MANAGING GROWTH IN SMALL AND MEDIUM ENTERPRISES AMONG MEMBERS OF THE NAIROBI STOCK EXCHANGE: A CASE OF SUNTRA INVESTMENT BANK

By

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DECLARATION

DECLARATION BY THE CANDIDATE

This research project is my original work and has not been submitted for the award of a degree in any other university.

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DECLARATION BY THE SUPERVISOR

This management research project has been submitted for examination with my approval as university supervisor.

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May the Almighty God bless you all.

DEDICATION

I dedicate this research project to my dear husband Steve for his love, understanding, encouragement and support while conducting this study and throughout the MBA course.

ABSTRACT

New businesses pass through transitional stages that present new challenges to their founders. These transitional stages are represented by an organizational life cycle which follows a well known pattern of early growth, rapid growth, maturity and decline. For a small business to make the transition to a medium and large organisation, it's important that it manages the growth phase effectively. Although growth is a defining feature for a successful enterprise, it does not mean that the enterprise has a right to grow. It merely means that if managed the right way it has the potential to grow. Growth must be an objective and strategy for the venture and it must be managed.

Management of growth can be approached in a number of ways such as combining the critical success factors for growth, managing the life cycle of the firm or managing the different types of growth. To effectively manage growth, Small and Medium Enterprises need to focus on strategic planning, financial management, marketing, employee management, production management, technology monitoring and control.

This study set out to find out how Suntra Investment Bank (SIB) had managed growth. SIB survived a very turbulent time in the capital markets during which several stock brokerage firms collapsed, were put under receivership or were acquired by other companies. This study set out to address two main objectives which were to determine the approaches adopted by SIB to manage growth and to determine how SIB has managed the organisation culture through its growth

In order to address these two objectives the study made use of both primary data and secondary data. Primary data was collected through personal interviews. Secondary data was collected from journals, websites and in-house publications. A content analysis was then carried out on the data obtained and the findings were presented in form of brief discussions

on the growth of the company, the approaches adopted to manage both growth and the organisation culture and on what informed those approaches

The study established that SIB had gone through a full organisation life cycle marked by a period of slow growth which lasted about 12 years between 1990 and 2002, rapid growth was experienced between 2003 and 2006 when the company reached maturity and there was a decline in growth in period between 2007 and 2007. The study established that growth for the company was highly dependent on the performance of the economy and the change in government at the end of 2002 was a huge milestone for the company due to increased investor confidence which saw to an increase in investors in the capital market and there by positive returns in the company too.

The study established that SIB had adopted various approaches to manage growth more so during the rapid growth phase and the decline stage. These approaches were applied to varying extents with the key ones being strategic planning, human resource management, financial control, enhancements of the management information systems and management of the organisation culture while standardization marketing and lobbying the government were used to a lesser extent. In strategic planning the company had developed strategic plans for the years 2000- 2006 and for the years 2008-2012. The study established that the strategic plans were very instrumental in managing the growth for it was during the strategic planning process that the company had done an in-depth situation analysis and come up with objectives and specific strategies to meet the objectives. In Human Resource Management, the researcher found that SIB had changed the organizational structure to match the growth of the company for effective delivery. In addition key changes were made to the recruitment process where vacant positions were filled professionally through short listing and interviewing of candidates as opposed to filling these positions with relatives who did not necessarily have the qualifications required. For financial control the company had sort to raise funds to support its growth through two main channels; bank overdraft and a rights issue. While the bank overdraft helped them honor recurring obligations the rights issue was to raise the share capital to comply with changes in regulation. The researcher found that the company had made changes to its management information systems to make sure it provided them with timely and relevant information for decision making. As at the time of the study,

the company was in the process of implementing an SMS system that would further enhance their service delivery.

The study established that SIB had encountered a big challenge in overcoming the organizational culture barrier. This was so because although SIB saw the need for the leadership to change the mindset from that of a founder to that of a Manager they too were victims of the long established culture and breaking away from it was a main challenge for the company. The Chief executive and the top management serving with him had a grip over all the operations of the company and often run through with menial task which could have been effectively delegated to their juniors. The company addressed this challenge by having culture change as an objective in the strategic plan and various strategies were developed on how to achieve the objective to include succession planning and induction of all new employees on the mission vision and core values of the company.

The study concluded that it is very important that companies adopt various approaches to managing growth and to keep evaluating the approaches in light of the changes in the environment

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LIST OF ABBREVIATIONS

ATS: Automated Trading System

CDSC: Central Depository Settlement Corporation

CMA: Capital Markets Authority

IPO: Initial Public Offer

KASB: Kenya Association of Stock Brokers

NSE: Nairobi Stock exchange

SBIS: Stock Brokers Information System

SIB: Suntra Investment Bank limited

SMEs: Small and Medium Enterprises

SWOT: Strength, weakness, Opportunity and Threats

CHAPTER ONE: INTRODUCTION

1.1. Background

New businesses pass through transitional stages that present new challenges to their founders. These transitional stages are represented by an organizational life cycle which follows a well known pattern of early growth, rapid growth, maturity and decline (Holt, 2005) For a small business to make the transition to a medium and large organisation, it's important that it manages the growth phase effectively. For the founder the growth phase brings a lot of changes to the business and requires a change of the founder from a persona of the founding entrepreneur to that of an organizational executive. This is because as the business grows it requires business related skills often beyond those of the founder; functional expertise is needed, marketing and operation skills are required, strategic planning, financial management and decision making tasks are beyond the scope of the founder. A founder who adapts to this environment in effect embraces the necessary metamorphosis that transforms the organisation to a large business while the one who resists hinders the transition which can spell death or stagnation for that business (Holt, 2005)

1.1.1. Managing Growth

Most small and medium size enterprises view growth mainly from a quantitative viewpoint as increase in turnover and profits thereby (Crijins, 2001) but also acknowledge other factors in the growth process. A typical business goes through various transitional stages as represented by the organizational life cycle. In the first few years of a new ventures existence, revenues are relatively small with little growth. The initial phase typically lasts for about five to seven years. In the next phase, revenues begin to grow at an increasing rate. Then the venture reaches a more stable state when revenue and growth stabilize. What occurs after this stage would depend on the firm's ability to rejuvenate sales and begin another growth cycle (Hisrich, Peters, 2002)
Wickham (2001) believes that owing to the multifaceted nature of organizations, the business must constantly view the growth and development of a venture in four perspectives; financial, strategic, structural and organizational. Vertical growth in the four perspectives

transforms an organization from micro to small to medium to large organization and this enhances industrial transformation, alleviate poverty and create job opportunities. On the other hand horizontal growth, involves opening new enterprises

Although growth is a defining feature for a successful enterprise, it does not mean that the enterprise has a right to grow. It merely means that if managed the right way it has the potential to grow (Wickham, 2001). Growth must be an objective and strategy for the venture and it must be managed. Management of growth can be approached in a number of ways such as combining the critical success factors for growth, managing the life cycle of the firm or managing the different types of growth

To effectively manage growth, Small and Medium Enterprises (SME) will need to focus on strategic planning, financial management, marketing, employee management, production management, technology monitoring and control (Hisrich, 2002). Maintaining good records and financial controls over such activities as cash flow, inventory, receivables, customer data and costs should be a priority of every growing venture. Generally small businesses do not have the luxury of a human resource department that can interview hire and evaluate employees. Most of these decisions will be the responsibility of the entrepreneur. As the firm grows there will always be need to hire new employees and go through the process of interviewing, hiring, evaluating and preparing job descriptions for the new employees. Instituting an effective organizational culture is also necessary at this stage. In Marketing, as the company grows it will need to develop new products and services to maintain its distinctiveness in a competitive market. This should be an ongoing process based on information regarding changing customer needs and competitive strategies. In strategic planning the entrepreneur will continue to plan for both the short term and the long term. Small and large companies are paying more attention to their customers and establishing processes that tract and monitor customer service and satisfaction. Unlike financial inventory and sales control, the monitoring of customer satisfaction involves more qualitative measures that can provide early warnings of impending customer problems (Hisrich & Peter, 2005)

During growth, the entrepreneur's focal role is that of an executive general manager who plans these activities defines human resource requirements and guides subordinates towards fulfillment of organizational objectives. Fred smith, founder of Federal express identified his role during the rapid growth stage as a "transitional state of mind" when he had to develop the ability to assimilate information from many different disciplines synthesize his vision into workable plans and learn to trust his people to execute activities that achieve success (Holt, 2005). Managing growth is quite often a challenge to entrepreneurs as it requires a mindset change from founder to manager yet founders are not always good organizational members and may fail to appreciate the value of good management practices (longenecker, Moore &petty, 2000) Growing venture requires professional level management and it cannot accommodate management that largely relies on past experience rule of thumb and personal whims. All the above is conceptualized in achieving entrepreneurial leadership which is defined as the entrepreneurs ability to anticipate envision, maintain flexibility, think strategically and work with others to initiate change that will create a viable future for the organisation (Kuratko, 2004)

Lastly, management refers to planning organizing leading and controlling and growth must therefore also be subjected to these activities Planning for growth requires a strategy that will determine the direction of the growth and require allocation of resources to achieve plans and the growth. Organizing is the gathering of the resources and the structuring of business in such a way that it can function efficiently and effectively. Leading means there must be entrepreneurial leadership that can motivate, coordinate and control the activities required to achieve growth while control is required to ensure that growth objectives are achieved (Nieman, 2004).

1.1.2. Small and Medium Enterprises (SME)

There is no generally-accepted definition of a small business because classifying businesses as "large-scale" is a subjective and qualitative judgment. In countries such as the USA, Britain, and Canada, small-scale business is defined in terms of annual sales and the number of paid employees. In Britain, a small-scale business is defined as an industry with annual sales of 2 million pounds or less and with fewer than 200 paid employees. In Japan, small-scale industry is defined according to the type of industry, paid-in capital, and number of paid employees. Consequently, small- and medium-scale enterprises are defined as those in manufacturing with 100 million yen paid-up capital and 300 employees, and those in the retail and service trades with 10 million yen paid-in capital and 50 employees. In Kenya SMEs are defined based on the number of employees where, "micro-enterprises" are those with 10 or fewer workers, "small enterprises" have from 11 to 50 workers, and "medium enterprises" have from 51 to 100 workers (Kenneth et al (1997)

The first study of SMEs in Kenya was carried out by International labor organization (ILO) in 1972 in a policy document entitled employment, incomes and equality in Kenya which formally recognized the sector. Since then the government and development aid agencies and researchers have been focusing on the sector. Censuses indicate that micro-enterprises comprise the lion's share of enterprises in Kenya, while there are a few medium enterprises In GOK paper No 2 of 1986 and 1997, the government recognizes the importance of the SME sector as a primary means of strengthening Kenya's economy through industrialization and enhancing private sector contribution to national economic growth.

1.1.3. Members of the Nairobi Stock Exchange

Kenya has only one stock exchange, the Nairobi Stock Exchange (NSE) which is the most sophisticated and long serving stock exchange in the East African region. A Stock Exchange is a market that deals in the exchange of securities issued by publicly quoted companies and the government

The major role that the stock exchange has played, and continues to play in many economies is that it promotes a culture of thrift, or saving. Besides this, the market plays many other roles to include; assists in the transfer of savings to investment in productive enterprises as an alternative to keeping the savings idle stagnation, assists in the rational and efficient allocation of capital, which is a scarce resource, promote higher standards of accounting, resource management and transparency in the management of business, improves the access to finance of different types of users by providing the flexibility for customization and very important, is that the stock exchange provides investors with an efficient mechanism to liquidate their investments in securities (NSE, 2010)

The member firms of the Nairobi Stock Exchange are licensed to buy and sell securities listed on the Exchange after fulfilling general licensing requirements as required by the Capital Markets Authority (CMA). According to the Capital Markets (Licensing Requirements (General) Regulations 2002, membership of a securities exchange shall comprise of stockbrokers dealers and investment banks as full members having the right to vote in the annual general meetings of the exchange and authorized securities dealers and any other financial institutions approved by the authority as associate members not having the right to vote. Currently there are 6 licensed stock brokers and 12 investment banks at the N.S.E.

1.1.4. Suntra Investment Bank (SIB)

The company was incorporated as Suntra Stocks on March 20th, 1990. On June 4th 1990, it was granted license as an agent of the Nairobi Stock Exchange. The Company was admitted to the Nairobi Stock Exchange as a stock broker on 1st July 1994 and on 1st July 2004 it was licensed as an Investment bank and changed the name to Suntra Investment Bank Limited (SIB, 2008).

At the time of incorporation Suntra was owned by a few individuals some of whom were responsible for the day to day running of the company. Currently SIB is a public non listed company, owned by over 120 individuals and corporate shareholders. Its shares are freely exchanged at its in house share transfer facility. It is the objective of the company to take an early opportunity to be listed at the Stock Exchange.

SIB is one of the leading investment banks in the local capital market offering a wide variety of brokerage and investment banking products to include; Capital Origination or Corporate Finance, Brokerage and Investment Advisory Services, Unit trust and funds Management, Treasury Management, Dealing and a Share transfer facility (SIB, 2008)

Ever since inception, the staffing level has never exceeded the 100 mark and therefore based on the Kenyan definition of SME, SIB qualifies as an SME

1.2. Statement of the Problem

Although growth is a defining feature for a successful enterprise, it does not mean that the enterprise has a right to grow. It merely means that if managed the right way it has the potential to grow (Wickham, 2001). To effectively manage growth, Small and Medium Enterprises (SME) will need to focus on strategic planning, financial management, marketing, employee management, production management, technology monitoring and control (Hisrich, 2002). Managing growth is quite often a challenge to entrepreneurs as it requires a mindset change from founder to manager yet founders are not always good organizational members and may fail to appreciate the value of good management practices (longenecker, Moore & Petty, 2000). If the entrepreneur does not manage the growth, the firm suffers by having stressed employees, lower quality, a damaged reputation and could even go out of business. This tricky balance is what makes growth a very difficult process to manage especially as a small business

In the 2008/2009 budget speech, the government proposed amendments to the capital markets Act, regulations and guidelines. Among the amendments is an increase of paid up share capital for investment banks from 30 million to Kshs 250 million. There have been infrastructural changes in the capital markets; A Central Depository System was introduced in November, 2004 to act as the share registry, and for clearing and settlement of transactions, ensuring faster, safer and easier trading in securities. In September, 2006, the Automated Trading System (ATS) was implemented by the NSE. This changes in the systems and processes at the NSE and at CDS demands that the players implements systems that are compatible to them. Rapid growth as marked by increase in volumes traded at the bourse and in increase in the number of offerings by SIB puts a constraint on the company's resources to include employees, and office space. SIB operates in a highly competitive environment with 6 stock brokers and 12 investments banks. Besides, there is an upsurge of commercial banks entering the sector either directly by having a stock brokerage section or indirectly through acquisition of small brokerage firms. Commercial banks have competitive advantage in terms of financial resources and branch networks and pose a real challenge to small players who are limited in resources (SIB, 2008). All these factors call for effective management of growth.

Various other studies have been carried out on SMEs and investment banks in Kenya; Ngigi (1997) carried out a study on financing for small and medium enterprises in InfoTech. Ncube (2002) carried out a study (on E- Business practices in small and medium enterprises in Kenya. Waweru (2002) did a survey of enterprise growth patterns in micro and small enterprises in Kenya and Mwamba (2003) did a study on challenges facing investment banking in Kenya. However no study has been carried out on managing growth in SMEs and specifically those that are members of the stock exchange

This study will therefore attempt to answer the question how has Suntra Investment Bank as an SME and a member of the NSE managed growth?

1.3. Objectives of the study

i) To determine the approaches adopted by SIB to manage growth and if they have been effective
ii) To determine how SIB has managed the organisation culture through its growth

1.4. Importance of the study

SIB has had a heritage extending to 20 years now. Over time the company has grown from a micro enterprise to a small to a medium enterprise. The study will help the management of SIB evaluate their growth management in line with the research recommendations and thereby make decisions for effective management

As IFC rightly stated there is a missing middle in the growth of enterprises in Kenya. The study will help other SMEs in managing growth so that they can effectively grow from Small to medium to large organizations.

For academicians, this study will form a foundation upon which other related and replicated studies can be based on. Investors can also gain an insight on the company and its strategic position within the market, which can assist them in determining the viability of their investments.

CHAPTER TWO: LITERATURE REVIEW

2.1. Understanding Growth

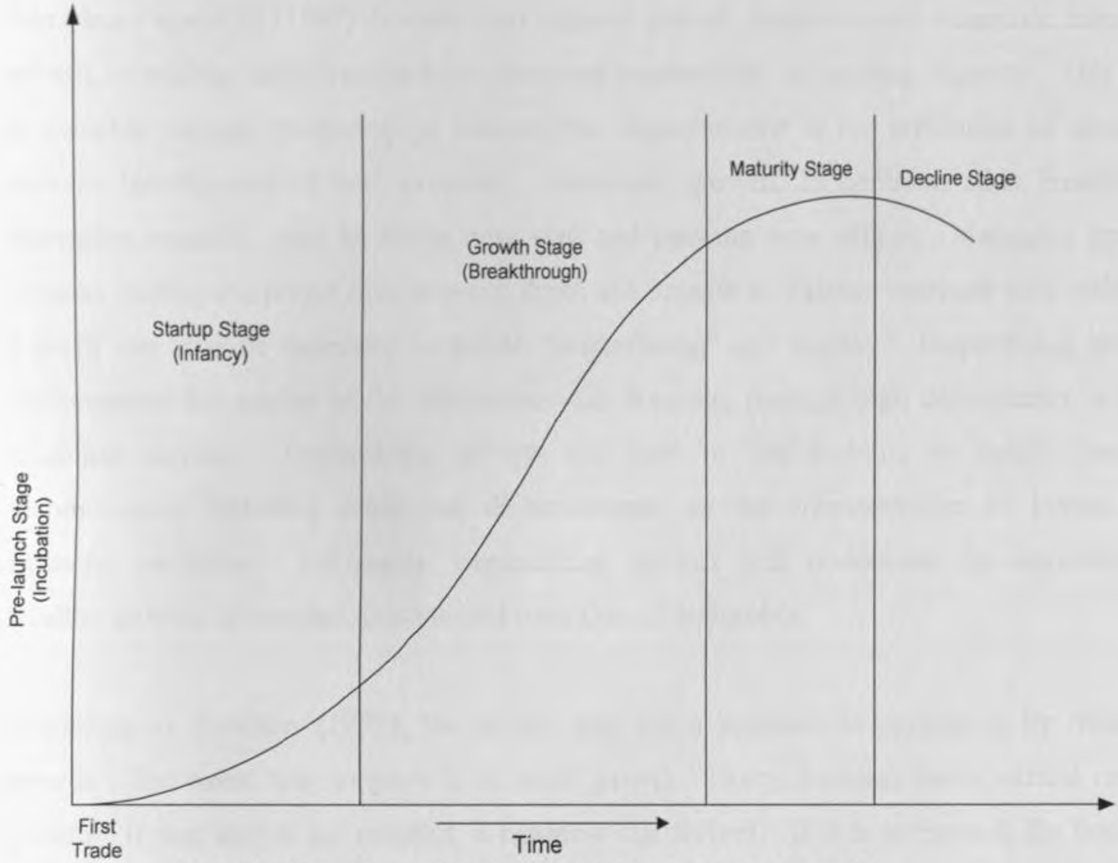
Most small and medium size enterprises view growth mainly from a quantitative viewpoint as increase in turnover and profits (Crijins, 2001) but also acknowledge other factors in the growth process. A typical business goes through various transitional stages as represented by the organizational life cycle. In addition there are various types and perspectives of growth and it is possible for an organisation to grow in one area or perspective without growth in the others

2.1.1. The Organisation Life cycle

The organisation life cycle follows a well known pattern of early growth, rapid growth, maturity and decline as illustrated in figure 1 below. During the initial development period, a company with successful innovation can be expected to experience slow growth. This initial phase typically lasts for about five to seven years although it will vary significantly by industry. This period is followed by one of rapid growth, which typically lasts for another five years and varies in both intensity and duration. As a company expands its customer base, product lines and revenues begin to grow at an increasing rate. At some point, the company's products or services meet rigorous competition that moderates growth and as markets become saturated maturity is reached. What occurs after this stage would depend on the firm's ability to rejuvenate sales and begin another life cycle. For many enterprises, this stage is followed by a period of decline which if not reversed will result in termination. The life cycle is a general representation of what a company can experience in the long run, but more important is how entrepreneurs perceive their roles during life cycle transitions (Holt, 2005)

Not all new ventures will enter into the rapid growth phase. Many will continue to exist at some satisfying level of sales with little or no growth. These enterprises would typically be proprietorships or partnerships that are home based, family owned service (particularly personal services) or craft business.

Figure 2.1.1 Organisation life cycle



Adapted from Gideon Naeman; Managing Growth: A Guide for Entrepreneurs pp 48

On the other hand some will see the opportunity for growth and hire new people and expands the business into new market segment. In each instance the decision to grow would be dictated by the entrepreneur's interest and the response of the market to the ventures product or service. Too often the entrepreneurs forget the basic axiom in every business. The only constant is change. Thus every entrepreneur needs to understand what it takes to grow the venture and must decide whether this is the desired strategy. If the choice is growth, then the entrepreneur will need to be prepared by understanding some of the important management skills and strategies that are necessary to successfully meet the growth challenge (Hisrich, 2002)

2.1.2. Types of growth

Gonzalez-Vega et al (1997) describe two types of growth: intensive and extensive. Intensive growth, or adding depth, results from increased productivity of existing capacity. This may be possible through technological innovations; improvement in the utilization of capacity, such as introduction of new products. Extensive growth, in contrast, adds breadth by increasing capacity, such as hiring new staff and opening new offices. Managing growth requires finding the proper mix between depth and breadth to balance outreach with viability. Growth can also be described as either "jeopardizing" or "healthy." Jeopardizing growth compromises the quality of the institution—for example, through high delinquency or poor customer service. Jeopardizing growth can lead to the inability to fulfill financial commitments, including debts and disbursements, or the overextension of human and financial resources. Ultimately, jeopardizing growth will undermine the organization. Healthy growth, in contrast, is sustained over time; it is durable.

According to Hawkins (1987), the proper way for a business to expand is by releasing growth. The worst way to grow is to push growth. Every business has a natural rate of growth. If that rate is not reached, a business can shrivel. If it is surpassed, the business struggles to keep pace. One of the most important functions of the founder/manager of any business is sensing what that "inherent" growth rate should be, and adhering to it. The founder's job is not to lead the "troops" to new heights. Rather, it is to draw out and moderate the changes that will be required of everyone as the business grows. The natural rate of growth will depend on the organization's preparedness and ability to learn. SMEs need to sense their natural rate of growth and be prepared to slow things down. The most perilous period in a company's development is when it starts to succeed wildly and expands rapidly. When a company grows exponentially, problems may not appear until it is too late. The exhilaration of growth can occlude problems of morale, planning, and institutional capacity created by it. Success often hides weaknesses that lay just below the surface. Those weaknesses may arise with a vengeance and undermine the organization's accomplishments. Fast growth and durability are often incompatible. The pursuit of growth is like running a marathon rather than a sprint. Runners need to pace themselves. Growth changes the character of the business. It tends to breed the need for more growth. But rapid expansions are often followed by rapid declines. Growth by fits and starts may be evidence of poor management. The growth patterns of SMEs often resemble roller coasters, escalating to peaks before plunging into troughs. Because extensive growth implies the creation of new capacity, such as opening new branches, and because of changes in seasonal demand, growth will invariably have a start-and-stop nature. However, the peaks and troughs can and should be tempered to create a healthy working environment and a sense of continuity among staff and customers (Harper, 1995)

Although rapid growth is not inherently bad, it can be. Rapidly expanding SMEs are likely to experience excessive or premature growth. Excessive growth occurs when the rate of expansion exceeds management's ability to stay current and to focus on the big picture. Under excessive growth conditions, management may be too blinded by rapid growth to realize they are not serving the market particularly well. SMEs that do not operate in competitive markets are particularly vulnerable to growth at the expense of customer service. Premature growth occurs before institution's systems are in place and when procedures are not sufficiently tested. In both cases, the institution will ultimately suffer from increases in delinquency and desertion.

If growth causes an organization to become a victim of success, according to Harper (1995), it is likely to be manifested by at least one of the following three maladies. SMEs are vulnerable to all three of these growth effects: Overexpansion; Businesses that over expand make commitments beyond their available resources and allow debt to rise too quickly. This could be associated with opening new offices before the methodology is perfected or before the operating systems are ready to support growth. The danger of overexpansion is that it increases average costs and increases the risks of delinquency and fraud. Ostrich Management; Managers engrossed in the daily demands of growth may be unaware of changes occurring around them, including the regulatory environment, the demands of the market, the competition, and available technology. For example, SMEs that have historically operated in monopoly markets have had difficulty adjusting to a competitive environment. This could be attributed to the fact that management was so focused on internal issues that it did not see the competition coming. In most markets, SMEs grow largely because of unmet demand, not because they do an exceptional job at meeting their clients' demands. As a result, it is particularly important that SMEs be wary of ostrich management. If they are not providing an exceptional service, sooner or later they are bound to experience competition. Under-capitalization; Businesses need reserve capital to absorb shocks. Management may underestimate the financial or human capital required to meet growth demands (Churchill, 1997)

2.1.3. Perspectives of Growth

Wickham (2001) believes that owing to the multifaceted nature of organizations, the business must constantly view the growth and development of a venture in four perspectives; financial, strategic, structural and organizational. Financial growth is the development of a business as a commercial entity and encompasses growth in revenue and in profitability. It leads to increases in value of the company. Strategic growth is the strategic interactions with both the internal and the external environment. This requires the business to draw up a strategic plan which encompasses the vision, mission statement, values, strategic objectives, action plans and resource allocations. Structural growth is the change in the way a business organizes its systems managerial roles and responsibilities, reporting relationships, communication links and resource control systems. An organisation can't grow financially without growing structurally otherwise it would lead to overtrading where the growth is too high for the asset base and resources of the business. Lastly we have organizational growth which is the change in organizational processes culture and attitudes (Nieman, 2004)

2.1.4. The Case for Growth

A venture grows for many different reasons. Higher sales volume may be necessary to establish an image, increase the firms asset base, meet competition, improve profits or satisfy an entrepreneurs dream of heading a large organisation. Growth may at times be essential for survival. Growth may also be dictated by external circumstances such as industry changes and there is a long continuum of growth rates. At the minimum a slow growth industry may prevent a venture from rapid expansion and expansion efforts are limited to small incremental changes. At the maximum an industry may be growing so rapidly that the hackneyed expression "grow or die "is very much a reality. Growth must be achieved for a reason and too much growth can be just as devastating as stagnation (Holt, 2005).

2.2. Managing Growth

Although growth is a defining feature for a successful enterprise, it does not mean that the enterprise has a right to grow. It merely means that if managed the right way it has the potential to grow (Wickham, 2001). Growth must be an objective and strategy for the venture and it must be managed. Management of growth can be approached in a number of ways such as combining the critical success factors for growth, managing the life cycle of the firm or managing the different types of growth. To effectively manage growth, SMEs will need to focus on strategic planning, financial management, marketing, employee management, production management, technology monitoring and control (Hisrichs, 2002).

2.2.1. Transition from Emerging to Emergent

There is an excitement in an emerging business. Entrepreneurial businesses are lean and flexible, and can quickly respond to changes in the market. There is a heady sense of mission in an entrepreneurial firm that motivates underpaid and overworked employees to maximize their productivity and uncover their creativity. This enthusiasm is enhanced in a new venture because the organization's social mission is profoundly compelling. However, businesses cannot be run indefinitely on enthusiasm and excitement. One of the greatest challenges for new enterprises is making the transition from emerging to emergent (Churchill, 1997)

The Edward Lowe Foundation describes this as "overcoming the brick wall" that Separates emerging from emergent. Its research with entrepreneurs has identified the six guiding principles to ignite business growth and restore entrepreneurial success; Reinvent the Vision; many emerging entrepreneurs have the simple vision of a positive profit-and-loss statement. To climb the brick wall, the firm's vision has to achieve more than profitability. It has to motivate and challenge staff, and inspire excellence. It needs to provide direction and serve as the institution's guiding light. Successful entrepreneurs always have an eye open for new opportunities. They are never comfortable where they are, but instead are always looking ahead and asking, "What's next?" Surrender Sovereignty; the most challenging transition for most entrepreneurs is devolving responsibility to management specialists. As the business grows, the entrepreneur will eventually reach the point when it is not possible to make every decision. Successful entrepreneurs recognize this, and are able to let go and listen to and work with the people they hire. Become Your Competitors' worst Nightmare; the zealous pursuit of customer satisfaction is the best way to secure a competitive advantage. Successful entrepreneurs indicate that the key is to make customer satisfaction the central focus of the company, with no boundaries on the imagination about how or how much to satisfy customers. Nurture the entrepreneurial Spirit. A continual influx of new thought is part of the process of growth. Successful entrepreneurs say that, as the company grows, the encroaching bureaucracy stifles employee's entrepreneurial spirit and therefore the firm must find ways of nurturing and rewarding that spirit. Finally; Develop Teamwork; Teamwork paves the road to business success. Teamwork is a way of getting employees to be aligned toward a common goal and to feel they are a part of the company, not observers. The whole is greater than the sum of its parts. Teamwork also helps to maintain the culture of smallness as the company gets bigger.

2.3. Approaches to Managing Growth

Every successful business begins with one person, one idea, and one location. The difference between a business that flourishes and one that withers is how it is managed. Growth rarely involves doing more of the same on a larger scale. Growth brings complexity and requires adaptations. There are various tools and approaches that may be useful to persons who are trying to manage growth. These approaches include standardization, planning, management information, and marketing (Churchill, 1997)

2.3.1. Standardization

The most common approach to managing growth is through standardization. Once a business has a well-developed product or service, it develops procedures for standard delivery. This is particularly effective in a large market with mobile customers who want to rely on the quality of a standardized product.

McDonald's is an excellent example of a company that has grown by creating a standard model, which it replicates again and again around the world. 1/4 Pounder tastes basically the same in Beijing as it does in Baltimore. The standardization approach, although very successful, is not without its disadvantages. Standardization is associated with a bureaucratic approach that is prone to inflexibility. It does not easily facilitate learning and responsiveness. Standardization makes it difficult for the firm to respond quickly to changes in customer demands, challenges from the competition, or unique features of local markets. McDonald's has developed methods of overcoming these limitations. For example, although it is possible to get a Quarter Pounder in all McDonald's restaurants, in Amsterdam you can wash it down with a Heineken and in Tokyo you can get sushi on the side. Neither Heineken nor sushi is available at a McDonald's in Baltimore (Churchill, 1997)

For SMEs, the standardization of procedures is critical. Because of the high costs and the need for large-scale outreach, SMEs have to keep their procedures simple and efficient. Standardization involves not only perfecting the methodology, which evolves over time, but also communicating it effectively and ensuring proper implementation. As a result, the keys to standardization in SME are staff training and quality control.

Standardization must be used cautiously. Standardized products may reduce the quality of customer service. As SMEs get larger, key decision makers get further away from their customers. If standardized products no longer meet the needs of customers, or if a competitor provides a product that better meets their needs, an SME that relies on standardized products will have difficulty developing new products, retraining staff, and securing its market share. Most SMEs today, however, do not experience problems with too much standardization because they are not large enough, and they do not operate in a competitive market, for it to be an issue. Instead, the problem lies with not enough standardization. One branch may have completely different policies and procedures from another, resulting in wide variations in branch performance and inefficiencies that undermine the productivity of the SME. Only once the SMEs mature in a particular country will the problem of too much standardization become a problem. (Churchill, 1997)

2.3.2. Planning

There is a common joke about a tourist who stops and asks a local person for directions. The local resident tries to explain several different routes, but eventually concludes, "Nope, you just can't get there from here." When a business is trying to go somewhere, it helps to plan the route before it sets out on its journey. Planning helps determine if indeed you can get there from here. Most small business managers plan to some degree however the amount of planning they do is typically less than ideal and it tends to be haphazard and focused on specific immediate issues for example how much inventory to purchase, whether to buy a new piece of equipment e.t.c (Arthur, 1995) However, an entrepreneur will need to plan for both the short term and the long term. Strategic or long range planning begins with a reinstatement of the mission of the venture to ensure it reflects the long term vision of the entrepreneur. Next is the situation analysis which should reflect issues such as what is the present business situation, what is the state of the economy, and a SWOT analysis of the firm (Holtz, 2005)

Managers of growing companies have the ability to deal with events that are separated in time. They know there is a long wait between the time something happens and the time its consequences are apparent. For example, there is a delay between hiring new staff and the point at which they become productive. Managers need to anticipate what lies ahead and prepare for the challenges associated with growth. Businesses that fail to plan for the future will have no future (Harper 2005) Planning requires imagination and foresight. Imagine what your business will look like in three years. What products are being offered? How many new businesses are processed each month? How many new staffs are trained each month? What systems need to be put in place now to achieve this vision? The vision may require strategic alliances, perhaps with organizations that offer business skills training or other entrepreneurial support services (Churchill, 1997)

Everyone knows how important planning is, but it often gets overshadowed by the daily demands of operations. It is impossible to prepare a three-year plan when today's priority is meeting the demands for tomorrow's market. Many managers have a fire-fighting approach that never allows them to plan for the medium or long term. They will not be able to manage growth. Without a commitment to planning, management is destined to have a short-term time horizon and be bogged down in operational matters. Planning identifies what needs to be done, when it needs to be done, who will be responsible for doing it, what resources will be required, and how the resources will be funded. Harper (1995) considers planning a state of mind. It is the responsibility of the senior management to ensure that tomorrow is better than today, but managers are often full of excuses, such as: I don't have time to plan, my time is too valuable , planning can be delegated, things are changing so quickly it is impossible to plan, I started this business without a plan, so why do I need one now, we'll cross that bridge when we come to it, it is too hard to set goals, there are too many external factors that can affect whether we achieve them.

None of these excuses holds up to scrutiny. What could be more important for a Chief Executive Officer than identifying where the firm should be going and developing a path to get there? If the world did not change, there would be no need to plan. Management's job in a growth- oriented firm is to identify emerging opportunities and find ways of capitalizing on them. A business at the start-up phase has very different needs than an enterprise in growth mode. Plans should not restrict flexibility. Instead, the planning process should broaden the perspective of management so it can see new opportunities. Growth failures frequently occur when, rather than moving toward other paths, a company meets adversity with a renewed commitment to do more of the same. Sustaining growth over the long haul, across decades for example, requires skill at changing course. If the firm does not set goals, managers cannot be accountable for performance. A plan is not a nicely prepared document that sits on the shelf. Managing growth requires managers to refer to their plans regularly, compare progress and time frames to the objectives, and update or revise according to changes in the marketplace (Tomasko, 1996).

2.3.3. Management Information System

A growing business needs to have an effective management information system in place prior to an explosive growth phase to enable it to manage growth. Most emerging firms get into trouble because the management team either does not have the information it needs to make the right decisions or chooses to ignore the information that is available. For SMEs, information is even more important than in most businesses. It is the lifeblood of an SME.

The management information system should provide information about factors and forces that need to be monitored closely as well as insights into what should be changed. This early warning system can scan the horizon for trends, and identify threats and opportunities. An important feature of a management information system is the selectivity of information. The quality and timing of information should be tailored to the needs of decision makers, not programmers or accountants or donors. Information should not just include current and historic data, but also include projections for the future. A comprehensive information system will not only improve the quality of management's decisions, but it will also increase the firm's ability to secure debt financing, offer stock, acquire other firms, and engage in strategic alliances (Harper, 1995)

Once the business identifies its key performance indicators, management should determine what constitutes each factor's green (safety), yellow (caution), and red (intervene) zone. The longer it will take to correct something, the more closely the risk indicator should be monitored. Management should determine the appropriate bandwidths in consultation with staff about what is realistic. The zones may move over time as the institution strives to continually improve its performance. It is helpful to reference the results achieved by the best in the industry, the rule makers, to realize what ultimately possible (Churchill, 1997)

Managing growth is a function of measuring growth. The indicators monitored reflect and reinforce the corporate culture and the firm's approach to expansion. If an SME widely publishes its number of branches as a performance indicator, it considers geographic expansion as an appropriated and desirable growth strategy. It is common to find a tightly focused executive team trying to move a business in one direction, while the performance measures and incentives are motivating behavior in a different direction. Common visions come to life only when a structure, like the management information system, supports them (Christen et al, 1995)

The information system can also assist the organization in adopting a flatter organizational structure because the layers of middle managers who analyze and interpret data will become less necessary. At the same time, readily available and easily understandable performance data at the branch level are essential for field staff to monitor their own performance. It is not possible to do micro-business if field staffs do not have key portfolio information in their hands every day. If field staff have clearly identified performance targets, and they have access to and understand regular performance indicator reports, the SME will have less need for middle managers to control their performance (Boyett et al, 2000)

2.3.4. Marketing

Marketing is the process of pursuing both extensive growth, by achieving market penetration in new areas, and intensive growth, by increasing its density of coverage in existing offices. As an element of managing growth, marketing also needs to find a balance. A zealous marketing strategy could generate a greater demand than the SME can handle, or it could cause the institution to grow too rapidly. SMEs may not consider marketing as an approach to managing growth. In fact, many SMEs do not even have formal marketing strategies. In some locations, there is such a great demand for services that the organic growth generated by word of mouth may be more than the office can handle. However, not all offices have a problem with too much demand. In some cases, SMEs have to develop marketing strategies to generate interest in their services. The critical marketing challenge for young SMEs is to ensure that the branch, and the institution as a whole, has the capacity to deliver what they promise (Churchill 1997) For SMEs that operate in competitive environments, like telecommunication marketing is a critical strategy to recruit new clients and to retain existing ones. In managing growth, marketing helps to determine the institution's growth pattern. If an SME pursues an intensive growth approach, where the institution attempts to increase the productivity of its existing human resources by implementing new technologies and/or new products, the SME needs a marketing strategy to inform and educate its current and prospective customers about this new approach. If the SME follows an extensive growth pattern, where it seeks to hire new staff and open new offices, it needs to develop a marketing strategy to introduce the institution to new communities (Harper, 1995)

SMEs need to identify their approach to growth to determine their marketing strategy. SMEs at different stages in their institutional development will assume different growth strategies. In addition to the institutional stage, various factors must be considered in developing a growth approach, such as the financial and human resources required, the risk and the potential return, and the time frame. Ansoff's Product Market Matrix, outlined in Figure 3, presents four different growth approaches depending on the mixture of new or existing products and markets.

Figure 2.3.4 Ansoff's Product Matrix

Markets	**Existing product**	**New Product**
Existing Markets	Market penetration	Product Development
New Markets	Market Development	Diversification

Adapted from; Harper, Stephen (1995). **Guide to Managing Growth in your Emerging Business** pp 75

Market Penetration; the strategy of market penetration tries to get more mileage from existing products and markets. Although the strategy may include opening new offices in new geographic markets, the demographics of the firm's market do not change. The main risk associated with this strategy is that a business is likely to encounter competition as the market matures. If the business has not invested in research and development, a more innovative competitor may usurp its market. This is particularly the case if management, which is not looking at the horizon for new opportunities, becomes so focused on operations it does not see a shift in customer interests that could cause the market to dry up. This approach is most common strategy for SMEs.

Market Development; Market development involves taking existing products to a new target market. Firms employing the market development approach broaden their reach to include a different set of potential customers. Market development encourages management to view its business as a customer problem-solver rather than a business that sells products. By developing new markets, the firm reduces the likelihood it will get caught in the quicksand of being a one-product, one-market business. However, in its effort to find new markets, the business must not overlook the importance of updating the product or improving its services.

Product Development; the logic to the product development growth strategy is that, because the firm already understands its customers, it should be able to develop additional products to meet their needs. The decision to choose this approach is based on the premise that it is too difficult or too costly to attract new customers, or it is less expensive to get current customers to spend more money on each visit. The product development strategy reduces the risk of technological obsolescence, and encourages the firm to experiment and bring new people into the business who have different perspectives. However, this approach limits the firm's potential market. In addition, the business must guard against spreading itself too thin and becoming product driven instead of customer driven. This approach must be led by market research to ensure that the business does not lose sight of customer needs.

Diversification; the diversification approach is a two-dimensional growth strategy for a firm that wants to introduce new products and enter new markets. This involves greater risk than the other approaches, and it may place a strain on cash flow and profitability. Since the firm has to learn many new things at once, it is easy to make mistakes. These risks are exemplified by the case of CorpoSol, a now- bankrupt SME in Colombia, which almost simultaneously launched three new untested microfinance projects. The diversification approach may move a business away from its core competencies. CorpoSol not only entered an unfamiliar rural market, but it also initiated retail activities, which required a completely different set of skills than providing financial services. The business world is littered with successful firms that tried to enter markets that were too far from their strengths, and failed. This approach works best if the firm enters related markets and deals with related technology, product, or type of service (Boyett at all, 2000)

2.3.5. Financial Control

Financial resources are essential for business, but particular requirements change as an enterprise grows. Obtaining those resources in the amount needed and at the time when they are needed can be difficult for entrepreneurial ventures because they are generally considered more risky than established enterprises. During growth, entrepreneurs must acquire financing in ever increasing amounts to underwrite growth and in most instances their ventures are too small to attract sufficient capital or to go public therefore they find themselves intensely occupied with managing capital assets and finding financial resources (Holtz, 2005).

When considering the sources of financial resources, a business needs to decide between equity financing versus debt financing and internal sources versus external sources. Debt financing involves an interest bearing instrument usually a loan, the payment of which is only indirectly related to the sales and profits of the venture and requires that some source of asset be used as collateral. Equity financing on the other head does not require collateral and offers the investor some form of ownership position in the venture. The investor shares in the profits of the venture as well as any disposition of its assets on a pro rata basis. Key factors favoring the use of one type of financing over another are the availability of funds, the assets of the venture and the prevailing interest rates. Usually an entrepreneur meets financial needs by employing a combination of debt and equity financing (Hisrich, 2002)

Internally generated funds can come from several sources within the company: profits where all the profits are put back into the venture, sale of little used assets; assets whenever possible should be on a rental basis as long as there is not a high level of inflation and the rental terms are favorable, reduction in working capital to include inventory and cash, extended payment terms from suppliers although care must be taken to ensure good supplier relations and continuous sources of supply and accounts receivable where we collect the bills more quickly. External funds need to be evaluated on three bases; the length of time the funds are available, the costs involved and the amount of company control lost

Mueller (2010) provides several options for obtaining cash for a growing business; Traditional bank loans; the local bank can offer low interest rates and long repayment plans."The negative to a bank is that the loan can often be very hard or next to impossible to obtain," says Rick Kahler, a certified financial planner with Kahler Financial Group in Rapid City, S.D. "Also, most bank loans are 'recourse,' meaning if there is a default, the bank can go after personal assets as well as any collateral secured by the loan." Government loans; like traditional bank loans, loans with a government guarantee can be tough to get, and the process can be painstakingly long. It's not uncommon for potential borrowers to bail before the loan is approved. However a government loan comes with a low interest rates and long repayment terms. Loans from family and friends; No one wants your business to succeed more than your loved ones or good friends, so the nearest and dearest may be a good funding source. In return for the loan, the new lender could receive a decent interest rate on the loan--better than a bank CD or money market fund. A partner; if one is willing to share future successes, consider taking a partner who can pour some money into the business but while a partner could bring cash, she could also bring her own ideas about how to run the business.

Besides obtaining cash to sustain the growth it's very important that the enterprise maintain good records and financial controls over such activities as cash flow, inventory, receivables, customer data and costs. In order to support this effort it is helpful to consider using a software package to enhance the flow of the information. With a growing venture it is sometimes necessary to enlist the support and services of an accountant or consultant to support record keeping and financial control (Hisrich, 2002). Crijins (2001) advises businesses to build solid relationships with professionals -- Early on, find a good accountant, a good lawyer and a good banker. They can help you set up the financial system and legal structure you'll need later when business takes off. Develop a solid relationship with each, communicating regularly about your business. Straightforward and honest communication in good times goes a long way toward ensuring their support when you need financial backing or professional advice

2.3.6. Human Resource Development

The foundation of any SME is the interaction between the institution and its customers. This bottom-up view of the institution appropriately emphasizes the critical role of staff as the foundation of the business, and places human resource development as a top priority for managing growth. If the firm places a premium on its people, it needs to create an atmosphere that makes the firm the best possible employer to the people it wants to attract and keep. Since non-profit organizations are typically constrained by limited resources, they have to be particularly innovative in hiring and retaining quality staff. Firms will grow only to the extent that they have the right number of people in the right place at the right time with the right capabilities. Service firms, like SMEs, are particularly vulnerable to the consequences of short-changing the people side of the business. In the service sector, the firm's employees are its products—if the firm does not have the right number and type of employees; it runs the danger of being out of stock (Harper, 1995)

Human resource management focuses on issues, such as hiring, training, and motivating staff, within the context of a growing institution. In doing so, it emphasizes the importance for a growing firm to invest in its employees so they can grow in parallel with the business. Generally, the new venture does not have the luxury of a human resource department that can interview, hire and evaluate employees. Most of these decisions will be the responsibility of the entrepreneur and perhaps one or two other key employees. As the firm grows, the department would need to be boosted so that it can handle the demand.

While managing HR presents significant challenges to a fly firm, small and medium enterprises (SMEs) face unique challenges that stem largely from their size (Greening, Barringer, & Macy, 1996). While economies of scale permit larger organizations to employ a team of specialists to address the complexities involved in managing HR programs, this is not a viable option for many SMEs. The costs associated with hiring highly trained HR professionals on a full-time basis are likely to be prohibitive for many smaller organizations (Arthur, 1995). As a result, HR activities often become the responsibility of general managers (Longenecker, Moore, & Petty, 1994). This is problematic for two reasons. First, the complexity of many HR activities is likely to result in them becoming a significant drain on managerial time and resources. As such, HR tasks may interfere with managerial responsibilities that are directly related to revenue production (Cook, 1999). This problem is even more critical given that scarcity of managerial talent is often cited as a key factor limiting growth in SMEs (Arthur, 1995). This scarcity of managerial talent increases the opportunity costs associated with time spent on HR administration by SME general managers. Second, many HR tasks involve substantial complexity and, thus, the quality of HR decisions may well be affected by the fact that general managers often lack significant training and expertise in HR (Greer, Youngblood, & Gray, 1999).

SMEs also face unique challenges with regard to the attraction and retention of employees. Attraction and retention is clearly linked to the ability to offer a competitive benefits package (Williams & Dreher, 1992). However, since benefits costs decline as firms become able to aggregate risk across a larger number of employees (Burton & McFadden, 1992), SMEs are at a disadvantage in their ability to offer competitive packages and, in turn, attract and retain employees.

2.3.7. Organizational Structure

Most organizational structures represent their companies' histories instead of their promise. The organizational design reflects old political adjustments and past strategies, and does not provide a power base on which the business' future growth depends. To consider the future, businesses need to ask why the organization is currently designed the way it is. Does the design indicate a holistic picture of the organization, or did it develop through a series of incremental changes where pieces and parts were added here and there? "A need may go away, a problem gets solved, or a constraint disappears, but the past often lives on in organizational charts."To effectively manage growth, companies may need to rethink their organizational design by looking to the future (Tomasko, 1993)

In small companies the organizational structure tends to evolve with little conscious planning certain employees begin performing particular functions when the company is new and retain those functions as it matures. The natural evolution is not bad at all. Unplanned structures are section project however and growth typically creates a need for organizational change. Periodically, therefore the entrepreneur should examine structural relationships and make adjustments as needed for effective team work (Arthur, 1995).

In designing the organisation structure, the organisation should decide whether they want a lean, flat and simple structure or a complex one, and whether the structure will facilitate effective flow of information.

Lean, Flat, and Simple; Large companies around the world are downsizing, rightsizing, and reorganizing to cut costs and to establish organizational structures that are responsive to changes in the market. Despite the advantages of size, such as economies of scale, access to resources, and stability, size also has its drawbacks. Big companies are not as flexible or as agile as their smaller competitors. The larger the company becomes, the more it builds layers of bureaucracy and management. As a result, it may lose touch with its customers and no longer be able to innovate. To have the flexibility to respond to rapidly changing customer demands, many companies are moving toward a flatter and leaner structure (Churchill, 1997)

Flow of Information; in organizational hierarchies, the most difficult paths of communication are those that go up the chain of command. These paths are too congested with concerns about authority, accountability, dependency, evaluation, leadership, and status to serve as effective communication conduits. In most businesses, information—and rumors—flow fastest across the hierarchy, from peer to peer. Less energy and effort are required to move horizontally—the lesson for organizational design is to minimize the vertical height of the structure in favor of horizontal expanse (Tomasko,1993) According to Arthur (1995) strict adherence to the chain of command is not advisable . An organization in which the primary channel of communication is rigid will be bureaucratic and inefficient but at the same time frequent and flagrant disregard of the chain of command quickly undermines the position of the by- passed manager

Historically, the span of management control has been approximately one manager for every five to seven employees. Although some authorities have stated that six to eight people are all that an individual can supervise effectively the optimal span of control is actually a variable that depends on a number of factors. Among these factors are the abilities of subordinates, advances in technology and management techniques making it possible to increase that ratio (Cook, 1999). The organizational design should also consider the flow of communication across the membrane of the firm, between employees on the inside and customers and suppliers on the outside. Boyett (2000) suggests that the strongest structure is one built without walls—walls between people, walls between business units, and walls between businesses and their customers.

2.4. The place of Institutional Culture in Managing growth

Every business has a distinct culture. It reflects the values of the firm and its attitudes about change, technology, and risk. The firm's culture also affects what decisions are made, how they are made, and how well they are implemented (Nadler et al, 1992). Corporate culture affects management's attitudes toward customers, employees, shareholders, and competitors. These attitudes determine the types of growth strategies the firm is willing to consider and the extent to which people are committed to implementing the strategies that are selected. Institutional culture also includes the informal procedures that emerge in the organization's operations. Sometimes these complement formal arrangements by providing structures to aid work accomplishment; in other situations, they may emerge in reaction to the formal structure—to protect individuals from it. Organizational architects need to consider the unwritten rules that guide the behavior of employees and determine if they are contributing to or detracting from the growth of the business. In a rapidly growing organization, tensions may emerge between the old institutional culture and the organizational structures that are required to support growth. One cannot see the corporate culture. It is not a budget line item, and it does not have a monetary value. But it does have an economic value. In successful institutions, culture represents one of the most important assets of the organization.

According to Tomasko (1996), for a growing company to succeed, growth has to be a part of the corporate culture. "Being a part of something bigger than ourselves and building something that can outlast ourselves are important cravings." Growth is an anxiety-producing process that requires vision, courage, tenacity and cunning…but it is better than the alternative (Tomasko, 1996 p. 17). The bottom line for an expanding organization is how it positions its employees for growth. Organizations shape the way people interact. An organization is focused on moving forward when talk about growth permeates conversations throughout the company. No company can go for growth unless its employees want to get there just as much. There are various elements of organisation culture to include ideology and vision, leadership, communication, Customer service, innovation, integrity and honesty

2.4.1. Ideology and Vision

A key step to building a durable, growing company is to define and articulate its core ideology. Collins and Porras (1994) state that ideology has two components: core values and purpose. Core values are the organization's essential and enduring tenets, not to be compromised for financial gain or short-term expediency. Core values; do not sway with the trends of the day, nor do they shift in response to changing market conditions. The purpose is the set of fundamental reasons for a company's existence—why does the company exist in the first place? When properly conceived, the organization's purpose is broad, fundamental, and enduring. A successful company continually pursues but never fully achieves its purpose—like pursuing a guiding star. For example, "Disney can evolve—from rinky-dink cartoons, to full-length animated movies, to the Mickey Mouse club, to Disneyland, to box office hits, to Euro Disney, and to who-knows-what in the twenty first century—yet never outgrow the core task of 'bringing happiness to millions.'

Management's concern for the present—no matter how successful the business—must be complemented with a vision of where the firm will be in 7 to 10 years. This vision makes the core ideology real and applied. The corporate vision spells out what markets the firm will be in, its anticipated size in terms of employees and assets, and whether it will be a domestic and global enterprise. The vision should also indicate whether the firm will be publicly traded and whether it will acquire other firms. Developing the vision does not replace long-term planning; it facilitates the planning process. Like the purpose, the corporate vision serves as the North Star in every decision to be made by every manager at every level every day (Harper 1995)

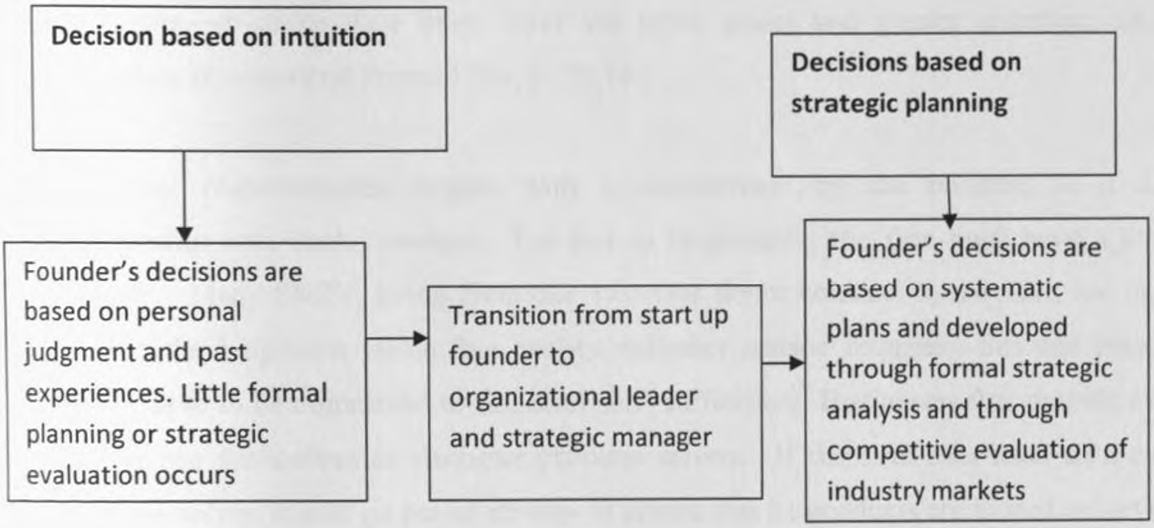
2.4.2. Leadership

Leadership has a significant impact on the institutional culture, although the extent of its importance is debatable. Some of the literature suggests that the chief executive officer and senior management determine the corporate culture. For example, Harper points out that management cannot afford to leave the formation of corporate values, beliefs, and priorities to chance. According to Drucker (1992), the foundation of effective leadership is thinking through the organization's mission, defining it, and establishing it, clearly and visibly. The leader sets the goals, sets the priorities, and sets and maintains the standards. Leadership is a responsibility, not a rank or privilege. The challenge for management is to identify the institution's informal culture and to work with it. Durable, sustainable companies have to remove their dependence in one individual, charismatic leader. Collins and Porras believe that it is not the quality of leadership that separates the best companies from the rest. Many companies have excellent leadership. It is the continuity of quality leadership—particularly home-grown management—that preserves the core ideology. The most successful companies have better management development and succession planning than their less accomplished peers. Managing growth is quite often a challenge to entrepreneurs as it requires a mindset change from founder to manager yet founders are not always good organizational members and may fail to appreciate the value of good management practices (longenecker, Moore &petty, 2000) Growing venture requires professional level management and it cannot accommodate management that largely relies on past experience rule of thumb and personal whims. All the above is conceptualized in achieving entrepreneurial leadership which is defined as the entrepreneurs ability to anticipate envision, maintain flexibility, think strategically and work with others to initiate change that will create a viable future for the organisation (Kuratko, 2004). Fred smith, founder of Federal express identified his role during the rapid growth stage as a "transitional state of mind" when he had to develop the ability to assimilate information from many different disciplines synthesize his vision into workable plans and learn to trust his people to execute activities that achieve success (Holt, 2005).

The entrepreneur's role as a strategist is also crucial. They must transform their behavior from making strategic decisions based on intuition to making strategic decisions based on formal strategic planning. This transformation is shown conceptually in figure 2.4.3 b. The entrepreneur becomes a strategist to carefully plan long term market and product development and to obtain the human, material and financial resources necessary to implement plans. Given the changing role of the entrepreneur there is constant pressure on his time and it would be required of him to learn to delegate. Through delegation of authority, a manager grants to subordinates the right to act or to make decisions (Moore, 2008).

Angela (2009) stated "An entrepreneur's role, as the founder of the business, is to formulate strategic goals, set the direction of the company and lead the team in the creative path desired. It is not appropriate for him to be a micro-manager and insist on knowing all the details of operation. Doing so may, in fact, stunt the growth of the company and prevent it from taking on the opportunities that it should be taking

Figure 1.4.2 Transition from intuitive decision making to Strategic Management



Adapted from Carlos Moore (2008):Managing Small Business; an entrepreneurial emphasis pp 384

2.4.3. Communication

The chief executive officer sets the tone for communication in the business. If he or she is open, sharing, and attentive to what other people in the company say, the chief executive officer will see this transparent behavior in employees. If the chief executive officer is reticent with information, others will follow suit. Communication is a two-way street, and the most important side of the street is usually the less traveled. Listening to key stakeholders is critical. It will help senior management to know if the core values and vision of the firm have been internalized by staff, and to understand the informal culture of the firm. In addition, the perspectives of the stakeholders must be incorporated into the firm's strategy, particularly with regard to understanding the needs of the market (Hawkins, 1987)

2.4.4. Customer Service

In any service industry, one core value that has to be retained is the commitment to customer service. As the institution grows, it will retain its commitment to its customers only if customer service is a critical component of the corporate culture. Sam Walton captured the essence of Wal-Mart's number one core value:
'We put the customer ahead of everything else....If you're not serving the customer, or supporting the folks who do, then we don't need you....We exist to provide value to our customers—to make their lives better via lower prices and greater selection; all else is secondary (Collins and Porras 1994, p. 70,74)

Customer responsiveness begins with a commitment by the business to a life-long relationship with each customer. For this to be possible, the firm must have a long-term outlook. Many SMEs, living from one two-year donor contract to the next, are unable to assume the long-term vision that quality customer service requires—this one reason why SMEs have to be committed to financial self- sufficiency. Businesses that provide excellent service see themselves as customer problem solvers. If the firm sees itself as a customer problem solver, it will go out of its way to ensure that its products are indeed achieving that objective (Harper, 1995)

Repeat customers are not necessarily satisfied customers. Retention should not be confused with loyalty. This is especially true for SMEs that operate in monopoly markets. It is easy for a high- growth business to take its current clients for granted. Its efforts to attract and serve new customers may overshadow the need to provide first-class service to customers. Customer service research has determined that it takes five times more money to find a new customer than to retain a present one. Customers who had a bad experience with a firm usually tell at least nine other potential or existing customers. Research also has indicated that 96 percent of a company's dissatisfied customers never complain to company, but they tell a lot of other people. It is cheaper to invest in customer service and in resolving customer complaints than to invest in attracting new customers (Boyett, 2000)

The bottom line is growth begins with customer retention. For SMEs to grow, they need to keep their present customers *and* attract new ones. Both the keeping and the attracting will be easier if the SME provides excellent customer service. Depending on the firm's growth strategy, growth could include increasing the depth of the relationship with each customer by cross-selling products where appropriate, as well as increasing the number of customers (Drucker, 1992)

2.4.5. Innovation

Closely associated with customer service is the importance of innovation and adaptability. What worked well for the company yesterday may be less effective today and obsolete tomorrow. Growing businesses need to innovate and adapt constantly to meet the changing needs of their clients and to keep one step ahead of the competition. Many large businesses are now trying to act like emerging businesses. It was not long ago that emerging firms wanted to operate like Fortune 500 firms. Today, more and more Fortune 500 firms are adopting "corporate entrepreneurship" in their strategies and cultures so they can be more opportunistic and agile. In its effort to be large *and* entrepreneurial, 3M strives to have 25 percent of the firm's sales five years from now from products that do not exist today. The firm's culture rewards innovation and unconventional thinking. Merck, the pharmaceuticals company, embraced a strategy of consciously yielding market share as products became low-margin commodities, thus forcing itself to innovate in order to grow (Collins, 1994).

Businesses with venturesome or entrepreneurial cultures tend to be very adaptive. In growing firms, people at all levels are accustomed to doing things they have never done before. They take pride in their ability to rise to the occasion. To be innovative, management should realize that every employee is a source of ideas, not just a pair of hands. Growing businesses have too few people to begin with, and they cannot afford not to capitalize on the full potential of each employee. Some businesses expect one new idea per employee per month.

For a growing business to continue growing, it has to be a learning organization that monitors the market and scans the horizon looking for clues or trends. It needs to be proactive by regularly analyzing how can it can do better There may be a tendency in mature SMEs to assume that, because their current financial products are so successful, they should continue to operate the way they are and just increase the scale of their operations. But the "if it ain't broke, don't fix it" philosophy does not work in business. Successful firms are constantly innovating and upgrading, and they spend a significant percentage of their budget on research and development. SMEs should first specialize and succeed before they begin to add new products, and even then the addition of innovative products should be very deliberate (Churchill, 1997)

2.4.6. Honesty

Although this aspect of institutional culture is not discussed at length in the literature, honesty is a critical cultural characteristic particularly in a growing SME. In small institutions, it is easy for senior managers to ensure that staffs are honest and trustworthy. As the SME grows and becomes decentralized, senior management has found other means to monitor the moral integrity of its staff. Fraud prevention strategies usually focus on internal control procedures and the use of internal auditors. However, for SMEs the most effective means of deterring fraud may be actively integrating honesty into their institutional culture (Churchill, 1997)

As with other aspects of institutional culture, inculcating honesty begins before an employee is hired. From the interview to orientation to ongoing staff training, SMEs must constantly highlight that honesty and trust are the fulcrums on which all their business relationships rest. Fraud in SME amounts to stealing from colleagues and stealing from low-income persons, and can undermine both the social and the financial objectives of the business. As a result, it is everyone's responsibility to protect the institution from fraud, not just managers and internal auditors. SMEs that are able to incorporate this thinking into their institutional culture create peer pressure, which may be a more effective deterrent than a host of internal control procedures.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

This was a case study of Suntra Investment Bank. The study therefore involved an in-depth exploration of managing growth at SIB but cannot be used to generalize for any other company or industry. Kothari (1990) described a case study as a careful and complete examination of a social unit, institution, family, cultural group or an entire community. A case study he argued embraces depth rather than breadth of a study.

3.2. Data Collection

The study used both primary and secondary data. Primary data was collected through in-depth interviews. An interview guide was used to help steer the interviews as well as to ensure crucial data is not forgotten during the interviews. The interview Guide was subdivided into three sections namely; Growth which sought to understand how SIB had grown over the years, Approaches to Managing growth which helped understand how SIB had managed growth and the place of institutional culture in managing growth which helped understand how Suntra had dealt with the culture of the company to manage growth. The interview guide made use of open-ended questions to allow respondents to explain phenomenon in their own words. The interview allowed for probing, clarifying issues and addressing any concerns which assisted in gaining a clear understanding of issues. The target respondents of the study were the Managing Director and the Assistant General Manager, Finance. This was because the Managing Director holds the vision for the company and therefore plays a key role in managing growth while the AGM had been with the company ever since inception and was instrumental in detailing the growth over the years. Primary data assisted in addressing the research objective which was to determine how SIB as an SME had managed growth

Secondary data was obtained from the company's records such as published financial statements, in-house magazines and publications. Data was also obtained from trade journals, magazines, websites and internal communication media like the notice boards and posters. This method assisted in obtaining data quickly and cheaply and also in probing when collecting primary data. Secondary data helped to identify the growth curve of SIB

3.3. Data Analysis

Data collected from the study was qualitative data. The data was checked and edited for completeness and consistency. A content analysis was then performed on the data to allow for an in-depth understanding of issues in the case. Nachmias & Nachmias (1996) defined content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate to trends. By performing a content analysis, a clear understanding of respondents' answers was obtained. This approach had been used successfully by other researchers for previous similar studies like Muse (2006), Kathuku (2005) and Mulema (2004).

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.0 Introduction

This chapter gives a detailed analysis of the data collected by the researcher. Data collected from the respondents was qualitative and was checked and edited for completeness and consistency. A content analysis was then carried out on the data obtained and the findings were presented in form of brief discussions on the growth of the company, the approaches adopted to manage both growth and the organisation culture and on what informed those approaches

4.1 SIB Growth

SIB had gone through various growth phases since its inception in 1990. The initial phase of slow growth lasted for more than ten years. During this period there was minimal growth in revenue, the company was limited to one line of business being brokerage of shares and the staff force remained below 20. The company had started off as an agent of the NSE and was operated from a small office in Common Trust House in the city centre. In 1994, SIB then Suntra Stocks was admitted as a member of the NSE and granted a license as a stock broker. This had resulted in more direct business coming into the company, and pushed the revenues a notch higher. Growth at SIB was directly related to the performance of the capital markets which is pegged on the performance of the economy. During the nineties, the economy was performing below par and in fact from the year 1996 to 2002, the NSE 20 share index was on a decline from 3500 in 1996 to 1300 in 2002. It was not until the year 2002, when there was hope of an improved economy with an anticipated change in government that the company had started experiencing significant growth. The change in government in 2003 marked the start of the rapid growth in SIB life cycle. This was a period of unprecedented growth of the stock markets and several companies issued IPOs the hall mark being the Kengen IPO which was issued in 2004 and that completely changed the dynamics of the stock markets. During this period SIB had experienced a spurt in the growth of revenue with the operating income growing from 30 million in 2002 to Ksh 207 million in 2006, the profits grew from 7 million in 2002 to Ksh 111 million in 2006 while the market share had grown from 1% in 2002 to 7.7

% by the year 2006. It was also in the same period (2004) that the company was licensed as an investment bank which had enabled it to increase its offering to the customers to include financial advisory, transaction advisors and facilitating private placements for various companies. It is in the year 2006, that the company reached its maturity stage

SIB had gone through intensive growth during the initial phase where increase in productivity was achieved without increasing the capabilities. However, this changed to extensive in the rapid growth phase where the increase in productivity was matched by an increase in capacity. It was during the rapid growth phase that the company had changed its offices first from the common wealth house to the 10th floor of nation centre. Later on the company increased space by taking more space on the 7th floor of the same building and in 2006, additional space was acquired by taking up a whole floor in Cambrian building also located in the city centre. The company had also increased its permanent staff from 20 in 2002 to 51 in 2006

Generally during the rapid growth phase SIB had the following experiences. At some point the staff morale was low because there was an increase in workload which did not immediately result in an increase in the pay package. As a result the staff felt they were not getting value for their service and some actually left the company. In addition there were no formal recruitment policies and often times positions were filled with people who did not have the job specifications. There was a strain on the ability to honor obligations. This was mainly because of high prevalence of fraud which strained the company's resources given that they had to compensate the clients. The existing information system was found to be deficient as it could not support the growth and the company needed to replace it. There was an increase in clients' complaints on customer service

SIB experienced a sharp decline in growth in the years 2007 to 2009. This marked the decline stage in the organisation life cycle. During this period, the profit fell from Kshs 111 million to a loss situation in 2009. This was directly attributed to the political uncertainties in the country preceding the 2008 general elections but also by the challenges experienced during the growth phase the main one being fraud as a result of which there was a great loss of investor confidence but also a direct loss of funds to the company as they had to compensate the investors for the amounts lost. It was during this period that several stockbroker firms were put under receivership and some never recovered and have since gone under. However, SIB survived this period and as at the time of the study, it was back to profitability. According to the earnings results for the first half of 2010, the firm's total income was KES 79.4 million compared to KES 35.1 million in the same period a year earlier. Income from brokerage commission almost doubled to KES 32 million, from KES 19 million a year earlier, becoming the main source replacing income from the firm's direct sales of shares commonly referred to as dealing sales. The company posted pretax profit of KES 18 million from KES 19 million pretax losses suffered last year. Improved business at the NSE and cost cutting through restructuring had pulled the Bank from loss making territory to the profit zone.

SIB had desired to grow so that it could meet its stakeholder's objectives the main one being to maximize shareholder value and maintaining the brand name. The company had also aimed at getting listed on the NSE so that they could attain the true value for the shareholders where their shares could trade openly as opposed to the over the counter trades where bids may not be a true reflection of the shares worth.

4.2 Transition from Emerging to Emergent Organisation

SIB had grown from an Emerging to an Emergent organisation over the years. This transition was marked by change of the organisation from an entrepreneurial enterprise that was lean and flexible to a professional firm that was structured into various departments and that made strategic as opposed to intuitive decisions. To manage this transition, SIB had deployed some of the principles stipulated by the Lowe foundation and faced challenges in implementing others. SIB had reinvented the vision of the company from being a leading investment bank in Kenya to being the leading and distinctive investment partner for wealth creation in Africa. This had added an element of quality to their vision as well as extending the scope of the business. There had been a lot of effort put towards the top management surrendering sovereignty. For many years SIB had been a small business where responsibility remained at the top and there was little delegation. However with the growth of the company top management agreed to a restructuring of the company where several departments were created and responsibility was pushed down to the various departmental managers and the top executive were left to focus on the vision of the company. However, this was no mean task and it was often found that decisions that could have been made at the departmental level were still being made at an executive level and to overcome this, the board resolved to change the executive management.

During the period of early growth, it was very easy for the company to work as a team given the small number of employees. However with the rapid growth of the company, SIB had experienced a decline in the team spirit. This was so because some people were feeling they 'owned' the company given their long heritage and were not willing to integrate new members into their grouping. In addition there was a major breakdown in the communication and even if a staff member had brilliant ideas the company did not have channels to harness these ideas. As a result the entrepreneurial spirit went down and the company could not remain competitive as if offered the same products to the industry. To overcome these challenges, SIB had organized various team building events and made sure that new members were inducted on the vision and values of the company. In addition SIB had held various meetings with staff where they were encouraged to share ideas. Management had also used these meetings to communicate to the staff various upcoming issues in the company

4.3 Approaches to Managing Growth

The study established that SIB had gone through a typical organisation life cycle marked by a period of slow growth, rapid growth, maturity and even a decline. Throughout the cycle, management had adopted various approaches to manage its growth. These approaches are detailed below.

4.3.1 Strategic Planning

The planning process at SIB had evolved over the years of its existence from a time when planning was haphazard impromptu and based on the current issues to formalized planning by the top management and eventually to Strategic Planning. Strategic planning was informed by the rapid growth of the company where it was seen that management were often caught unaware by various changes in the environment and had to result to management by crisis. This was more so during the period of rapid growth during which although there was a serious shortage of resources to include personnel and office space. Impromptu arrangements were made to hire temporary staff and take up more office space. However it turned out that the growth was not sustainable and when it declined, the company found itself with excess capacities. Besides the changes in the internal environment, the Kenyan capital and money market underwent major transformations that changed the way business was done in the market. The transformations had been championed by the increased use of Information and Communication Technology, relaxation of government controls and regional economic integrations, the advent of Central Depository Systems for government securities in 1997 and the Nairobi Stock Exchange Automated Trading System in 2005, the resurfacing of the East African Community coupled with more sophisticated clients had significantly changed the business environment These paradigm shifts led to a shift from paper-based to electronic transacting, borderless Markets, mergers, acquisitions and amalgamations, and increased number of new entrants into the market and as a result, it became imperative that SIB re-strategize in readiness for the more dynamic and competitive trade.

To develop the strategic plan, SIB engaged the services of a consultant. The process was championed by the Board members and the top management at an offsite location. The planning sessions entailed the reinstatement of the vision of the company where the focus was broadened from local market to the continent and the company targeted to be the leading and distinctive investment partner for wealth creation in Africa. This was followed by a product and a company SWOT analysis where the company sought to enumerate its key strengths and weaknesses and also the threats and the opportunities facing it. After this a situation analysis was done which helped them identify where they were and thereafter they developed objectives and strategies to guide them over the plan period to where they wanted to be. There were five key objectives which were to achieve a 30% revenue growth per year for the next five years, achieve an 80% automation level of all business processes within a year and paperless environment in five years, Continuously employ, develop and retain the best people, develop a new SIB culture within a year, and to Reduce transaction costs by 10% per annum over the next five years from the year 2008 – 2012

SIB encountered various challenges in the implementation of the strategic plan. Some of the actions required approval from the regulatory authority in this case CMA. It took a lot of time to obtain the approval which delayed the overall implementation. Given that the strategic plan was developed by the top management and the board, there was a lot of resistance from the staff on its implementation. This was mainly because the staff had a fear of the unknown. Besides some of the staff had failed to delegate over the years and as such were the sole custodians of roles they played making them indispensable as at that time. There was also a problem in the communication of the strategic plan where it was not appropriately cascaded down and therefore lacked ownership among the staff members. In addition there were changes in the regulatory framework key among which was in the 2008/2009 budget where there was a requirement to increase the share capital from Ksh 30 million to Ksh 250. This change had not been anticipated during the planning and threw the whole plan off balance

SIB took various measures to manage the challenges encountered in the implementation. This included training the staff, and enlightening them on the benefits that would be derived from the strategic plan, they also had the Managing Director communicate with the entire staff force either as one group or in departmental meetings reinforcing the role of the strategic plan. In addition a succession plan was developed where people were meant to identify successors in their areas and coach them to ensure they could take over incase the Supervisor was away.

4.3.2 Product Offerings

SIB had highly standardized offerings to its clients. Other than a few products which the company had developed to serve specific segments of the market, majority of its clients were for the stock brokerage business. This line of business was highly standard as the offering was the same across the industry and the delivery was highly regulated leaving little room for customization.SIB had therefore sought to keep their procedures simple and efficient and enhanced its customer service to ensure they attracted and maintained many clients. Given that SIB had not grown by opening new branches it had been fairly easy to ensure the same level of service for its clients. However, the company had contracted various agents across the country who did not necessarily maintain the same level of service and commitment to the clients. In as much as they had tried to engage the agents through meetings this was a challenge that had not been overcome as at the time of the study.

By offering standardized products, SIB had ensured a wider customer reach, it was easy for staff members to learn and respond to clients queries on the offering, there was minimal product training for the staff, and minimal costs of operations since the same channels were used for delivery

4.3.3 Advancements in Management Information System

SIB had started off with manual operations but later adopted an automated system; Stock broking information system (SBIS) to help manage the growth it was experiencing. The decision to invest in an automated system was informed by several factors. The increase in the volume of transactions meant that it would be difficult and inefficient to process them manually and automation was seen as a solution for this. There had been changes in the systems at the trading floor also from manual to the automated trading system and at the share registrars from physical certificates to the central depository system and the company needed to upgrade its system so that it could integrate seamlessly with the other systems. Although on some occasions it was possible for the company to get timely information on the changes in the environment to include the regulatory or industry performance this was not always the case. There were instances where management did not have the information they needed when they needed it which would delay decisions as they tried to get it. Some of the information that was not available was on the latest competitor activities, they rarely had information on opportunities and new threats in the environment, and there was a delay in getting information on customer complaints and also in providing timely information to the various stakeholders. All this hampered effective delivery of services. In addition, lack of information meant that management could not make projections for the future. Efficient systems would ensured all stakeholders had the information they needed timorously but also that the company was proactive in receiving and managing the information from the external environment

SIB had incorporated the need to improve its information systems infrastructure in its strategic plan where it sought to achieve an 80% automation level of all business processes within a year and achieve a paperless environment within 5 years. This was to be achieved by acquiring new decision support software called broker know which was done in 2009 and which replaced SBIS, developing an ICT policy, and also through optimal utilization of the email facilities. The company had also subscribed to various electronic journals and sites which would provide timely information on the changes in the industry

As at the time of the study, SIB had Plans to further upgrade its system to be in line with the current technology where the clients will be able to place transactions from the convenience of their homes/ offices using mobile phones. When complete this will be a boost to the customer service but also lead to a significant reduction in cost as some of the staff may become redundant

4.3.4 Marketing Approach

SIB had adopted some of the marketing strategies advanced by Ansoff. Majority of the strategies that had been adopted had been developed in the strategic plan. Some of the strategies that had been deployed were customer segmentation where SIB had segmented its clients and had dedicated resources to serve the high net worth clients. This was from the realization that the high net worth clients were accounting for a significant portion of the business. Also this was at the time when the industry especially the banking sector had adopted this approach and SIB followed suit to stay competitive but also to ensure it did not lose its clients to the competitors. The company had also developed some products to meet specific customer needs. It prided itself in having originated the bond program and the bond pricing model that was being used by the NSE. In addition the company had introduced fund management business line where various affordable unit trusts were on offer to customer who felt left out by the key service providers in the industry because the minimum investments amounts were beyond reach. The unit trusts that were offered had a minimum initial amount of Ksh 100,000. SIB also offered other products like investment advisory and private placement. A diversified offering increased the revenue streams which fuelled growth

SIB had also adopted the market penetration concept whereby they sought to serve more clients using the same products. To do this the company had recruited agents from all over the country some of whom were tied agents and would therefore bring in direct business from various regions in the country. Some of the places that the company was represented by agents were Nyeri, Thika, Kisumu, Eldoret, Mombasa, Embu and Kisii. In addition in the year 2008, SIB had entered into an Agency contract with Post bank where by Post bank would act as their agents in the various branches. This gave the company a great boost in revenue especially during Initial public offering given the wide branch network at Post bank. The approach of using agents was more favored to opening branches as they were minimal capital outlays and it worked favorably as opposed to other investment banks that opted to open branches and have since shut down as they could not sustain them. The main challenge encountered in running the agencies was that the agents were not branded neither did they all strict to the companies policies and procedures and it was a challenge to present a common front to all their clients a challenge that was still prevalent as at the time of the study

4.3.5 Financing Growth

There had been continuous demand for finances to support the growth at SIB over the years. This was a big challenge for the company as it had adopted a strategy of distributing almost 80% of the profits as dividends to the shareholders. As such when the company experienced rapid growth, they had to result to external sources of funds to support it. The main channel that the company had used was a bank overdraft. This was favored as it helped them to meet the immediate demands when they occurred. There were strict instructions as to when trades should be settled and had to ensure that the cash was available. With the bank overdraft facility, the company had been able to honor all its obligations on time which was a boost for them in customer service but also in avoiding penalties in case of late payments. The overdraft facility had been secured against investments in shares and since the investments were long term, this had not inconvenienced the company unduly

SIB had also used other sources of funds although to a limited extent. This included a reduction of working capital by reducing its debtors. The company deployed a dedicated resource to manage debtors and her main responsibility was to ensure that all debts both historical and current were collected. Besides this the company had renegotiated with their suppliers to provide a 30 day credit period.

In the 2008/2009 budget speech the Minister for Finance proposed miscellaneous amendments to the Capital Markets Act, to include an increase of the paid up share capital for investment banks from a level of Ksh 30 million to Ksh.250 million within three years from the date of announcement. This amendment was not anticipated when preparing the strategic plan. To sustain its growth and conform to the proposed capital adequacy levels that had been proposed SIB needed to raise more capital. To do this, management resulted to equity financing through a rights issue to the shareholders. The rights issue had kicked off in 2009 and as at the time of this research it was still open. The long duration of the rights issue was explained by the fact that the issue started at a time when the market performance was declining and the shareholders found it difficult to take up their rights. However, as at the time of the study, the market was on an upward trend and management was optimistic that they will be able to raise the required amount by the stipulated deadline. SIB in conjunction with other members of the stock exchange through the Kenya Association of Stock Brokers (KASB) was also considered lobbying CMA to extend the deadline should they not have complied by then.

SIB had made changes in its finance department to be in tandem with the growth of the company. Initially the company had only one employee in charge of all the activities of the company including finance. However with growth, the company had progressively boosted the department to be a fully fledged department headed by a General Manager, Finance with more than ten staff under him.

4.3.6 Human Resource Management and Organisation Structure

SIB had started off with only 2 employees in 1990. There had been various changes both in numbers and structure over the years of its growth. With the exception of 2006 when there was massive recruitment, the staffing levels had grown along a normal curve. Up until the year 2000, the company had maintained its staff level at a relatively stable position of below twenty. The company did not have an elaborate organisation structure and the Managing Director was in charge of a lot of the operations with the assistance of one other Manager and there was minimal delegation. With the rapid growth in the years to follow, this position was not sustainable. Management had realized there was a constraint on the existing staff force, as a result of which there was a decline in the staff morale. Besides it was found there was job mismatch and the employee participation in various activities was below average. As a result there was a high rate of staff turnover and the company was constantly filling vacant positions. Further on there was no systematic way of recruiting staff and often times vacant positions were filled by relatives who had not met the requirements for the job and who felt protected by the regime and majority were slack in fulfilling their obligations.

Given that there was little delegation the span of control for the key staff had been very wide and therefore ineffective. SIB made a decision to make changes in the structure. The company was divided into business units and each unit was headed by a manager. The key units created were stock broking, investments, Research and Strategy, Human Resource, Internal Audit and the Finance Department. The span of control for each of the managers was limited to 7 staff. This meant that there was more efficiency but also freed the top management of routine jobs to concentrate on strategic matters.

Creation of the Human Resources department had helped to streamline the human resources function. The recruitment process was streamlined to start with request for applications which were vetted and only those candidates that had met the minimum qualifications were shortlisted to go through the interview. The company also started a training program where staffs were trained on customer service, interpersonal skills and team work through team building activities.

To ensure that the company obtained and retained the high caliber employees by offering competitive remuneration packages, it had sanctioned an industry research on the pay perks in related companies. Thereafter employees' salaries were matched with the industry. However, there was a delay in implementing this perks during which the company lost some of its key personnel to the competition.

4.3.7 Managing the Organisation Culture

SIB had started off like a family unit with only two staff and saw only a few additions during the first ten years of its operations. As a result there was a very strong bond among the employees and they all ascribed to the same, although informal, values. As the company grew there was evidence of tension between the old organizational culture and the new systems that were being put in place to support the growth. Majority of this changes were spelt out in the strategic plan and in fact during the strategic plan process management saw the need to change the organizational culture of the company. This was spelt out as an objective where they sought to develop a new culture within a year of its implementation. While these changes were generally accepted by the employees some felt that there were okay working as they always had and were not committed to the changes.

SIB had been under the same management for close to two decades. SIB saw the need for the leadership to change the mindset from that of a founder to that of a Manager. However, they too were victims of the long established culture and breaking away from it was a main challenge for the company. The Chief executive and the top management serving with him had a grip over all the operations of the company. Often times decisions were made based on the personal whims of the decision makers and at times noble causes were rejected because they did not align to the old way of doing things. To overcome this challenge, the board of the company introduced succession planning where every leader was supposed to identify and prepare individuals to succeed them. This would effectively relief them of some mundane tasks so that they could focus on the vision of the company. The company also hired top managers who would help in bringing in new ideas and more efficient ways of doing things. In addition the Human Resource function was streamlined to ensure hiring was done professionally as opposed to filling all vacancies with relatives

SIB had weak communication channels. It was often found that employees were not aware of the changes happening in the company and neither did management get ideas from the staff. As a result it was difficult for staff to own the changes. There before it was easy for information to flow through informal groupings but the growth in the company meant that not all staffs could be reached this way. In the strategic plan, the company had a strategy to induct all employees on the vision mission and core values on the time of entry and also to formalize communication by scheduling regular meetings at several levels and encouraged staffs to not only attend but also to actively participate in the discussions. This made them feel that their ideas were important and in as much as possible management incorporated these ideas into the business.

SIB had over the years maintained the motto that the customer is king. While it was easy to live by the motto when the company was small and the customers were few, it was highly challenged during the period of rapid growth. Initially the clients had been accustomed to almost personalized service given they were few. But with growth, this attention was not possible. Besides much as the concept of superior customer service had been adopted early in the life of the company, the staff members had not gone through training in customer service and were found to be below par when faced with large clientele. As a result there were a lot of clients complaints both from poor service which ranged from how long they took to be served, the responsiveness to queries and complaints and on why they could not directly deal with the top managers as they had been accustomed to. Aggrieved clients with contacts with board members constantly raised complaints with them while others complained using various channels including the media. However this was a shortfall that was also being widely experienced among the many other members of the exchange and much as some clients opted to leave, majority hanged on. To manage the challenge, SIB embraced training on customer service to improve on issues like phone etiquette and management of clients especially those with complaints. The company also segmented their clients into four categories namely; institutional investors, high net worth individuals, retail investors which included low income earners and large and small companies. After the segmentation, SIB established various sections to offer dedicated services to each category of the clients where the institutional investors were served by the stock broking Manager and the high net worth clients by a dedicated staff while the rest were served by the operations department to offer dedicated service to the high net worth clients.

SIB had actively integrated the concept of integrity and honesty as part of their organizational culture. Further on this was embedded as a core value when developing the strategic plan. During the early phases of growth, there was no major challenge to this concept. Employees served faithfully and everyone protected the stakeholder's values. However, during the rapid growth phase, the concept of integrity was largely challenged. The presence of young inexperienced staff saw an entry of a regime that was not so keen on hard work but thrived on trying to get as much money as fast as they could. As a result, the company experienced an unprecedented rate of fraud which was perpetrated both on the company but at times directly to the clients. As a result there were myriad customers' complaints some of which were lodged with the regulatory authority. Theft of company's funds also caused a great strain on the company's cash flow and it was becoming increasingly difficult for the company to meet its obligations. Generally, the capital markets sector had experienced a great decline in customer confidence. This was mainly because several stock brokerage firms went down while others were placed under receivership. The failure of the stockbrokers was mainly attributed to mismanagement but also to a very high rate of fraud and several companies found they could not honor their obligations as they fell due. To overcome the challenge, the company instituted an internal audit department charged with the task of strengthening the internal controls but also investigating past cases of fraud. All staffs implicated in fraud were promptly terminated. The company also sought to resolve the clients' complaints as speedily as possible but also in cases where it was evident that a fraud had been perpetrated by a member of staff, the company undertook to pay the client immediately and pursued the staff to recover the money. The hiring process was also streamlined and there was thorough vetting of new employees to ensure they had a clean back ground

As at the time of the study, the company had started benefiting from the changes in the organizational culture of the company and had moved from a loss situation to profit. In addition there were key changes to the management and massive retrenchment. This was both a cost cutting measure and a way to weed out staffs that were not committed to the new way of doing things.

4.3.8 Lobbying the Government

SIB had on several occasions lobbied the government to adopt strategies that would benefit the economy and thereby the company. Some of these strategies had been successful while others were not. One of the successful outcomes was the government adoption of raising funds by floating bonds an idea that was conceptualized at SIB. As at the time of the research the company was lobbying the government together with other stakeholders to have treasury bonds issued by the government trading freely at the stock exchange. This would enhance their liquidity as they would be freely transferable and there would be no need of discounting.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study set out to identify how SIB as an SME had grown through its existence and identify the approaches that SIB had adopted to manage this growth. The study made use of primary data and secondary data. Primary data was collected through personal interviews. Secondary data was collected from journals, websites and in-house publications

The study established that SIB had gone through a full organisation life cycle marked by a period of slow growth which lasted about 12 years between 1990 and 2002, rapid growth was experienced between 2003 and 2006 when the company reached maturity and there was a decline in growth in the period between 2007 and 2009. The study established that growth for the company was highly dependent on the performance of the economy and the change in government at the end of 2002 was a huge milestone for the company due to increased investor confidence which saw to an increase in investors in the capital market and there by positive returns in the company too.

The study established that SIB had adopted various approaches to manage growth more so during the rapid growth phase and the decline stage. These approaches were applied to varying extents with the key ones being strategic planning, human resource management, financial control, enhancements of the management information systems and management of the organisation culture while standardization marketing and lobbying the government were used to a lesser extent. In strategic planning the company had developed strategic plans for the years 2000- 2006 and for the years 2008-2012. The study established that the strategic plans were very instrumental in managing growth for it was during the strategic planning process that the company had done an in-depth situation analysis and come up with objectives and specific strategies to meet the objectives. In Human Resource Management, the researcher found that SIB had changed the organizational structure to match with the growth of the company for effective delivery. In addition key changes were made to the recruitment process where vacant positions were filled professionally through short listing and interviewing of candidates as opposed to filling these positions with relatives who did not necessarily have the qualifications required. For financial control the company had sort to raise funds to support its growth through two main channels; bank overdraft and a rights issue. While the bank overdraft helped them honor recurring obligations the rights issue was to raise the share capital to comply with changes in regulation. The researcher found that the company had made changes to its management information systems to make sure it provided them with timely and relevant information for decision making. As at the time of the study, the company was in the middle of implementing an SMS system that would further enhance their service delivery. During the strategic planning process, the company had identified the organizational culture as a major hindrance to effective growth management. It therefore formulated objectives to address this challenge which included changes in the top management, retrenchment of some staff, thorough communication of the organisation values, diluting the effect of informal groups and proper induction of new employees'

As far as standardization was concerned, the offerings of the company were mainly standard. This was because of the high regulation in the industry and limitation of the offerings that one offers under the licence. However SIB had tried to segment its clients and develop products that would suit the various segments. There were no deliberate marketing approaches adopted but in the normal course of business the company had adopted the market penetration concept as it sought to serve more clients using the same products. The company had also lobbied the government either individual or through the association of stock brokers towards adoption of more product offerings and a more favorable regulation

5.2 Conclusion

SIB had grown from a micro enterprise at inception to a medium enterprise as at the time of this study. The company had adopted various approaches to manage growth through the cycle. These approaches had seen to the success of the company at a very turbulent period in the capital markets during which there were several stock brokerage firms that went under while others were put in receivership and yet others were acquired by other entities that were willing to inject the capital required to sustain the company. Although the company went into a loss situation in the years 2008 and 2009, drastic measures taken ensured the company continued as a going concern and it had since returned to profitability as at the time of the study. The board of directors at SIB played a key role in the strategic planning process as their presence gave the strategy the good will required for its implementation. Therefore it is very important that companies adopt various approaches to managing growth and to keep evaluating the approaches in light of the changes in the environment

5.3 Recommendations

SIB was successful in managing its growth. However, the vision for the company was to be the leading and distinctive investment partner for wealth creation in Africa. The company seemed to focus on its local customers and there was no mention on how they intended to extend the outreach to the rest of the continent. The company therefore needed to engage its resources to understand the other markets and develop strategies on how they could reach them

There have been significant changes in the environment which were not anticipated at the time of developing the current strategic plan the main one being the requirement to increase its share capital by a significant margin. SIB needed to revise the strategic plan to accommodate the changes

5.4 Limitations of the Study

The findings of this research were limited due to some factors arising in the course of the study. The biggest challenge in conducting the study was due to the fact that most companies would like to keep their strategies confidential because they would use them to gain competitive advantage. Therefore, the respondents were not very willing to disclose their strategies in some cases or give details of how they have implemented their responses.

The two interviewees for this study were the top management while the company's stakeholders are many. The findings of this study are therefore limited to the views from management. Lastly given the tight schedules of the top management, it was very difficult to schedule a meeting and one that was long enough to cover all the details. The researcher had therefore to depend on secondary data to supplement some of the primary data

5.5 Suggestions for Further Study

The study focused on approaches to managing growth at SIB. These approaches can be applied to all companies in an industry and sometimes all companies within a given sector. To understand, the approaches to managing growth possible further studies could be carried out in the other companies within the industry or the sector.

Different companies respond to growth in different ways. SIB had applied the approaches identified in this study. However, to gain a full understanding of why SIB had chosen to use these strategies, a further study could be carried out. This would focus on the approaches taken and why SIB had chosen to use the approaches it had adopted.

Lastly, growth is not a constant but keeps changing overtime in line with the changes in the environment. With these changes, the approaches to managing it are expected to change. Therefore, further studies could be carried out on SIB to identify how the company would alter its approaches to managing growth to other changes in the environment in future.

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APPENDICES:

Appendix A: Interview Guide

Dear Respondent,

My name is Rosemary Nderitu a final year MBA student at University of Nairobi. I am required to carry out a research in my area of study as part of the course requirements. In this regard, my research is to explore how Small and Medium enterprises are managing growth with a case study of your company. I therefore request your permission to collect information from your company and specifically from the Assistant General Manager Finance and administration. Your responses will be treated with utmost confidentiality and will only be used for the purposes of this study.

Section I: Understanding Growth

1. How would you describe the growth of the organisation in the last twenty years since its inception in 1990?

2. Would you describe the company's growth as intensive (increased productivity of existing capability) or extensive (increase capacity such as hiring new staff)?

3. a) Would you describe the growth of the company as a smooth curve or have there been occasions when the company has experiences rapid spurts or slowdowns in growth?
   b) What characterized this exception to the normal growth curve?
   c) How would you rate the following during this period?

		Good	Average	Poor
i)	Staff Morale	□	□	□
ii)	Ability to honor obligations	□	□	□

iii) Institutional capacity □ □ □

iv) Fraud □ □ □

v) Technology □ □ □

vi) Compliance to Regulation □ □ □

vii) Working Capital Management □ □ □

4. How has the company grown in the following growth perspectives?
   a) Financial (Increase in value
   b) Strategic (Interaction with the environment)
   c) Structural (Way of organizing and managing)
   d) Organizational (processes, culture and attitudes)

5. Why has the organisation desired to grow?

Section II: Approaches to Managing growth

1) SIB has grown from emerging to an emergent organisation over the years. How have the following principles been applied to ignite the growth

   i) Reinvent the Vision
   ii) Surrender Sovereignty
   iii) Being an aggressive competitor
   iv) Nurture Entrepreneurial Spirit
   v) Teamwork
   vi) Commitment to Customer Service

2) a) Has there been change in the approach to planning through the growth of the company?

   b) Does the company have a strategic plan and if so what influenced its development?

   c) At what level of management are the organizations' plans made?

   d) Has the Company's planning process been hindered by any of the following factors?

      i) Time
      ii) Commitment of Management
      iii) Management by Crisis
      iv) Resistance to Change
      v) Poor Delegation
      vi) Resistance to change
      vii) Poor Communication channels
      viii) Poor/ Lack of implementation

   e) Which strategies did you use to respond to these hindrances and thereby manage growth?

3) a) Does the company offer standardized products to its clients or are the offerings customized to serve various segments of the market?

   b) How has the approach so adopted impacted on the organisation in the below aspects

      i) Customer Reach

      ii) Flexibility

      iii) Learning and Responsiveness

      iv) Staff Training

v) Costs of Operations

vi) Quality of Customer Service

c) How has the company managed the effects of these on the growth of the company?

4) a) To what extent has information on the below aspects been available to management of SIB

i) Opportunities and new threats in the environment
ii) Latest Competitor Activities
iii) Changes in regulatory authority
iv) Customer complaints
v) Projections about the future
vi) Organisation structure
vii) Industry Performance

b) How has management used the information available to manage growth of the company?

c) In case any of the information was not available, what effect did this have on the management of growth

5) To what extent has SIB adopted the following marketing strategies in its endeavor to manage growth?

i) Market penetration
ii) Market Development
iii) Product Development
iv) Diversification

6) a) How has the finance function evolved over the growth of the company?

b) What has the company financed its growth?

c) Which of the following sources of funds have been most useful

i) Plowing back profits
ii) Sale of Little used assets
iii) Reduction of working capital
iv) Credit Management
v) Bank loans
vi) Government loans
vii) Loans from family
viii) Partners
ix) Private Placement

7) a) How have the staffing requirements grown with the growth of the company?

b) How would you rate the following elements of Human Resource Management over the growth of the company

	Good	Average	Poor
i) Staff Levels	□	□	□
ii) Staff morale	□	□	□
iii) Working Environment	□	□	□
iv) Job Match	□	□	□
v) Company Awareness	□	□	□
vi) Training	□	□	□
vii) Staff turnover	□	□	□
viii) Employee involvement	□	□	□

c) What deliberate actions has SIB taken to ensure they are able to attract and retain the caliber and number of employees needed to manage its growth

8) a) Has there been a change in the organisation structure of SIB over time and what has characterized this change?

b) Were the changes in the structure in line with the growth of the company?

c) How have the changes in the structure influenced flow of information within the organisation

Section III: The Place of Organisation Culture in Managing Growth

1) What has been the response of management to the following elements of institution culture?

i. Ideology and vision
ii. Leadership
iii. Communication
iv. Customer Service
v. Innovation
vi. Honesty

2) Did the company encounter any challenges in the above aspects of the organisation culture

3) Are there any other approaches that the company has used to manage growth?

Appendix B: List of Stockbrokers, Investment Banks and Institutions

STOCKBROKERS

1. ABC Capital Limited
2. Ngenye Kariuki &Company Ltd (Receivership)
3. Kingdom Securities Limited
4. NIC Capital Securities Limited
5. Genghis Capital Limited
6. Reliable Securities Limited

INVESTMENT BANKS

1. African Alliance Kenya Investment Bank Ltd
2. Drummond Investment Bank Limited
3. Afrika Investment Bank Limited
4. Apex Africa Investment Bank Limited
5. CFC Stanbic Financial Services Limited
6. Dyer and Blair Investment Bank Limited
7. Standard Investment Bank Ltd
8. Renaissance Capital (Kenya) Ltd
9. Sterling Investment Bank Ltd
10. Faida Investment Bank Limited
11. Kestrel Capital (East Africa) Ltd
12. Suntra Investment Bank Limited

INSTITUTIONS

1. Nairobi Stock Exchange (NSE) Ltd
2. Central Depository and Settlement Corporation Ltd