Analysis

For effective analysis, the research employed measures such as percentages, averages, and frequencies. More to the point, this study utilized specialized analytical tools such as SPSS (Statistical Package for Social Sciences). Also used was regression analysis to explain the association between mechanisms of growth and the expansion of Kenyan top SMEs. Mugenda and Mugenda (2003) believe that the regression method helps to reveal inter-variable connections.

This technique was useful as it allowed the researcher to discover and describe the strategy focus of various firms and sift through volume of data. The data was analyzed in a systematic way to come up with useful patterns, trends and relationships, conclusions and recommendations about the growth strategies used by Top 100 SMEs.

The study tested the level of statistical significance of the results at 95 percent to establish whether the model was a good predictor using Analysis of Variance (ANOVA) approach. The result of the test was below 5 percent, this implied that the variable was statistically insignificant in explaining the link between growth strategies and growth of SMEs.

The research was done in the best possible way by collecting the data, using a questionnaire, and encompassed every aspect for the growth strategies used by SMEs from formulation to adoption to implementation. The results were then analyzed to using SPSS software to give results which would be understandable and able to give answers to the research objective and thus deliver the objective of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

There are two types of data analysis; qualitative data analysis and quantitative data analysis. In qualitative research uses interviews, focus groups, experiments and involves the identification of familiar structures in responses and subsequently conducting their critical analysis to meet goals of the research. For quantitative studies critical analysis and interpretation of figures and numbers, and attempts to find rationale behind the emergence of main findings. Comparisons of primary research findings to the findings of the literature review are critically important for both types of studies – qualitative and quantitative.

Data analysis methods in the absence of primary data collection can involve discussing common patterns, as well as, controversies within secondary data directly related to the research area. The purpose of analyzing data is to obtain usable and useful information. The analysis, regardless of whether the data is qualitative or quantitative, may describe and summarize the data, identify relationships between variables, compare variables, identify the difference between variables and forecast outcomes.

The study aims to establish mechanisms of growth that Kenyan SMEs utilize. The target population comprised of top SMEs in Kenya. The data analysis was quantitative and 70 questionnaires were distributed for this study with 36 respondents providing their responses on time. The data was analyzed and presented using frequency tables, weighted means, standard deviations, percentages and depicted using tables and bar charts.

4.2 Results

Table 4.1 How long have you worked in your position?

Number of years	Frequency	Percentage
0-5 years	10	30.3
6-10 years	19	57.8
11-15 years	4	12.1
Total	33	100

Source: Primary Data, 2017

From the respondent's number of years, they have worked in their particular position it was found that most respondents have worked for more than 6 years with a rating of 57.8%. 30.3% of the respondents have worked in their respective position for less than 5 years. Only 12.1% of the sampled SMEs have worked for more than 10 years.

The graph shows that many of the staff who was interviewed had worked between 6 to 10 years while very few had worked for 11 to 15 years. The study therefore would have staff with enough knowledge on the firms, which were in the study.

Table 4.2 How involved in the growth strategies

Degree of involvement	Frequency	Percentage
Greatly involved	12	36.4
Moderately involved	10	30.3
Least involved	9	27.27
Not involved	2	6.06
Total	33	100

Source: Primary Data, 2017

The results revealed that most of the sampled SMEs in this study have greatly been involved in the SMEs growth development strategies with a rating of 36.4%. 30.3% and 27.27% of the

sampled SMEs have been moderately and least involved in the growth development strategies. 6.06% of the participants agreed that they have not been involved in the growth development strategies at all.

Table 4.3 The Company’s past five year growth in terms of revenue or volumes

Percentage of growth	Percentage	Frequency
Less than 5%	10	4
Between 5-10%	34	12
Between 10-15%	48	17
Between 15-20%	6	2
20% and above	2	1

Source: Primary Data, 2017

Company’s growth rate was considered for the past five year. The results revealed that 48% and 34% of the sampled respondents in this study revealed that their companies experienced between 10-15% and 5-10% growth rate respectively. Only 6% of the respondents’ experience growth rate of more than 15%.

Table 4.4 the growth strategy making process

Method of strategy making	Percentage	Frequency
Formal	15	5
Informal	16	6
Both informal and formal	31	11
Adapted from changes in environment	38	14
Non-existent	0	

Source: Primary Data, 2017

Most of the sampled respondents revealed that their growth making strategy relies mostly on changes in environment as well as formal and informal processes. 15% and 16% of the respondents use formal or informal processes in strategy development.

Table 4.5 The duration of the strategy

Frequency of change in strategy	Percentage	Frequency
1 year	4	1
2 years	16	6
3 years	8	3
4 years	30	11
5 years	42	15

Source: Primary Data, 2017

It's clear that on average most companies take more than 4 years in their strategy development process with a rating of 72%. Only 28% who manage to develop their strategy for less than 3 years.

Table 4.6 who are involved in growth strategy formulation?

Person involved in strategy formulation	Percentage	Frequency
Staff	55	20
Consultants	25	9
Directors	20	7
Total	100	36

Source: Primary Data, 2017

The findings revealed that 55% of the sampled respondents agreed that staff on large percentage are involved in the strategy development process with 25% and 20% of the participants in the development process been consultants and directors.

Table 4.7 the company usually scans the environment before making a strategy

Scale of scanning environment	Percentage	Frequency
Never	0	0
Rarely	20	7

Sometimes	42	15
Often	28	10
Always	10	4

Source: Primary Data, 2017

Most of the participants in this study revealed that their companies scan environment before engaging in strategy development process with a rating of 42%. 28% of the participants agreed that often they do scan environment before strategy development. 10% do always take caution to scan environment before strategy development commences.

Table 4.8 The Company has a resource that it deems to be superior as compared to competitors

Scale of superiority of resource compared to competitors	Percentage	Frequency
Totally disagree	20	7
Somewhat disagree	15	5
Neither agree nor disagree	35	13
Somewhat agree	10	4
Totally agree	20	7

Source: Primary Data, 2017

35% of the sampled participants revealed that they neither agree nor disagree that their company has more resources compared to their competitors. 20% agree with the fact that their company has more resource compared to their competitors.

Table 4.9 The company relies on the unique resource to outdo the competition

Percent of dependence on unique resource to outdo competition	Percentage	Frequency
20% of its business	20	7
40% of its business	55	20

50% of its business	20	7
80% of its business	5	1
More than 80% of its business	5	1

Source: Primary Data, 2017

55% of the sampled respondents agree that their company rely 40% of their unique resources to outdo the competition. 20% of the sampled respondents revealed that their companies use more than 50% of its business unique resources to outdo their competitors.

Table 4.10 Source of the unique resource mentioned by the company

Source of unique resource	Percentage	Frequency
Nurtured/grown within the company	10	4
Acquired	20	7
Both acquired and nurtured within the company	30	11
Realized through processes changes within the company	20	7
Is realized due to size of company	20	7

Source: Primary Data, 2017

30% of the participants in this study revealed that their companies acquire and nurture within the company. 20% revealed that their company resources is realized through processes changes within the company, from the company size or acquired from third party.

Table 4.11 Which percentage of resource are evident to the company and used to boost size of the company

Percent of business resources used to boost size of firm	Percentage	Frequency
0- 20% of the business	15	5
20-40% of the business	31	11

50-70% of the business	16	6
80% of the business	11	4
More than 80% of the business	27	10

Source: Primary Data, 2017

The findings revealed that 31% of the sampled participants agree that their companies spend 20-40% of their business resources to boost size of the company. 27% agree that 80% of their businesses resources are used to boost company size.

Table 4.12 What percentage of resources are ever changing to ensure the company is competitive

Percentage of change in resources	Percentage	Frequency
10% or less of resources	30	11
10-30% of resource	40	13
30-50% of resources	10	4
50-70% of resources	10	4
70% of resources	10	4

Source: Primary Data, 2017

70% of the sampled participants agree that less than 30% of their resources are ever changing to ensure companies competitiveness. 30% revealed that more than 30% of their resources have to be changed to ensure that the company remains competitive.

Table 4.13 Dynamic capability of resources

Dynamism of resources	10% of the time	10-30% of the time	30-50% of the time	50-80% of the time	80% of the time
The company analyses its competencies as a company are working in terms of growth of the company	4	8	5	5	14

The company changes the way it employs resources to ensure that the company's growth is not inhibited	8	11	4	6	7
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Source: Primary Data, 2017

40% of the sampled respondents revealed that their company spends 80% of their time to analyze their competitive position to ensure they meet the targeted growth. 15% of the companies spend more than 50% and less than 80% of their time to analyze their competitive position. 30% spends less than 30% to investigate their competitive position with their industry. 30% of the sampled respondents agreed that their companies change the way it employs resources to ensure company's growth is met.

Table 4.14 The Company ensures its resources remain dynamic in the face of ever changing environment

Ways of changing resources	Percentage	Frequency
Training of staff	22	8
Adapting new technology	16	6
Changing its policies and procedures as per environmental requirement	28	10
Copying competitors' tactics/strategies	34	12

Source: Primary Data, 2017

To ensure companies resources remains dynamic, 34% of the sampled respondents revealed that they copy competitors' tactics or strategies in order to remain dynamic. 28% of the respondents revealed that their companies change their policies and procedures as per the environment in order to remain competitive.

Table 4.15 The method which company scans the environment

Mode of scanning environment	Percentage	Frequency
Business intelligence unit	21	8
Staff on a regular basis	35	13

Consultants	20	7
Strategy team	20	7
Never at all	4	1

Source: Primary Data, 2017

76% of the participants in this study agree that their firms use business intelligent unit, employ staff on regular basis or use consultants to scan environmental requirements. 20% the respondents use strategy team to scan their environment.

Table 4.16 The Company reacts to strategies which are adopted by the competition

Reaction to strategies	Percentage	Frequency
With own strategies	46	16
Copies market strategies	10	4
By changing the strategies with new ones	14	5
By changing business process or product	20	7
Does not retaliate but continues with own strategies	10	4

Source: Primary Data, 2017

56% of the respondents agreed that their firms react to competitor's growth strategies by developing their own strategies or copying competitor's new strategies. 44% revealed that they react to competitors' strategies by replacing their old strategies with new ones, changing their business processes and products and retaliate and continue to use the same strategies.

Table 4.17 Strategies adoption

Change/adoption of strategies	10% of the time	10-30% of the time	30-50% of the time	50-80% of the time	80% of the time

How often does the company change its own strategies to ensure it protects or grows its market share when the competition change their own strategies?	14	12	41	13	10
How often are the strategies which are adopted picked from the competition	16	13	14	10	47

Source: Primary Data, 2017

64% of the sampled respondents in this study revealed that their companies often change its own strategies to ensure it protects or grows its market share when the competition changes. 71% of the participants indicated that their companies changed strategies are often picked from the competition.

Table 4.18 Challenges in implementation of growth strategies are brought by other stakeholders (customers, suppliers, competition)

Frequency of challenges	Percentage	Frequency
Never	0	0
Rarely	10	4
Sometimes	30	10
Often	50	18
Always	10	4

Source: Primary Data, 2017

90% of the sampled respondents in this study revealed that sometimes, often and always challenges experienced in the implementation of growth strategies are brought by other stakeholders especially customers, suppliers or competitors.

Table 4.19 How the company deal with such challenges

Methods of dealing with challenges	10% of the time	10-30% of the time	30-50% of the time	50-80% of the time	80% of the time
Preparing new strategies	10	15	8	12	55
Reworking old strategies	16	21	13	20	30

Source: Primary Data, 2017

67% of the sampled respondents revealed that they deal with challenges by developing new strategies while 50% agreed that they survive by reworking their old strategies to meet environmental requirements.

Table 4.20 What specific growth strategies do the company use and its impact?

Growth Strategies	Percentage	Frequency
Diversification	20	7
Market development	30	10
Joint ventures	16	6
Mergers	10	4
Acquisitions	8	3
Market penetration	6	2
Product development	5	2
Licensing	5	2

Source: Primary Data, 2017

76% of the sampled respondents in this study revealed that their company has previously used diversification, market development, and joint venturing strategy and merge to push their growth strategies. 24% of the respondents revealed that their companies have used acquisition; market penetration strategy, product development and licensing strategies maintain their company's growth levels.

Table 4.21 Specific market approach strategies

Market Approach Strategies	10% of its product	10-30% of its product	30-50% of its product	50-80% of its product	80% of its product
Cost leadership	10	20	16	21	33
Differentiation of product	9	22	20	35	14

Source: Primary Data, 2017

54% of the sampled respondents in this study use cost leadership for more than 50% of their products when approaching specific markets. 49% of the respondents use product differentiation for more than 50% of their product on new market development or specific market entry.

Table 4.22 How often do you change the growth strategies to ensure growth is kept at desired levels?

Frequency of change of strategy	Percentage	Frequency
Once or less every year	10	4
Twice every year	30	11
Thrice every year	40	15
Four times every year	15	5
Five times or more every year	15	5

Source: Primary Data, 2017

Most of the sampled respondents agreed that they change their growth strategies 3 times in years in order to keep growth at the desired level. 30% of the respondents change their growth

strategies at least twice in a year. 15% change their strategies more than 4 times in a year in order to maintain the same growth levels.

Table 4.23: What Is your growth strategy based on?

Basis for growth strategy	10% of the time	10-30% of the time	30-50% of the time	50-80% of the time	80% of the time
Company Growth	16	11	24	19	30
Protection of market share	22	10	20	28	20

Source: Primary Data, 2017

Most of the sampled respondents agreed that their growth strategy is based on company's growth where 80% of their time is used. 48% of the respondents agree that they use protection of the market especially where more than 50% of their time is used.

Table 4.24. What challenges do you face within the company and in the business environment in the process of growth strategy implementation?

Challenges in strategy implementation	Percentage	Frequency
Copying of strategies by competitors	34	12
Unresponsive customers	16	6
Government policies	25	9
Changes in technology	20	7
Lack of resources	5	2

Source: Primary Data, 2017

4% of the sampled participants indicated that the biggest challenge in their strategy implementation is copying of strategies by competitors. 16% and 25% agreed that unresponsiveness of customers and government policies influenced greatly their strategy

implementation. 25% agreed that rapid change in technology and lack of resources influences company's strategy implementation.

Table 4.25 How many times has the growth strategy with the biggest impact changed over the course of the last five years or the company's life?

Frequency of change of strategy	Percentage	Frequency
Once	20	7
Twice	30	11
Thrice	15	5
Four times	16	6
Five or more times	19	7

Source: Primary Data, 2017

30% of the respondents revealed that growth strategy with the biggest impact changed over the course of the last five years of the company's life has changed twice with 19% of the respondents indicating that growth strategy has changes for more than 5 times within the course of five years.

Table 4.26 What period have you had little or no growth even when employing growth strategies which usually work?

Period of little or no growth	Percentage	Frequency
1 year or less	26	9
1-2 years	10	4
3 years	10	4
4 years	20	7
5 years and above	34	12

Source: Primary Data, 2017

34% of the participants in this study revealed that they had little or no growth for more than 5 years even when employing growth strategies, which works. 26% of the respondents revealed that they had little or no growth even when employing growth strategies which usually works.

Table 4.27 What did you change for you to continue growing?

Element changed to	Percentage	Frequency
Location	10	4
Strategies	28	11
Staff	17	6
Capital invested	13	5
Products	32	12

Source: Primary Data, 20

32% and 28% of the sampled respondents revealed that they had to change their strategies as well products to continue growing. 30% of the respondents changed their staff and capital invested to remain on the competitive curve and remain growing.

4.3 Regression Analysis

Regression analysis will help us understand how the growth of SMEs in Kenya (dependent variable) changes with different strategies. In other words what happens to growth when strategy is varied, while the other independent variables are held fixed. The study used a regression model to test the hypothesis between growth and strategies of SMEs. The results are shown below.

4.3.1 Model summary

The model summary was set out to establish the model's goodness of fit. The results are shown in Table 4.28

Table 4.28 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.129 ^a	.017	-.012	4.016

Source: Primary Data, 2017

The outcome of table 4.3 above found that the R-square (coefficient determination) was 1.7 %. This implies that the strategy explained about 1.7% of the change in growth. 1.7% percent of the growth of SMEs in Kenya is due to growth. The relationship therefore between growth and profitability can be said to be low as per the results above.

4.3.2 Analysis of variance

Analysis was done to establish whether the model was significant in giving an explanation on the effect of strategy on growth of SMEs. The results are shown in Table 4.29 below which found that the model had predictive 34 values and thus it was significant. This was because its p-value was less than 5%, $p=.455$

Table 4.29 Analysis of

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.212	1	9.212	.571	.455 ^a
	Residual	548.427	34	16.130		
	Total	557.639	35			

variance a. Predictors: (Constant), Strategy

Source: Primary Data, 2017

4.3.3 Model Coefficients

Model coefficients provide unstandardized and standardized coefficients to explain the direction of the regression model and to establish the level of significance of the study variables. The results are captured in Table 4.30

Table 4.30 Model coefficients

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	16.633	1.410
	Strategy	-.407	.538

Model		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
					Beta	Lower Bound
1	(Constant)		11.793	.000	13.766	19.499
	Strategy	-.129	-.756	.455	-1.501	.687

Dependent Variable: Growth

Regression Equation ;Growth =16.663-.407x

Source: Primary Data, 2017

The results found that change in growth strategies is negatively related to growth of SMEs. This implied a change in strategy led to a corresponding decrease in growth. While a large percentage of firms used diversification and market development they did not grow by more than 15% per annum.

4.4 Discussion of results

Most of the respondents were involved in strategy making process and were in their position for more than five years. Thus, they were aware of how the company achieved growth. They were in a better position to give conclusive answers to the question on growth strategies of their firms. They were greatly or moderately involved in the strategy making process in the business. The results show that most companies growth lay between 5-15% per annum which compounded

would be very high. This shows that these firms are high in growth and would be ideal to review growth strategies used for growth in Kenyan business environment.

The strategy making process was mainly informal or formal although a large percentage also revealed that their strategies were mainly reactionary to the changes in environment. This is according to John Nash (1950) theory of equilibrium in game theory which states that all players choose actions which are best for them given their opponents' choices.

The duration of strategies is said to be mostly between 4-5 years. This however is not always followed, as sometimes the growth strategies were changed up to 5 times a year thus may not last a whole duration due to changes in environment or lack of effectiveness of two strategies. This is in conformity with Glenn H. Mazur (1998), in his research paper entitled strategy deployment for small and medium size enterprises found out that SMEs often lack time and energy to implement strategic plans. Staff were mostly used in making strategies probably to ease or understanding of business.

Consultants and directors were involved to a minimal extent. This is probably to give directions and advice on how and when to implement the strategies. According to Smallbone (1993) to grow successfully over a decade, firms also needed to advance their internal organizational structure in ways that enabled the leader of the firm to delegate responsibility for operational tasks to become more focused on strategic level functions. Challenges faced by SMEs in the implementation of strategies were mainly competition adopting their strategies. The government policies also gave a hindrance to growth. The companies also changed strategies at least twice in five years to ensure growth.

From the results, we can see that SMEs do not have a fixed way for formulating their strategies. They also do not use particular people or methods to do strategy formulation in that they use consultants, directors and staff to conduct the process. There seems to be a recurrent need to change the strategies and sometimes in a span of less than one year. This indicates to diverse ways of strategizing for growth in the business environment. This is in conformity with Perks and Bouncken (2004), study where it was found out that small and medium sized firms (SMEs)

rarely utilize formalized strategic management concepts despite their strong contribution to the development.

The SMEs also change their strategies dependent on the way the business environment is changing and if they are not getting their expected growth. The firms also do not change most of their resources as per the dynamic resource theory. They change their strategies according to strategies laid out in Porters (1980) generic strategies theory much more easily. The growth of SMEs also seems to be growing at between 5 to 15% and due to various challenges, they have sometimes not grown and have had to change their strategies to keep growing.

The SMEs growth strategies show a leaning towards market development and diversification in business environment. The two would seem to be the most effective and easily implementable for the growth of SMEs. The firms also used products and strategies to maintain their growth which point to growth being dependent on how the firms are positioning themselves and their products. This finding is in agreement with the Mascarenas et al. (2006) argument that business growth requires the expansion of a firm's current actions with a more prospective customer.

Diversification and market development are used which fits with game theory where firms were seen to copy competitors and change products to ensure they grow when faced with periods of no or low growth. According to Smallbone (1993), approach to the development of product and market is responsible for growth-based differences among firms. Business environment in Kenya therefore seems suited to growth strategy which, can be quickly changed to adapt to environmental changes. Market development would be part of this and diversification to accommodate changing needs of the environment. Smallbone (1993) stated that high growth firms demonstrated dynamism in the production aspect to support an active mechanism for market expansion.

Companies were scanning environment and reacting to it with use of staff and specific units or consultants. The firms reacted using their own strategies though the rest had to change to ensure they were competitive. The firms thus adopted game theory although they remained competitive by use of their strategies. If they changed the strategies, these were mainly from competition which probably seemed successful. According to Turocy and Stengel (2001), the determination

of the optimum strategy to deal with certain situations is among the principal objectives of game theory. Thus, this trait by SMEs conforms to this. The scanning of the environment was not done by majority of the firms probably due to lack of resources or the firm having already chosen a path to follow which would then be utilized without a check of competition or consumers focus. SMEs scope may be limited due to their geography and consumer viewing as scanning as not important.

For the firms the use of their resources dynamically to grow by aligning them to environmental need, was low as a large percentage of resources were not being dynamic. For majority of the firms only 30% of resources were dynamic. Although a large majority of the firms checked stated that they were using the resources correctly, they were not able to change the way they employ the resources to suit the changes in the business environment. This thus shows limited capability to be dynamic, as per Ambrosini, Bowman and Collier (2009) the dynamic capabilities theory works for a firm when the firm has capabilities that are incremental, renewing and regenerative. Over 50% were able to change the employment of resources up to 30% of the time.

The firms agreed that resources that they had were used by a large percentage to outsmart the competition. This shows an alignment to the resource based view theory: according to Collis and Montgomery (1998), when there is a complementary nexus between these resources and their related activity systems, their potential to incept sustained competitive advantage is improved. They admitted to having superior resources as compared to their competitors, this as per Barney (1991). It shows the method used were from firms which did emphasize on strategy making in a strict manner but as a way of survival or ensuring maintaining of their status as per game theory which shows a tendency to view environment and then make strategies. Based on Osborne and Rubinstein (1994), policymakers are knowledgeable about alternatives, which influence them to opt for deliberate courses of actions that occur after optimization.

In summary, periods which SMEs did not experience growth for a large percentage of up to 5 years, which, were then revitalized by changing of products and strategies such as diversification for growth to start again or continue. This is explained by Ansoff's (1957) matrix, which emphasized that growth was from diversification, market development and penetration, and

product development. Resource based strategies were also used by the firms to gain market share as per Akio (2005). The results show that while companies were growing there was need to have them scanning the environment and better adapting new strategies to continue growing.

The informality of strategy making also shows use of growth strategy with concentration on use of game theory concepts. This is in line with game theory as per Neumann & Morgenstein, (1944) in terms of point of equilibrium where the firms had to continuously change strategy in order to regain market share. The firms did not seem able to aptly change large parts of their resources to continuously grow per the dynamic capabilities theory explained by Teece (2011).

According to the regression analysis there is no correlation between particular growth strategies and the growth of firms. This point to the fact that implementing a particular strategy for growth may not necessarily work in the environment. It also shows another factor influences the growth apart from growth strategies. The correlation equation and predictive value show that the SMEs may be growing due to strategies but other factors are more significant to their growth.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study seeks to determine growth strategies adopted by top SMEs in Kenya. From the analysis, the findings revealed that most of the sampled SMEs in this study have greatly been involved in the SMEs growth development strategies. The results also revealed that most companies have experienced more than 10 percent growth rate while some experience growth rate of more than 15 percent on average of which growth making strategy relies mostly on changes in environment as well as formal and informal processes.

The findings also revealed that most of the staff on large percentage are involved in the strategy development process with most of them been consultants and directors. The findings also revealed that their companies scan environment before engaging in strategy development process using their unique resources to outdo the competition. Most companies acquire and nurture their resources within the company while some resources are realized through process changes within the company or acquired from third party.

The findings revealed that most of their companies spend their resources to boost size of the company. The findings showed that companies spend most of their time to analyze their competitive position to ensure they meet the targeted growth while other companies spend their time to change the way it employs resources to ensure companies' growth is met. To ensure companies resources remains dynamic, most of the companies copy their competitors' tactics or strategies while some companies change their policies and procedures as per the environment in order to remain competitive.

Most of the companies sampled in this study agree that their firms use business intelligent unit, employ staff on regular basis or use consultants to scan environmental requirements while others use strategy team to scan their environment. Companies react to competitor's growth strategies by developing their own strategies or copying competitor's new strategies or by replacing their old strategies with new ones, changing their business processes and products and retaliating and continue to use the same strategies or often change its own strategies to ensure it protects or grows its market share when the competition changes.

The hypothesis testing for the growth strategies showed negative correlation between the growth strategies and the level of growth in the SMEs. The constant shows there is a factor(s), which influence growth apart from growth strategies. The effect of growth strategies on SME growth was seen as insignificant as it was less than 5% due to a predictive value of .455. The

two hypothesis tests thus give indication of factors, which were not studied in this research that would cause SMEs to grow.

5.2 Conclusion

Clearly, the findings revealed that sometimes, often and always challenges experienced in the implementation of growth strategies are brought by other stakeholders especially customers, suppliers or competitors and they are not internally developed. Companies deal with challenges by developing new strategies or by reworking their old strategies to meet environmental requirements or adopt diversification, market development, and joint venturing strategy and merge, acquisition; market penetration strategy, product development and licensing strategies to maintain their company's growth levels.

It's clear that frequently most companies change their growth strategies 3 or 2 times in a year in order to keep growth at the desired level. Most of the sampled respondents agreed that their growth strategy is based on company's growth and use protection of the market especially where more time is spent. Key challenges indicated in this study include copying of strategies by competitors, unresponsiveness of customers, rapid change in technology, lack of resources and government policies which influence greatly strategy development process and implementation.

The results also revealed that most companies had little or no growth for more than 5 years even when employing growth strategies and thus that they had to change their staff and capital, strategies as well as products in order to continue growing remain on the same or better competitive curve.

5.3 Recommendations

The study recommends that clear regulations should be set aside to address key critical challenges arising on the SMES performance particularly during and after growth strategies development and implementation by developing structure to ensure policies provide adequate responses to all available concerns to ensure efficiency.

Government should in addition have clear framework on how rules and regulations are made and the protocol to be followed to make sure the right policies at the right time are made to boost SMEs performance. This will enable to minimize any unanticipated losses due to stringent regulations. Apart from funding government should invest in learning centres for SMEs or courses in institutions which are more suited to SME growth to minimize the large percentage of failures.

Academicians should research the SMEs in more detail to understand further how they grow without aligning themselves with any particular growth strategy and yet are the biggest drivers of growth in the economy. Game theory researchers should take a further look into the SMEs to find if there are further traits that could be added to the theory to make it more aligned to the SMEs. The fact that SMEs were reacting to competitor's strategy without proper scanning and still growing shows that there is room for more theoretical alignment to the game theory.

SMEs should assess in general the benefits accrued from adopting or getting the right strategies to ensure they implement the best activities required to boost their performance in relation to their investments. This can be achieved by more scanning of environment and reacting to the competitions strategies with better strategies and use of services such as incubators to ensure they are given the support to survive in the harsh business environment, which has seen a majority failing or not growing

5.4 Limitations of study

There were several limitations faced during the study. Firstly, the study covered a relative short period. Therefore, the trend exhibited in the output may not adequately represent the actual reality on the ground.

Secondly, the study was for 36 SMEs which is quite a small sample considering the number of SMEs in Kenya. This was occasioned by lack of consistency in activities in some SMEs that were in our sample selection criteria. Most SMEs in the Top 100 SMEs did not respond to the questionnaire sent thus reducing number of our sample.

Another limitation was that the study used primary data. Being in a developing country, economic environment is likely to change due to political factors and changes in the economic drivers thus the trend might not be the same in the future. The use of secondary data may give a better picture of growth strategies, which SMEs use.

There was a limitation of the method of data collection which brought about a low response rate. The pick and drop method was seen as time consuming and thus requirement to do the study with a different method such as interviews or interview guide.

5.5. Suggestions for Further study

As this study provides a detailed analysis on the growth strategies development, it can be helpful to SMEs and managers in understanding the behaviour of institutions concerning corporate governance strategies and regulations. This will help to emphasize issues regarding how to make strategies, processes and follow through on the strategies to ensure good corporate governance.

This study can be further expanded in future in other areas like impact of merger/acquisitions, change in regulations and their impact on SMEs. Changes in regulations such as increases and omissions and changes can also be studied. The studies would encompass the effect of current regulations in regards to different growth strategies such as mergers on SMEs and answer questions such as to whether they are beneficial or easy to implement or not to SMEs.

Another study can also be carried on to examine the impact of growth strategies on the structure of SMEs and their effect on SMEs financial performance. This would aid in the financial management of SMEs. The various growth strategies can be studied against the corporate structure to find out which structures work best with the different growth strategies.

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APPENDIX I: RESEARCH QUESTIONNAIRE

Kindly answer the following questions by filling in the spaces provided or tick the appropriate box when provided.

Part A: General Information

Name of the company.....

Name of the Interviewee

Position in company

How long have you worked in your current position/ in the company?

.....

How involved in coming up with or aware of growth strategies used by the firm?

.....

Part B: Sample questions to be used in evaluating growth strategies used by Top 100 SMEs

General questions on growth of company

The company's past five years growth in terms of revenue or volumes has been.

Less than 5%

Between 5-10%

Between 10-15%

Between 15-20%

20% and above

The growth strategy making process formal

Never

Rarely

Sometimes

Often

Always

The growth strategy making process informal

Never

Rarely

Sometimes

Often

Always

The duration of the strategy is

1 year

2 years

3 years

4 years

5 years

Staff are involved in growth strategy formulation

Never

Rarely

Sometimes

Often

Always

Consultants are involved in growth strategy formulation

Never

Rarely

Sometimes

Often

Always

The company usually scans the environment before making a strategy

Never

Rarely

Sometimes

Often

Always

2. Resource Based Growth

a. The company has a resource that it deems to be superior as compared to competitors

Totally disagree

Somewhat disagree

Neither agree nor disagree

Somewhat agree

Totally agree

b. The company relies on the unique resource to outdo the competition

20% of the time

40% of the time

50% of the time

80% of the time

More than 80% of the time

c. The resource mentioned is nurtured by the company

0- 20% of the time

40% of the time

50% of the time

80% of the time

More than 80% of the time

d. The company acquires the unique resource

0- 20% of the time

20-40% of the time

50% of the time

80% of the time

More than 80% of the time

e. The resource has been evident to the company and used to boost size of the company for

0- 20% of the time

20-40% of the time

50-70% of the time

80% of the time

More than 80% of the time

3. The dynamic capability of the resources

a. The firm has resources which are ever changing to ensure the company is competitive

10% or less of resources

10-30% of resources

30-50% of resources

50-70% of resources

70% of resources

b. The company analyses how its competencies as a company are working in terms of growth of the company

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

c. The company changes the way it employs resources to ensure that the company's growth is not inhibited

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

d. The company has ways of ensuring its resources remain dynamic in the face of ever changing environment

Never

Rarely

Sometimes

Often

Always

4. Game theory

The company scans the environment

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

The company react to strategies which are adopted by the competition

Never

Rarely

Sometimes

Often

Always

How often does the company change its own strategies to ensure it protects or grows its market share when the competition change their own strategies?

- 10% of the time or less
- 10-30% of the time
- 30-50% of the time
- 50-80% of the time
- 80% of the time and above

The company uses a business intelligence unit or information collection process to

- 10% of the time or less
- 10-30% of the time
- 30-50% of the time
- 50-80% of the time
- 80% of the time and above

How often the strategies which are adopted picked from the competition

- 10% of the time or less
- 10-30% of the time
- 30-50% of the time
- 50-80% of the time
- 80% of the time and above

Challenges in implementation of growth strategies are brought by other stakeholders (customers, suppliers, competition)

- Never
- Rarely

Sometimes

Often

Always

The company deals with such challenges by

Preparing new strategies

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

Reworking old strategies

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

5. Growth strategies

a. What specific growth strategies does the company use?

Diversification

Market development

Joint ventures

Mergers

Acquisitions

Market penetration

Product development

Licensing

Other

Specify.....

6. Porters Growth strategies

The company's growth based on

Broad market i.e for all the market

If so does it rely on

Cost leadership i.e having a product with very low price

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

Differentiation of product i.e. having a product which is has different qualities from the rest in the market and sell it with a different price.

10% of the time or less

10-30% of the time

30-50 % of the time

50-80% of the time

80% of the time and above

OR

Specific Market(a segment of market)

It relies on

Differentiation of Product to specific customers

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

Low cost segment

10% of the time or less

10-30% of the time

30-50% of the time

50-80% of the time

80% of the time and above

7. How often do you change the growth strategies to ensure growth is kept at desired levels?

Once or less every year

- Twice every year
- Thrice every year
- Four times every year
- Five times or more every year

8. Is your growth strategy based on

Growth

- 10% of the time or less
- 10-30% of the time
- 30-50% of the time
- 50-80% of the time
- 80% of the time and above

Protection of market share

- 10% of the time or less
- 10-30% of the time
- 30-50% of the time
- 50-80% of the time
- 80% of the time and above

9. What challenges do you face within the company and in the business environment in the process of growth strategy implementation?

- Copying of strategies by competitors
- Unresponsive customers
- Government policies

Changes in technology

Lack of resources

10. Which particular growth strategy has had the biggest impact in terms of growth?

Diversification

Market development

Joint ventures

Mergers

Acquisitions

Market penetration

Product development

Other please

specify.....

11. How many times has the growth strategy with the biggest impact changed over the course of the last five years or the company's life?

Once

Twice

Thrice

Four times

Five or more times

12. What period have you had little or no growth even when employing growth strategies which usually work?

1 year or less

1 to 2 years

3 years

4 years

5 years and above

What did you change for you to continue growing

Location

Strategies

Staff

Capital invested

Products

Thank you for your response.

APPENDIX II: LIST OF TOP 100 SMES 2013

Rank Name of Company

- 1 LEAN ENERGY SOLUTIONS LTD.
- 2 EAST AFRICAN CANVAS CO. LTD
- 3 DIGITAL CITY LTD
- 4 PLENSER LTD
- 5 ALLWIN AGENCIES (K) LTD
- 6 PROPACK KENYA LTD
- 7 VIVEK INVESTMENTS LTD
- 8 POWERPOINT SYSTEMS (EA) LTD

- 9 CONINX INDUSTRIES LTD.
- 10 SYNERMEDICA PHARMACEUTICALS (KENYA) LTD
- 11 COAST INDUSTRIALS & SAFETY SUPPLIES LTD
- 12 ISOLUTIONS ASSOCIATES
- 13 WOTECH KENYA LIMITED
- 14 AVTECH SYSTEMS LIMITED
- 15 KENYA BUS SERVICE
- 16 MURANGA FORWARDERS
- 17 SYNERMED PHARMACEUTICALS (K) LTD
- 18 TISSUE KENYA LTD
- 19 KENYA HIGHLAND SEED CO LTD
- 20 FAMIAR GENERATING SYS LTD
- 21 ALEXANDER FORBES
- 22 CHEMICALS & SCHOOL SUPPLIES LTD.
- 23 CHARLSTONE TRAVEL LIMITED
- 24 ONFON MEDIA LTD
- 25 ELITE TOOLS LTD
- 26 EUROCON TILES PRODUCTS LTD
- 27 ENDEVOUR AFRICA LIMITED
- 28 RONGAI WORKSHOP & TRANSPORT LTD
- 29 R & R PLASTICS LTD
- 30 CHIGWELL HOLDINGS LTD
- 31 CLASSIC MOULDINGS LIMITED
- 32 PEWIN CABS LIMITED
- 33 NOVEL TECHNOLOGIES EA LTD
- 34 XTREME ADVENTURES LTD
- 35 VINTAGE AFRICA LIMITED
- 36 PUNJANI ELECTRICAL AND INDUSTRIAL HARDWARE LIMITED
- 37 SPRY ENGINEERING CO. LTD
- 38 GENERAL CARGO SERVICES LTD

- 39 PINNACLE (K) TRAVEL & SAFARIS
- 40 PANESARS KENYA LIMITED
- 41 SPECIALIZED ALUMINIUM RENOVATORS LTD.
- 42 CUBE MOVERS LIMITED
- 43 BROGIIBRO COMPANY LTD
- 44 TOTAL SOLUTIONS LTD
- 45 TYREMASTERS LTD
- 46 XRX TECHNOLOGIES LIMITED
- 47 SENSATION LTD
- 48 EUREKA TECHNICAL SERVICES LTD
- 49 PALBINA TRAVEL LIMITED
- 50 WAUMINI INSURANCE BROKERS LTD
- 51 ASL CREDIT LIMITED
- 52 ZAVERCHAND PUNJA LIMITED
- 53 CANON CHEMICALS LTD
- 54 PACKAGING MANUFACTURERS(1976) LTD
- 55 TRIDENT PLUMBERS LTD
- 56 TYPOTECH
- 57 KINPASH ENTERPRISES LTD
- 58 VEHICLE & EQUIPMENT LEASING LTD
- 59 SHEFFIELD STEEL SYSTEMS
- 60 COMPLAST INDUSTRIES LTD
- 61 DUNE PACKAGING LIMITED
- 62 HEBATULLAH BROTHERS LIMITED
- 63 SPICE WORLD LIMITED
- 64 MUSEUM HILL WINES LTD
- 65 YOGI PLUMBERS LTD
- 66 VAJRA DRILL LTD
- 67 MELVN MARSH INTERNATIONAL LTD
- 68 KANDIAFRESH PRODUCE SUPPLIERS LTD

- 69 FAYAZ BAKERS LIMITED
- 70 SPECICOM TECHNOLOGIES LIMITED
- 71 MOMBASA CANVAS LTD
- 72 SILVERBIRDTRAVEL PLUS LTD
- 73 IRON ART
- 74 RADAR LIMITED
- 75 MASTER POWER SYSTEMS
- 76 HARDWARE & WELDING SUPPLIES
- 77 MASTERS FABRICATORS LTD
- 78 SOFTWARE TECHNOLOGIES LTD
- 79 HERITAGE FOODS KENYA LTD
- 80 AFRICA TEA BROKERS LTD
- 81 RAEREX (EA) LIMITED
- 82 TRAVELSHOPPE COMPANY LTD
- 83 ORIENTAL GENERAL STORES LTD
- 84 CHUMA FABRICATORS LTD
- 85 STATPRINT LTD
- 86 SOLLATEK ELECTRONICS LTD
- 87 SMARTBRANDS LTD
- 88 DE RUITER EAST AFRICA LTD
- 89 KISIMA DRILLING (EA) LTD
- 90 CARE CHEMISTS
- 91 BROLLO KENYA LTD
- 92 CANON ALUMINIUM FABRICATORS LTD
- 93 SATGURU TRAVEL & TOURS LTD
- 94 KUNAL HARDWARE AND STEEL
- 95 DEEPA INDUSTRIES LIMITED
- 96 SKYLARK CREATIVE PRODUCTS LTD.
- 97 UNEEK FREIGHT SERVICES LTD
- 98 BBC AUTO SPARES LTD

99 LANTECH (AFRICA) LIMITED.

100 POLYTANKS LIMITED

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