

**EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON FIRM
PERFORMANCE OF SMALL AND MEDIUM SIZE ENTERPRISES IN THIKA
TOWN**

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DECLARATION

This project is my original work and has not been presented for the award of degree in another University.

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TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	viii
LIST OF TABLES	vi
ABSTRACT	viii
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study.....	1
1.1.1 Strategic Management Practices	3
1.1.2 Firm Performance	4
1.1.3 Small and Medium Sized Enterprises in Thika Town	5
1.2 Research Problem	6
1.3 Research Purpose	8
1.4 Value of the Study.....	8
CHAPTER TWO: LITERATURE REVIEW	9
2.1 Introduction.....	9
2.2 Theoretical Framework.....	9
2.2.1 Resource Based Theory	9
2.2.2 Game Based Theory.....	10
2.2.3 Porter’s Theory of Competitive Advantage.....	10
2.3 Empirical Review on Strategic Management Practices	11
2.4 Conceptual Framework.....	12
CHAPTER THREE: RESEARCH METHODOLOGY	14
3.1 Introduction.....	14
3.2 Research Design.....	14
3.3 Population of the Study.....	15
3.4 Sampling	15
3.5 Data Collection	15
3.6 Data Analysis	16

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....	17
4.1 Introduction	17
4.2 Background Information	17
4.2.1 Response Rate	17
4.2.2 Demographic Information	18
4.3 Strategic Management Practices Adopted by SMEs in Thika	19
4.3.1 Strategy Formulation by SMEs in Thika	20
4.3.2 Strategy Implementation by SMEs in Thika	26
4.3.3 Strategy Evaluation and Control by SMEs in Thika	33
4.4 Strategic Management Practices and Profitability	40
4.5 Strategic Management Practices and Operational Performance	42
4.6 Strategic Management Practices and Competitiveness	44
4.7 Strategic Management Practices and SMEs Performance in Thika	46
4.8 Summary	48
4.9 Discussion	49
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION	52
5.1 Introduction	52
5.2 Summary of the Study	52
5.3 Conclusions	53
5.4 Recommendations to the Industry	54
5.5 Recommendations for Further Research	54
REFERENCES.....	55
Appendix I – Questionnaire	i

LIST OF TABLES

Table 4.1 Response Rate.....	18
Table 4.2 Number of years in operation	18
Table 4.3 Number of employees.....	19
Table 4.4 Strategic Management Practices Adopted by SMEs in Thika.....	20
Table 4.5 Procedures on policy development.....	21
Table 4.6 Existence of Mission Statement.....	21
Table 4.7 Existence of Vision Statement.....	22
Table 4.8 Guiding Philosophies.....	23
Table 4.9 Compliance with Government Regulations.....	23
Table 4.10 Adoption of New Products on Demand.....	24
Table 4.11 Analysis of the External Environment.....	25
Table 4.12 Examination of Strengths.....	25
Table 4.13 Summary of Strategy Formulation	26
Table 4.14 Implementation of the formulated Strategies.....	27
Table 4.15 Realization of Short - Term Strategies	28
Table 4.16 Established Programs for new activities.....	28
Table 4.17 Allocation of resources for budget preparation	29
Table 4.18 Procedures outlining the activities.....	30
Table 4.19 Owner/Manager Steers Implementation Process	30
Table 4.20 Involvement of all levels of management.....	31
Table 4.21 Restructuring Process	32
Table 4.22 Long Term Strategies Realization	32
Table 4.23 Summary of implementation Process	33
Table 4.24 Evaluation of Strategies	34
Table 4.25 System of Performance Measurement	34
Table 4.26 Continuous Audits	35
Table 4.27 Merit Based Audits	36
Table 4.28 Performance Based on Internal Audits	36
Table 4.29 Competitors Performance Information	37

Table 4.30 Existence of Key Performance Indicators	38
Table 4.31 Objective use of KPIs	38
Table 4.32 Continuous Remedial Measures	39
Table 4.33 Summary of Strategy Evaluation Process.....	39
Table 4.34 Strategy formulation and profitability	40
Table 4.35 Strategy Implementation and Profitability.....	41
Table 4.36 Strategy Evaluation and Profitability.....	41
Table 4.37 Summary of SMPs and Profitability.....	42
Table 4.38 Strategy Formulation and operational performance	42
Table 4.39 Strategy Implementation and operational performance.....	43
Table 4.40 Strategy Evaluation and Operational Performance.....	44
Table 4.41 Summary of SMPs and Operational Performance	44
Table 4.42 Strategy Formulation and Competitiveness	45
Table 4.43 Strategy Implementation and Competiveness.....	45
Table 4.44 Strategy Evaluation and Competitiveness	46
Table 4.45 Summary of SMPs and Competitiveness.....	46
Table 4.46 Regression Statistics	47

LIST OF FIGURES

Figure 2.1: Conceptual Framework	13
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ABSTRACT

Strategic management practices are usually geared towards increasing managerial efficiency and effectiveness so as to increase the current as well as future operations. Strategic planning is primarily focused towards a framework for the management at all levels to envisage the firm's future. The SMEs play a very vital role in economic development of any nation. This importance cannot be under-estimated. The performance of SMEs has been given a lot emphasis due the fact that they contribute in creating employment, poverty eradication and contribute the GDP of developing economies. Due the ever changing and turbulent operating environment, SMEs seem to struggling due the competition from large business firms. The purpose of this study was to evaluate the effects of strategic management practices on firm's performance of SMEs in Thika Town. The research was interested in establishing the strategic management practices embraced by SMEs in Thika Town. The researcher wanted to evaluate the effect of strategic management practice on profits; the effect of strategic management practice on operational performance as well as the effect of strategic management practice on competitiveness. The study was anchored on three theories of resource-based theory; game based theory as well as Porter's Theory of Competitive Advantage. The researcher used both cross-sectional and descriptive survey design. The population of the study was the top 100 SMEs in Thika Town as registered by both Kiambu County and Thika Sub-County targeting the managers and owners. Since the population was not large enough the researcher conducted a census. The researcher used primary data, which was collected semi – structured questionnaires. In order to get the relationship between the variables, the researcher run a multiple regression. The research was able to collect 81 duly questionnaires for the analysis. This response rate translates to 81%. Majority of SMEs in Thika have been in operation for less 15 years and most of them have engaged less than 40 employees. The research findings indicate that most of the SMEs have embraced strategic management practices though at different levels. Strategic implementation takes a center stage followed by formulation and finally the strategy evaluation and control. There is compelling evidence that strategic management practice have a positive effect on profitability, operational performance and competitiveness. the multiple regression indicates that performance is enhanced through strategy formulation by 0.2629, through strategy implementation by 0.2553 and through strategy evaluation by 0.1452 per unit. The research recommends that a similar study should conducted nationally to evaluate the same. Secondly, the researcher recommends a longitudinal study should be done for the same. The researcher also recommends that the management of SMEs should embrace the strategic management practices and should involve all levels of the management so to reap the benefits accruing to strategic management practices. The researcher also recommends that the policy makers should be on the forefront in championing for the embracing of strategic management practices.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A myriad of past inquiries have been carried out regarding the impact of different plans and management activities on the level of organizational productivity. The results of these studies have shown that strategic management practices have positive effects (Ouakouak & Ouedraogo, 2013; Harris, Gibson & McDowell, 2014; Johnson et al., 2018). Over the last several decades, analysis and investigation have been done to determine how management aspects influence small business performance and goal setting process. Most recent studies conclude that goals setting leads to high performance especially for small businesses (Van der Hoek, Groeneveld, & Kuipers, 2018). The formal strategy formulation is key to business firm's performance whether small or big (Borrero, Acosta, & Medina, 2020) as is likely to influence the performance of the firm. According to Hitt, Ireland and Hoskisson (2013), a firm becomes strategically competitive when it is able to formulate a value creating strategy and implements it. Previous studies show that proper selection of business strategies are critical in determining the future of the business firm (Brlčić Valčić, & Bagarić, 2017). Researchers argue that, for a business to be sustainable, the top management must enhance effective revenue management. According to Brlčić Valčić, and Bagarić (2017), companies must adopt effective revenue management to promote their long term success.

This study relies on three theories namely: Resourced Based Theory (RBV) pioneered by Barney (1991), Game Based Theory and the theory of competitive advantage by Michael Porter (1980). Resourced based-view centers consideration around the ability of the firm to use its resources and assets to achieve success. The resources of a company promote its long term goals. According to Ramon-Jeronimo, Florez-Lopez and Araujo-Pinzon (2019), there exists a connection on the resources used and goal attainment of a firm. Game based theory has been existence since the 1950 has and is credited to John von Neumann and John Forbes Nash (1950).Game based theoryprovides techniques, tools as well as components, which are essential for decision – making process in competitive environment.The theory by Porter(1980) views the importance of organizational competitive advantage depending on the firm’s operational environment.

Currently, the small firms (SMEs) dominate the Kenyan economy and they are scattered across both formal and the informal sectors, service and product industries. SMEs are also involved in domestic markets while others are both in domestic and export trade. SMEs in Kenya are in farming, manufacturing as well as in other services. Most of the SMEs in Kenya are in rural areas and accounts for around two – thirds of all the SMEs (Gure & Karugu, 2018). The SMEs sector has been growing tremendously in Kenya contributing 13% to the gross domestic product in 1993 and between 20 and 25% between 2011 and 2016 (World Bank, 2016). Thika town is an upcoming industrial town due to its proximity to the capital city, Nairobi, Murang’a County, and a transit center to other counties (Musanga, & Ombui, 2015). The growth of SMEs in Thika has been tremendous and most businesses are mainly SMEs consisting of sole proprietorship, partnerships, part – time

businesses and other formally registered family businesses (Mwangi & Birundu, 2015; Njagi, Maina, & Kariuki, 2017; Wakaba, 2014).

1.1.1 Strategic Management Practices

The concept of strategic planning and management framework is Strategic management is concerned with decision - making process and taking remedial tools to achieve plans without failure. According to Abdi and Ali (2013), the concept helps in planning future activities of the firm after careful formulation of the policies. Strategic management practices (SMPs) are the initiatives that companies use to enhance their success. The process involves strategy adoption, planning and evaluating the success of the process (Wheelen & Hunger, 2008).

Williams et al., (2019) defines strategic management practices as those activities that a firm engages in to develop and implement a practical strategy and identified several different strategic management practices. Some of these practices include analysis of future operations, setting desired goals and ensuring high quality of services and products within a company. It is important to note that SMEs have limited resources and they operate in very competitive markets. In the strategy formulation phase the firm undertakes to develop appropriate strategies, which cushions the firm against the competition. The strategy formulation plays a great deal in enhancing firm performance. According to Kurt and Zehir (2016), the application of strategic management practices enhances organization's financial position. Further, the application of SMPs are bound to reduce the operational costs thereby the firm becoming more efficient and effective. According to Maroa and Muturi (2015), strategic programs help achieve goals and plans without failure.

These three components have been identified to affect competitive positioning of firm within the industry in past research studies. In a study conducted by Makanga and Paul, (2017) and Mohamed, Ndinya, and Ogada (2019), the researchers noted the firm success depends on the critical plans and actions adopted.

1.1.2 Firm Performance

The concept on how the firm performs in different intensity is an important ingredient in scholarly work. Unfortunately, there is no consensus on its definition, dimensionality and measurement. There are diverse views on what performance especially in a commercial enterprise should be. Different researchers have different definitions and measurements for firm performance. For instance, Selvam, Gayathri, Vasanth, Lingaraja and Marxiaoli (2016) indicates that firm performance can be measured in terms of growth, profitability and customer satisfaction among other parameters. Many firms use profit as a measure of performance (Borah, Zhou, Chen & Nisar, 2017) while others use other measures such as internal resources as suggested by resource based view (Kumari & Kumar, 2018). Other researchers insist on measures such as profits, operational efficiencies and market competitiveness (Irungu & Arasa, 2017). There are scholars who view performance in terms of profitability, sales growth and other non-financial measures (Nyaga, 2015).

Profitability is aimed at measuring the financial health of a business enterprise. The income statement, which is usually recorded, reports profits on an annual basis but some firms may have quarterly and semi-annual statements. According to Ombongi, and Long (2018), profitability is a good measure of financial performance for a firm as it measures the result against the resources provided by the owners of the firm. Researchers contend that profitability and its variants are good measures of performance as objectivity in that historical data is readily available

(Andersen & Samuelsson, 2016; Gor, Njeru, & Muoria, 2019; Odek, & Okoth, 2019; Mutuku, M., Muathe, S., & James, R. (2019). According to Sopha and Kwasira (2016), strategic planning and competitive practices influences the firm performance especially profitability. According to Yazdanfar and Öhman(2014), there are measures of performance such as organizational growth and this deterime the profitability of the firm. According to Irungu and Arasa (2017), strategic leadership, technology adoption, resources availability of resource influence positively the firm's competitiveness.

1.1.3 Small and Medium Sized Enterprises in Thika Town

Globally, small business firms (SMEs) help to promote employment, GDP and eradication and reducing poverty among other roles (Kinyua, 2014). For instance, in America it was reported that 99.9% of the business were small business in 2018 (Small Business Administration, 2019). According to Majama and Magang (2017), SMEs are basis of any industrial development and thus are very important in any economy. The small business in the society has been recording growth in size and in numbers all over the world. SMEs play a key role in many economies as they provide livelihood to many, jobs, employment, taxes to the government and reduction and eradication of poverty. At the international front, the SMEs are critical in the achievement of world development goals. This includes the UN goal one, number eight and nine which are critical in managing poverty. In Africa and East Africa, the SMEs contribute considerably a lot to the employment and gross domestic product. For instance in Rwanda SMEs account for over 90% of the enterprise (Mutandwa *et al.*, 2015), Ghana 70% (Chu *et al.*, 2007), South Africa 68% (Rabie *et al.*, 2016) and Nigeria 25 % (Ibrahim & Shariff, 2016)

According to International Trade Centre (ITC) and Kenya National Chamber of Commerce and Industry (KNCCI) (2019), SMEs employ around 80% of the working population in Kenya. The Ministry of Trade (2009) reports that Kenya has slightly over 1.6 million registered SMEs and that this translate slightly above 90% of all registered enterprises in the country. This number is high enough to affect the whole economy if special attention is not given to SMEs. According to Kenya Bureau of Statistics (2016), SMEs had an out of 34% of the national output in 2015. This translates to Kes 3369 Billion against a national out of Kes 9971. SMEs in Kenya cuts across all the sectors and are both formal and informal. However, it is reported that most of them around 70% fail within thirty – six months of operation (Douglas, Douglas, Muturi & Ochieng, 2017). SMEs in Kenya are scattered across the 47 counties and fall within informal and formal sectors (Kenya Bureau of Statistics, 2016). Just like any other major town in Kenya, SMEs in Thika town operate in a very competitive environment. The SMEs in Thika town play a critical role in job and employment creation, poverty reduction and eradication, provide essential services for residents as well as contributing to national kitty in term tax collection (Kihara, Bwisa & Kihoro, 2016; Kanugi & Gichira, 2017; Mwangi, 2018;).

1.2 Research Problem

Strategic programs and activities are mainly geared towards increasing managerial efficiency and effectiveness so as to increase the current and desired plans in the future. The concept helps the firm to achieve its future goals and plans. The process should set a framework on how the firm will take advantage of the available opportunities and at the time mitigating against the firm's threat as cited by Muogbo (2013). The performance of SMEs has been given a lot emphasis due the fact that they contribute in creating

employment, poverty eradication and contribute the GDP of developing economies. Due to the ever changing and turbulent operating environment, SMEs seem to be struggling due to the competition from large business firms.

According to Gure and Karugu (2018), these SMEs are simply struggling due to the fact that these firms are not applying strategic management practices in their operations. It is important that firms adopt a strategic view and organize their business based on a critical thinking framework. Without strategic analysis, the firms can experience inefficiencies, poor service delivery, and inability to penetrate crucial markets and decline in their profits and eventual close down or collapse. The SMEs are faced by a myriad of strategic problems that they need to solve.

In one study conducted by Gathungu and Baariu, (2018) concluded that the success and goal attainment of small firms depend on different and interrelated factors. In yet another study on the performance and strategic management practices, Ombongi and Long (2018) concluded the relationship between performance and strategic management practices is linear. Therefore, it shows that the application of the strategic tools help improve success and productivity of firms in Kenya.

However, the past studies on strategic analysis provide conflicting results on small business activities. Due to the limited studies connecting the application of strategic management practice to the performance of SMEs, therefore it may not be very easy to empirically conclude on the applicability of these strategic management practices in Thika. According to Otieno (2013), SMEs are still performing poorly due to the competition from large

structured business firms. In that view, the inquiry aim to determine how strategic analysis and management can help the activities of small firms in Thika, Kenya.

1.3 Research Purpose

The purpose of the research was to examine effect of strategic tools and management practices on firm performance of SMEs in Thika Town, Kenya.

1.4 Value of the Study

This study will help understand how strategic tools and practices promote success of SMEs in the world. The study will also contribute towards researchers and academicians in the area of strategic management and the benefits that accrue in usage of Strategic management practices in Kenya. The results of the analysis will help in guiding policy making in the country. The policy makers will see how strategic analysis tools and policies can guide operations of small business. It will help in guiding efficiency in operations, reduction of operation costs, increased profitability, and the sustainability of business in different sectors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This segment depicts the past review on the topic. Specifically, this part discusses the theory on the study and evaluates some of the concepts, the empirical analysis and provides analysis of the research parts that should be filled.

2.2 Theoretical Framework

The theoretical framework is important in any research study as it plays a role in the understanding the factors underlying the study. Theoretical guidance helps to predict and understand concepts of the study (Mugenda & Mugenda, 2008).

2.2.1 Resource Based Theory

This theory assumes that there are resources that are in essence required for performance of the firm. This theory postulates that the assets of the firm are required for the firm to be more competitive than others. The model indicates that management must adopt assets in managing their plans. This is because it has been noted resources are critical in promoting the goals of the firm.

The model also assumes that firms have unique resources. Firms can only compete well if the strategic resources they have are of high quality and unique. This means that firms with stable, unique and different resources will overcome their rivals in the industry (Waweru & Kihara, 2017). Future success of the firm depends on its resource levels (Orony, 2016).

2.2.2 Game Based Theory

The theory defines firm operations as a segment that require decision making. The firm must consider different options and the players involved. The players have different opinions and the firm must consider such to achieve its plans. This is important in controlling costs and success of the firm (Sunde, 2017).

The theory assumes that a firm includes different actors or players and each player has a role to play in prompting the goals of the firm. The model also indicates that analysis of options is important in the firm. Without proper analysis of the odds available the firm may fail to achieve its plans. A connection among key players including customers, employees and other important stakeholders like the community is imperative.

Just like a game, the model supports that organizations must have quality segments and avoids making poor decisions. This means that analysis of the market issues is important. The firm top management must demonstrates their ability to view others from different perspectives (Teece, 2017)

2.2.3 Porter's Theory of Competitive Advantage

The model was founded by Porter in (1980). It indicates that firm can compete through adoption of environmental analysis. This means consideration of plans that are above the rivals thinking style. The firm must adopt low cost plans, and provide high quality goods at price that can attract customers. This is important in promoting profit and success of the firm (Nyariki, 2013). The five forces model that was developed by Michael Porter in 1970's is simple but crucial and influential in an organization in establishing the market or

industry it is operating in. Companies and firms gain competitive advantage due to internal and external pressure

2.3 Empirical Review on Strategic Management Practices

Strategic analysis have a significance impact on organization success. In studies conducted by Makanga and Paul (2017), Maroa and Muturi (2015) and Burugo and Owour (2017) on how analysis plans determine success of firms, the researchers concluded that strategic planning had a positive correlation with performance. It is clear that strategic analysis have a positive impact on the firm success. In a studies conducted by Agwu (2018) and Adeyemi, Isaac and Olufemi (2017) and Okeke, Onuorah and Jakpa (2016) in Nigeria, on the review of strategic models on SMEs operations, the researchers concluded that business strategies contributed enormously to the performance of SMEs in Nigeria. In a study conducted by Aliand Qun (2018) on strategic management practices and performance of the SMEs' in Bangladesh, the study concluded that strategic management practice have a positive contribution to the growth and profitability of SMEs. Strategy formulation compels a firm to carefully observe the ever-changing business environment and be ready for the anticipated changes.

Auka and Langat (2016) and Gure and Karugu (2018) studied the effect of strategic tools on the operations of medium-sized enterprises in Kenya and concluded that strategy formulation exerts pressure on the firm to enhance efficiency. Musau (2017) noted that strategic activities are associated with high quality products in the floriculture industry in Kenya. Musau (2017) concluded that floriculture businesses have been able to reap the benefits of strategy implementation and are competing successfully in the industry. Strategy evaluation process entails setting up control process to review, evaluation and

provision of feedback, on a continuous basis, on the formulated and implemented strategies to determine the progress and the results achieved in order to corrective measures can be undertaken (Maroa & Muturi , 2015).

It is paramount that a firm installs performance measurements of its goal failure to which the firm will certainly not be in a position to utilize its resources effectively and efficiently and thus missing out the industrial business opportunities (Beuren & Teixeira, 2014). Mumbe, and Njuguna (2019) conducted a study on how strategies influence small firms operations in Kitui County, Kenya and results showed that the performance especially market expansion and growth of SMEs in Kitui County has been enhanced by the application of strategic management practices.

Mosoti and Murabu (2014) carried out a research on assessing the implication of strategic design on goal attainment of small sized organizations in Thika town and concurred with other researchers that the adoption of strategic programs enhances success of the SMEs. Other scholars have studied the effect of strategy on the success of SMEs in Thika Town and concluded that strategic thinking and management have a direct impact on firm success, goals and overall success (Mosoti & Murabu, 2014; Musanga & Ombui,2015; Kanugi & Gichira, 2017).

2.4 Conceptual Framework

Conceptual framework is defined as a graphical representation of the connection between two different connectors. It is important in connecting how variables relate (Mugenda and Mugenda, 2008).The conceptual framework here include firm performance which depends on strategic analysis and management activities of firms as shown in Figure 2.1 below.

Independent Variable

Dependent Variable

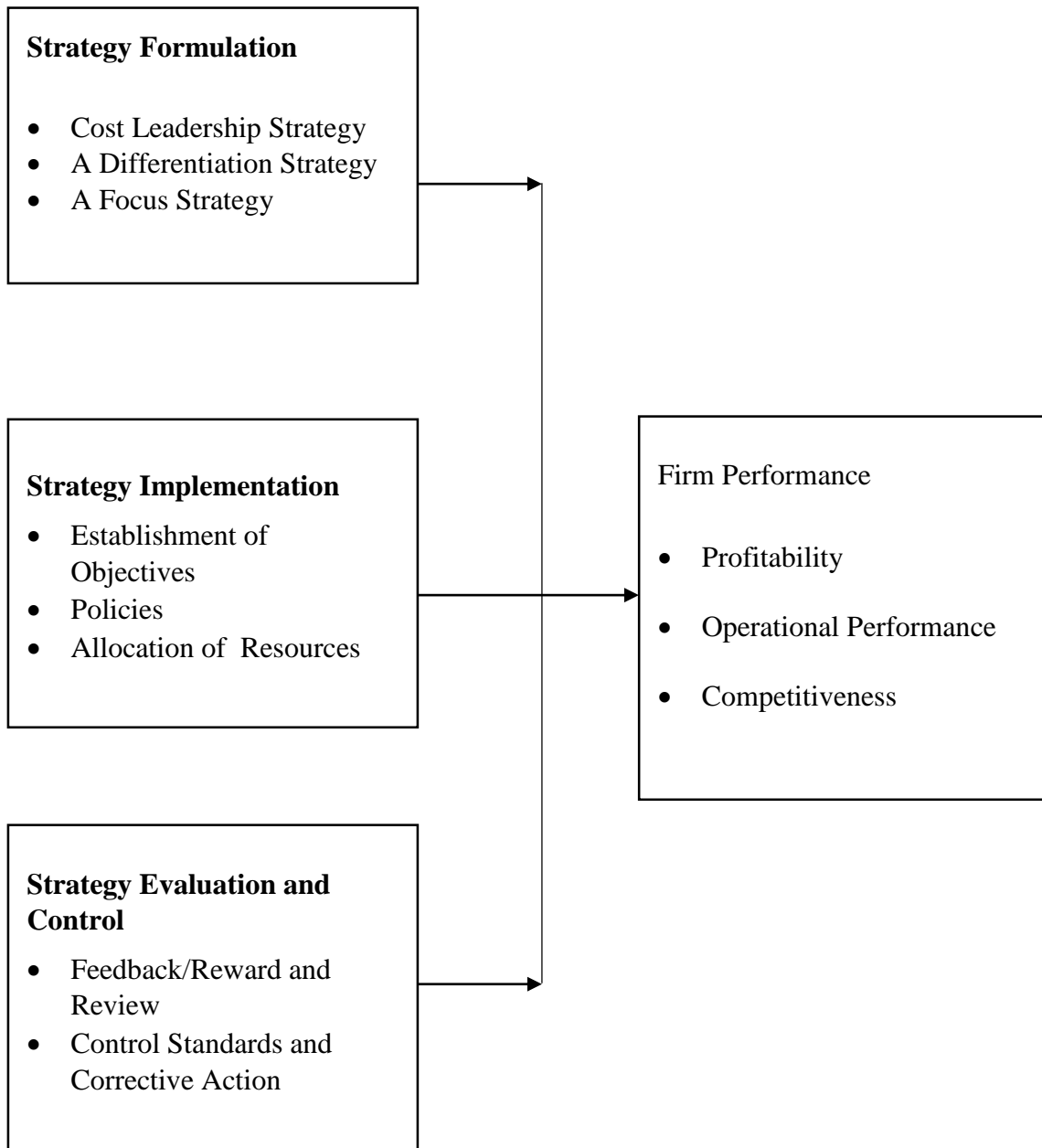


Figure 2 1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This segment discusses the research procedures to be employed by the study. Specifically, the section discusses the research design or model as well as the population. It also covers the analysis of the data collection and data inquiry models. The chapter also discusses the data collection instruments.

3.2 Research Design

According to Leavy (2017), the design is the whole strategy that the researcher puts in place to integrate several issues in a broader sense (Leavy, 2017; Gray, 2019). It is important for the researcher to employ the best research design so as ensure that the research objective and/or hypothesis are well addressed. Without a clearly research design, it may not be possible for the research objectives, research questions to be addressed and thus the research outcomes may not address the desired problem.

The researcher adopted the use cross-sectional design together with descriptive survey design. The design was geared towards collecting data from the sample or the population all at the same point while descriptive survey involved collecting data from the respondents for the purpose of statistically analyzing and generating the results in order for generalization for the population (Cooper & Schindler 2008; Spector, 2019).

3.3 Population of the Study

The intended population of this study was top100 SMEs within Thika Town Central Business District (Thika Sub – County, 2016). The criteria used is that the SMEs must have a valid license both from Kiambu County offices and Thika Sub – County respectively. According to Tongco (2007), in purposive sampling the researcher makes a decision as to needs to determined and thus sets out the respondents to give the information by virtue of knowledge or experience

3.4 Sampling

Since the population was not large, the researcher conducted a census whereby the research instruments were distributed to all the members of the population. According to Singh and Masuku (2014), when the population is small it advisable to include all the members of the population so to avoid sampling errors.

3.5 Data Collection

This study employed primary data since the researcher intended to collect data for a specific purpose. Data collected outside is best suited when a researcher intends to use raw facts from the respondents (Mugenda and Mugenda, 2003). The data was collected through the use of questionnaire model targeting owners and managers of SMEs. The questionnaires were sent to the owners/manager/s of the SMEs so as to provide the necessary information.

The tool was divided into six sections. The general information section was designed to provide general background information of SMEs. The second part of the questionnaire was to provide information on the Strategy formulation by the SME. The third part provide data on strategy implementation while the fourth section provides data on strategy

evaluation and control while fifth section provides data on the effect of the strategic management practices on performance. The last section provides data and information on the performance measurement indicators for the SMEs.

3.6 Data Analysis

The researcher used tables and graphs and where possible, descriptive statistics. In order establish the connection linking variables, the researcher used regression analysis and the model formulated was:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, Where Y = SMEs Performance, β_0 = Constant term, β_1 = co – efficient for strategy formulation process, β_2 = co – efficient for strategy implementation, β_3 = co – efficient for strategy evaluation and control, X_1 = Strategy formulation, X_2 =Strategy implementation, X_3 = Strategy evaluation and Control and ε = error term

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

The objective of this chapter is to present the analysis of the inquiry and present the study findings. The data analysis is presented in terms of frequency tables, and graphs. This help to show how the variables link and connect in the inquiry. The chapter is organized in terms of the research objectives as well as the demographic information from the respondents..

4.2 Background Information

The researcher determine background issues which constituted of the number of years the SME has been in operation and the average number of workers the specific SME has employed as well as the response rate.

4.2.1 Response Rate

The researcher distributed a total of a hundred questionnaires but only 81(81%) of them well duly filled and returned. This was a good response rate given that researchers have noted that 50% rate is okay with data inquiry (Mugenda and Mugenda, 2003). This in essence implies that the respondent comprehended the questions and gave the appropriate responses. This information is shown in table 4.1.

Table 4.1: Response Rate

Aspect	Respondents
Questionnaires Distributed	100
Questionnaires Received	81
Response Rate %	81

Source: Researcher, 2020

4.2.2 Demographic Information

The researcher was interested in how long the specific SMEs have in operation. Towards this end the researcher found out that the small firms have been working and operating form more than 15 years and this among 69 SMEs (85.2%). The SMEs have been in operation for 5 years and below were 22 accounting for 27.2%, between 5 and 10 year were 32 accounting for 39.5%, between 10 and 15 years were 15 accounting for 18.5% while above 15 years were 12 accounting for 14.7%. This information is in table 4.2.

Table 4.2: Number of years in operation

Lower		Upper	Frequency	Percent %
0	<	5	22	27.2
5	<	10	32	39.5
10	<	15	15	18.5
15	<	20	10	12.3
20	<	25	1	1.2
25	<	30	1	1.2
Total			81	100.0

Source: Researcher, 2020

The researcher intended also to ascertain the number of employees the SMEs have engaged in their businesses. The research findings indicate that majority of the SMEs had engaged less than 40 employees which accounted for 71 firms which translates to 87.7%. Those above 40 employees were only 10 (12.3%). This information is shown in table 4-3.

Table 4.3: Number of employees

Number of employees			Frequency	Percent %
0	<	20	52	64.2
20	<	40	19	23.5
40	<	60	3	3.7
60	<	80	5	6.2
80	<	100	0	0.0
100	<	120	0	0.0
120	<	140	0	0.0
140	<	160	2	2.5
Total			81	100.0

Source: Researcher, 2020

4.3 Strategic Management Practices Adopted by SMEs in Thika

The researcher wanted to establish the strategic management practices that embraced by the SMEs in Thika. The researcher grouped these strategic management practices into three namely strategic formulation, strategic implementation and strategic evaluation and control. The research findings indicate that the three practices are embraced but at differing degree. The SMEs agree that strategy implementation ranks highest of the three with a mean 3.47 and a standard deviation of 1.18 and a coefficient of variation of 0.34, while strategy formulation ranks second with a mean of 3.27 and a standard deviation of 1.37 and

a coefficient of variation of 0.42. Strategy evaluation and control ranks third with a mean of 3.09, standard deviation of 1.42 and a coefficient of variation of 0.46. The study findings indicates that the SMEs have implemented strategic management practice in one way or another. These findings are in table 4.4.

Table 4.4: Strategic Management Practices Adopted by SMEs in Thika

Description	Mean	SD	CV
Strategy implementation	3.47	1.18	0.34
Strategy formulation	3.27	1.37	0.42
Strategy evaluation and control	3.09	1.42	0.46

Source: Researcher, 2020

From the findings, most of SMEs agree to the fact that they embrace strategy implementation higher than any other practice. The higher the mean the better since the Likert scale starts at 1 with strongly disagree and ends at 5 with strongly agree. The lower the standard deviation and coefficient of variation the better since the measures of dispersion shows how scattered the elements are from the mean.

4.3.1 Strategy Formulation by SMEs in Thika

The researcher identified eight (8) aspects of strategy formulation by SMEs in Thika and enquired on them and study findings indicate that majority of SMEs (63) representing 77.8% agrees that the procedures on policy development are in existence since only 18 (22.2%) respondent either disagreed or disagreed strongly. This information is in table 4-5. This aspect had a mean of 3.31 and a standard deviation of 1.17 and coefficient of variation of 0.35 (Table 4.13).

Table 4.5: Procedures on policy development

Response	Frequency	Percent %
1	8	9.9
2	10	12.3
3	24	29.6
4	27	33.3
5	12	14.8
Total	81	100.0

Source: Researcher, 2020

The second aspect the researcher was interested in was on whether the SMEs had mission statement that guides the operations. The research findings suggest that there is mixed reaction to the existence of mission statement. Most of the SMEs 33 of them representing 40.74% either disagree or strongly disagree while 26 of them representing 32.1% either agree or strongly agree. Of the total SMEs 22 (27.16%) are neutral. This information is provided in table 4.6. The mean for this aspect was 2.89 with a standard deviation of 1.33 and coefficient of variation of 0.46 (Table 4.13).

Table 4.6: Existence of mission statement

Response	Frequency	Percent %
1	15	18.52
2	18	22.22
3	22	27.16
4	13	16.05
5	13	16.05
Total	81	100.00

Source: Researcher, 2020

The third aspect that the researcher identified was the existence of the vision statement, which defines the desired future of the SMEs. A total of 32 SMEs accounting for 39.51% agreed that there exists a vision statement, 15 (18.52%) were non-committal while 31 (41.97%) were of the view that there is no vision statement. This information is in table 4.7. This aspect had a mean of 3.01 and a standard deviation of 1.46 and coefficient of variation of 0.46 as shown in Table 4.13.

Table 4.7: Existence of Vision Statement

Responses	Frequency	Percent %
1	16	19.75
2	18	22.22
3	15	18.52
4	13	16.05
5	19	23.46
Total	81	100.00

Source: Researcher, 2020

The fourth aspect that the researcher was interested in was whether there were any guiding philosophies in establishing or formulating the strategies. The research findings indicate that there is no consensus since 33 of the SMEs representing 40.74% either strongly disagreed or disagreed while 32 representing 39.51% either agreed or strongly disagreed and a further 16 (19.75%) were neutral. This aspect had a mean of 3.00, standard deviation of 1.48 and coefficient of variation of 0.49 as in table in Table 4.13.

Table 4.8: Guiding Philosophies

Response	Frequency	Percent
1	18	22.22
2	15	18.52
3	16	19.75
4	13	16.05
5	19	23.46
Total	81	100.00

Source: Researcher, 2020

The fifth aspect the researcher was interested in was whether the SMEs comply with the government requirements and regulations. The study noted that many of the firms 72.84% either agreed or strongly agreed that their businesses adhered to the local county and government regulations. Minority of them (21) either disagreed, strongly disagreed or were neutral. This information is given in table 4.9. The aspect had a mean of 3.79 and a standard deviation of 1.20 and coefficient variation of 0.32 as in table 4.13

Table 4.9: Compliance with Government Regulations

Response	Frequency	Percent %
1	6	7.41
2	8	9.88
3	8	9.88
4	34	41.98
5	25	30.86
Total	81	100.00

Source: Researcher, 2020

The sixth aspect that the researcher identified was whether the SMEs adopt new products whenever the customer tastes and preference change. The research indicated that many of the firm has adopted unique products. This is indicated by the fact that 55 of them representing 67.9% either agreed or strongly agreeing. Those who either disagreed or strongly disagreed of were neutral accounted for 26 (32.1%) of the respondents. Table 4.10 provides this information. This aspect had a mean of 3.79, standard deviation of 1.25 and a coefficient of variation of 0.33 as in Table 4.13

Table 4.10: Adoption of New Products on Demand

Response	Frequency	Percent %
1	8	9.9
2	5	6.2
3	13	16.0
4	29	35.8
5	26	32.1
Total	81	100.0

Source: Researcher, 2020

The seventh aspect of strategy formulation that was identified was the analysis of external environment whose aim is to seize new market opportunities. The research findings indicate majority (47); 58% of the respondents either agree or strongly agree. A minority (23); 28.4% of the respondents either disagree or strongly disagreed while 11 (13.6%) of them being neutral. This information is in table 4.11. This aspect had a mean of 3.42, a standard deviation of 1.43 and coefficient of variation of 0.42 as in Table 4.13.

Table 4.11: Analysis of the External Environment

Response	Frequency	Percent
1	13	16.1
2	10	12.3
3	11	13.6
4	24	29.6
5	23	28.4
Total	81	100.00

Source: Researcher, 2020

The last aspect of the strategy formulation was to enquire whether the SMEs examine their strengths in order to focus on their goals and objectives. The research findings indicate that 31 (38.3%) of the respondents either disagree or strongly agree that the SMEs examine their strengths, while 16 (19.8%) are not sure and 34 (42.0%) of the respondents either agree or strongly agree. This information is in table 4.12. This particular aspect had a mean of 3.04, standard deviation of 1.31 and a coefficient of variation of 0.43 as in Table 4.13

Table 4.12: Examination of Strengths

Response	Frequency	Percent
1	12	14.8
2	19	23.5
3	16	19.8
4	22	27.2
5	12	14.8
Total	81	100.00

Source: Researcher, 2020

From the findings it is clear that strategy formulation as a strategic management practice is not embraced wholly by the SMEs in Thika. The findings indicate that some aspects are

taken seriously while others are not. From the findings the compliance with statutory regulations high rank with a mean 3.79, and a standard deviation of 1.20 and a coefficient of variation of 0.32. Bottom on the list is existence of mission statement with a mean of 2.89, standard deviation of 1.33 and coefficient of variation of 0.46. The aspect ranking second is adoption of new product with a mean of 3.74, standard deviation of 1.25 and coefficient of variation of 0.33. Table 4.13 summarizes the eight aspects of strategy formulation as a strategic management practice.

Table 4.13: Summary of Strategy Formulation

Aspect	Mean	SD	CV
Procedures on policy development	3.31	1.17	0.35
Existence of Mission Statement	2.89	1.33	0.46
Existence of Vision Statement	3.01	1.46	0.49
Guiding Philosophies	3.00	1.48	0.49
Compliance with Statutory regulations	3.79	1.20	0.32
Adoption of New Products on Demand	3.74	1.25	0.33
Analysis of the External Environment	3.42	1.43	0.42
Examination of Strengths	3.04	1.31	0.43

Source: Researcher, 2020

4.3.2 Strategy Implementation by SMEs in Thika

In order to investigate on the strategy implementation, the researcher identified nine (9) aspects. The first aspect, which the researcher undertook to study, was whether SMEs were implementing the formulated strategies. The research findings revealed that 30 (37.0%) of the respondents either disagreed or strongly disagreed that the SMEs implement the

formulated strategies, 31 (38.3%) of the respondents either agreed or strongly agreed that the formulated strategies are implemented and 20 (24.7%) of the respondents were neutral. There was no clear-cut consensus on this aspect. This aspect had a mean of 3.00 and a standard deviation of 1.36 and coefficient of variation of 0.45 as in table 4.23

Table 4.14: Implementation of the formulated Strategies

Response	Frequency	Percent %
1	15	18.5
2	15	18.5
3	20	24.7
4	17	21.0
5	14	17.3
Total	81	100.0

Source: Researcher, 2020

The second aspect of strategy implementation identified was the realization short-term strategies. The findings from the research revealed that majority (42) of the respondents accounting for 54.3 % either agreed or strongly agreed that the short-term strategies are easily realized. However 19 (23.5%) of the respondents either disagreed or strongly disagreed and 18 (22.2%) of them were neutral. (Table 4.15). This aspect had a mean of 3.60 and standard deviation of 1.24 and a coefficient of variance of 0.34 as in table 4.23.

Table 4.15: Realization of Short - Term Strategies

Response	Frequency	Percent %
1	3	3.7
2	16	19.8
3	18	22.2
4	17	21.0
5	27	33.3
Total	81	100.0

Source: Researcher, 2020

The third aspect that the researcher was interested in was whether the SMEs have established programs for new activities. The research finding indicate that 36 (44.4%) either agree or strongly agree that their businesses have these programmes in place. However 22 (27.2%) strongly disagree that their organizations have these programs in place while 23 accounting for 28.4% are non-committal on the existence of these programs. This particular aspect had a mean of 3.43 and standard deviation of 1.15 and coefficient of variation of 0.34 as indicated on table 4.23.

Table 4.16: Established Programs for New Activities

Response	Frequency	Percent %
2	22	27.2
3	23	28.4
4	15	18.5
5	21	25.9
Total	81	100.0

Source: Researcher, 2020

The fourth aspect the researcher was concerned with was whether the management were willing to provide the necessary resources for budget preparation. The research findings reveal that 39 of the respondents accounting for 48.2% agreed that the management was willing to avail the required resources while 20 of them accounting for 24.7% disagreed. However 22 (27.2%) were neutral on this aspect. This information is provided on table 4.17. The aspect had a mean of 3.48 and a standard deviation of 1.12 and coefficient of variation of 0.32 as indicate on table 4.23.

Table 4.17: Allocation of Resources for Budget Preparation

Response	Frequency	Percent %
2	20	24.7
3	22	27.2
4	19	23.5
5	20	24.7
Total	81	100.0

Source: Researcher, 2020

The fifth aspect that the researcher was interested in was whether the SMEs have well laid procedures of what must be done. Findings from the study indicate that 42 (51.9%) of the respondent tend to agreed that the SMEs have put in place these procedures. However 23.5% (19) of the respondents tend to disagree while 24.7% of them are non – committal as in table 4.18. This aspect had a mean of 360, a standard deviation of 1.17 and a coefficient of variation of 0.32 as indicate on the table 4.23.

Table 4.18: Procedures Outlining the Activities

Response	Frequency	Percent %
2	19	23.5
3	20	24.7
4	16	19.8
5	26	32.1
Total	81	100.0

Source: Researcher, 2020

The sixth aspect that the researcher was interested in was whether the owners/ managers were on the forefront in steering the strategy implementation process. The findings from the study revealed that 34 (42.0%) of the respondents agree that the owners/managers steer the implementation while 23(28.4%) of them disagree that the owners/managers steer the process. This information is provided on table 4.19. This aspect had a mean of 3.33, a standard deviation of 1.10 and a coefficient of variation of 0.33 as in table 4.23.

Table 4.19: Owner/Manager Steers Implementation Process

Response	Frequency	Percent %
2	23	28.4
3	24	29.6
4	18	22.2
5	16	19.8
Total	81	100.0

Source: Researcher, 2020

The research was concerned on whether all the other levels of management are involved in the process and for that matter, the research carried out a study towards the same. The research findings indicated that majority of the respondents (47) accounting for 58.0% agreed that all levels of the management are involved. However, 18.5% (15) do not agree with this assertion. The information is provided on table 4.20. The aspect had a mean of 3.72, a standard deviation of 1.11 and a coefficient of variation of 0.30 as provided on table 4.23.

Table 4.20: Involvement of all Levels of Management

Response	Frequency	Percent %
2	15	18.5
3	19	23.5
4	21	25.9
5	26	32.1
Total	81	100.0

Source: Researcher, 2020

The eighth aspect that the researcher identified was on whether the SMEs do restructure their operations where necessary. The findings from the study conclude that 42 (51.9%) of the respondents agree that the SMEs restructure their operations where needed. However, 22(27.2%) of the respondents do not agreed to this assertion while 17 (21.0%) of them are non – committal as indicated in table 4.21. This aspect had a mean of 3.44, a standard deviation of 1.10 and a coefficient of variation of 0.32 as indicated on table 4.23.

Table 4.21: Restructuring Process

Response	Frequency	Percent %
2	22	27.2
3	17	21.0
4	26	32.1
5	16	19.8
Total	81	100.0

Source: Researcher, 2020

The last aspect that the researcher was concerned with on whether the long – range strategies are achieved with ease. Research findings indicate that 19(23.5%) of the respondents do not agree on the fact that the long – range strategies are easily achieved. However, 49 (60.5%) of the respondents agree that the long – range strategies are easily achieved while 13 (16%) are non – committal. This information is provided on table 4.22. This aspect had a mean of 3.64, a standard deviation of 1.12 and a coefficient of variation of 0.31 as indicated on table 4.23.

Table 4.22: Long Term Strategies Realization

Response	Frequency	Percent %
2	19	23.5
3	13	16.0
4	27	33.3
5	22	27.2
Total	81	100.0

Source: Researcher, 2020

Table 4.23: Summary of Implementation Process

Aspect	Mean	SD	CV
Implementation of Formulated Strategies	3.00	1.36	0.45
Realization of Short-Term Strategies	3.60	1.24	0.34
Establishment of Programmes to create new activities	3.43	1.15	0.34
Allocation of resources for the prepared budgets	3.48	1.12	0.32
Procedures outlining what must be done	3.60	1.17	0.32
The implementation process is steered by Owner/Manager	3.33	1.10	0.33
Involvement by all levels of management	3.72	1.11	0.30
Restructuring is done where necessary	3.44	1.10	0.32
Realization of Long-Range Strategies	3.64	1.12	0.31

Source: Researcher, 2020

4.3.3 Strategy Evaluation and Control by SMEs in Thika

For the researcher to be a position to establish to what extent the SMEs has implemented the strategy evaluation and control, nine (9) aspects were identified and each studied separately. The first aspect that the researcher identified was whether the SMEs were evaluating their strategies after the implementation stage. The study findings indicated that 25(30.9%) of the respondents disagreed with the fact that the strategies are evaluated while 35(43.2%) of them agreed to this fact. However, 21(25.9%) of them were non – committal (Table 4.24). This particular aspect had a mean of 3.22, a standard deviation of 1.35 and coefficient of variation of 0.42 as in table 4.33.

Table 4.24: Evaluation of Strategies

Response	Frequency	Percent %
1	11	13.6
2	14	17.3
3	21	25.9
4	16	19.8
5	19	23.5
Total	81	100.0

Source: Researcher, 2020

The second aspect that the researcher was interested in was whether the SMEs have put in place mechanism system of measuring performance. Twenty – nine (29) of the respondents, representing 35.8% were of the view that the SMEs have performance measurement systems while 36 (41.9%) were of the view that the SMEs do not have a performance measurement systems while 18 (22.2%) of them were non – committal. This information is in table 4.25. This aspect had a mean of 2.85, a standard deviation of 1.44 and coefficient of variation of 0.51 as in table 4.33.

Table 4.25: System of Performance Measurement

Response	frequency	percent
1	21	25.9
2	13	16.0
3	18	22.2
4	15	18.5
5	14	17.3
Total	81	100.0

Source: Researcher, 2020

The third aspect of concern for the researcher was whether the SMEs conduct continuous audits on performance. Thirty – five (35) of the respondents, representing 43.2% feel that the SMEs conduct these audits while 29 (35.8%) feel that these audits are non – existent and 17(21%) are non-committal. The information is provided on table 4.26. This aspect had a 3.21, a standard deviation of 1.46 and a coefficient of variation of 0.46 as on table 4.33.

Table 4.26: Continuous Audits

Response	Frequency	Percent %
1	13	16.0
2	16	19.8
3	17	21.0
4	11	13.6
5	24	29.6
Total	81	100.0

Source: Researcher, 2020

The fourth aspect that the researcher was interested was whether the audits carried are objective. The research findings indicate that 37 (5.7%) of the respondents disagree that the audits are objective while 31(38.3%) feel that the audits are objective and 13 ()16.0% are non- committal as indicated on table 4.27. This aspect had a mean of 2.94, a standard deviation of 1.42 and a coefficient of variation of 0.48 as indicated on table 4.33.

Table 4.27: Merit Based Audits

Response	frequency	Percent %
1	15	18.5
2	22	27.2
3	13	16.0
4	15	18.5
5	16	19.8
Total	81	100.0

Source: Researcher, 2020

The fifth aspect that the researcher was interested in was whether the audits provide crucial information on performance. The research findings indicate that 31 (38.3%) disagree that the audits provide crucial information on performance while 32(39.6%) agree that the audits provide crucial information on performance. A minority of 18(22.2%) are non – committal as indicated on table 4.28. This aspect had a mean of 2.98, a standard deviation of 1.45 and a coefficient of variation of 0.49 as indicated on table 4.33.

Table 4.28: Performance Based on Internal Audits

Response	Frequency	Percent
1	19	23.5
2	12	14.8
3	18	22.2
4	16	19.8
5	16	19.8
Total	81	100.0

Source: Researcher, 2020

The sixth aspect that the researcher was interested in was whether the SMEs compare their performances with the competitors for benchmarking. The findings from the study conclude that 49.4% (40) of the respondents agree that the SMEs compare their performances, while 26(32.1%) of the respondents disagree and a 15 (18.5%) are non – committal as indicated on table 4.29. This particular aspect had a mean of 3.32, a standard deviation of 1.44 and a coefficient of variation of 0.43 as indicated on table 4.33.

Table 4.29: Competitors Performance Information

Response	Frequency	Percent
1	12	14.8
2	14	17.3
3	15	18.5
4	16	19.8
5	24	29.6
Total	81	100.0

Source: Researcher, 2020

The seventh aspect of concern to the researcher was whether the SMEs had Key Performance Indicators (KPIs) which they use for performance measurement. The findings from the study indicate that 29.6% (24) of the respondents disagree that the SMEs have KPIs while 41(50.6%) agree that KPIs are in place and 24(29.6%) are non-committal. This aspect had a mean of 3.22, a standard deviation of 1.23 and coefficient of variation of 0.38 as indicated on table 4.33.

Table 4.30: Existence of Key Performance Indicators

Response	frequency	percent
1	7	8.6
2	17	21.0
3	24	29.6
4	17	21.0
5	16	19.8
Total	81	100.0

Source: Researcher, 2020

The eighth aspect that the research was concerned with was whether the KPIs are used objectively to measure performance. Findings from the study indicate that 18 (22.2%) of the respondents disagree that the KPIs are used objectively, 23 (28%) are non – committal while 40(49.4%) agree that the KPIs are used objective as indicated on table 4.31. This aspect had a mean of 3.44, a standard deviation of 1.34 and a coefficient of variation of 0.39 as indicated on table 4.33.

Table 4.31: Objective use of KPIs

Response	Frequency	Percent %
1	10	12.3
2	8	9.9
3	23	28.4
4	16	19.8
5	24	29.6
Total	81	100.0

Source: Researcher, 2020

The last aspect that the researcher was concerned with whether the SMEs take corrective and remedial actions continuously. Findings from the study indicate that 45 (54.6%) of the respondents feel that remedial action is not taken, 25(30.8%) feel that the remedial actions are taken while 11(13.6%) are non – committal as indicated on table 4.32. This aspect had a mean of 2.63, a standard deviation of 1.50 and a coefficient of variation of 0.57 as indicated on table 4.33

Table 4.32: Continuous Remedial Measures

Response	Frequency	Percent
1	25	30.9
2	20	24.7
3	11	13.6
4	10	12.3
5	15	18.5
Total	81	100.0

Source: Researcher, 2020

Table 4.33: Summary of Strategy Evaluation Process

Aspect	Mean	SD	CV
Evaluation of Strategies	3.22	1.35	0.42
System of measuring performance	2.85	1.44	0.51
Continuous Audits	3.21	1.46	0.46
Audits are based on merit	2.94	1.42	0.48
Audits provide information performance	2.98	1.45	0.49
Evaluation of competition performance	3.32	1.44	0.43
Key Performance Indicators	3.22	1.23	0.38
Use of KPIs is objective	3.44	1.34	0.39
Continuous corrective measures	2.63	1.50	0.57

Source: Researcher, 2020

4.4 Strategic Management Practices and Profitability

The researcher sought to study the impact of strategic analysis on the profitability of the SMEs. The researcher decided to study the impact from the perspective of strategic analysis model. The findings from the study indicate that 20(24.6%) disagree that the strategy formulation has an impact on profitability, 48(59.2%) agree that strategy formulation has an impact on profitability as indicated on table 4.34. This aspect had a mean of 3.56, a standard deviation of 1.27 and a coefficient of variation of 0.36 as indicated on table 4.37.

Table 4.34 Strategy Formulation And Profitability

Response	Frequency	Percent %
1	7	8.6
2	13	16.0
3	13	16.0
4	23	28.4
5	25	30.8
Total	81	100.0

Source: Researcher, 2020

The researcher was interested on the impact of strategy implementation on profitability. The findings from the study indicate that 44(54.4%) of respondents agree that strategy implementation has an impact on profitability, 22(27.1%) disagree to this as indicated on table 4.35. This aspect had a mean of 3.50, a standard deviation of 1.36 and a coefficient of variation of 0.39 as indicated on table 4.37.

Table 4.35: Strategy Implementation and Profitability

Response	Frequency	Percent %
1	9	11.1
2	13	16.0
3	15	18.5
4	19	23.5
5	25	30.9
Total	81	100.0

Source: Researcher, 2020

Finally, the researcher was interested on the impact of strategy evaluation on profitability. Research findings indicate that 21(5.9%) disagree that strategy evaluation has an impact on profitability while 48.1% (39) of the respondent agree that the strategy evaluation has an impact as indicated on table 4.36. This aspect had a mean of 3.36, a standard deviation of 1.34 and a coefficient of variation of 0.40 as indicated on table 4.37.

Table 4.36: Strategy Evaluation and Profitability

Response	Frequency	Percent
1	10	12.3
2	11	13.6
3	21	25.9
4	18	22.2
5	21	25.9
Total	81	100.0

Source: Researcher, 2020

Table 4.37: Summary of SMPs and Profitability

Strategic Management Practice	Mean	SD	CV
Strategy Formulation and Profitability	3.56	1.27	0.36
Strategy Implementation and Profitability	3.50	1.36	0.39
Strategy Evaluation and Profitability	3.36	1.34	0.40

Source: Researcher, 2020

4.5 Strategic Management Practices and Operational Performance

The researcher was concerned about the effect of strategic management practices on the operational performances of SMEs. For this case the researcher studied the effect of strategy formulation, strategy implementation and strategy evaluation on operational performance. The study findings indicate that 34(42.0%) of the respondent disagree that strategy implement has an impact on operational performance, while 37% (30) of the respondents agree as indicated on table 4.38. This aspect had a mean of 2.98, a standard deviation of 1.30, a standard deviation of 0.44 and a coefficient of variation of 0.43 as indicated on table 4.41.

Table 4.38: Strategy Formulation and Operational Performance

Response	Frequency	Percent
1	11	13.6
2	23	28.4
3	17	21.0
4	17	21.0
5	13	16.0
Total	81	100.0

Source: Researcher, 2020

The research findings show that 34 (42.0%) of the respondents feel that strategy implementation impacts positively on the operational performance of SMEs while 35.8% (29) of the respondents disagree on this as indicated on table 4.39. This aspect had a mean of 3.19, a standard deviation of 1.42 and a coefficient of variation of 0.45 as indicated on table 4.41.

Table 4.39: Strategy Implementation and Operational Performance

Response	Frequency	Percent
1	12	14.8
2	17	21.0
3	18	22.2
4	12	14.8
5	22	27.2
Total	81	100.0

Source: Researcher, 2020

The researcher was concerned on the impact of strategy evaluation on operational performance of SMEs. The study findings to this aspect indicate that majority of the respondents (37)(45.7%) agree that strategy evaluation has an impact on operational performance while 27(33.3%) disagree as indicated on table 4.40. This aspect had a mean of 3.16, a standard deviation of 0.43 as indicated on table 4.41.

Table 4.40: Strategy Evaluation and Operational Performance

Response	Frequency	Percent
1	13	16.0
2	14	17.3
3	17	21.0
4	21	25.9
5	16	19.8
Total	81	100.0

Source: Researcher, 2020

Table 4.41: Summary of SMPs and Operational Performance

Strategic Management Practice	Mean	SD	CV
Strategy Formulation and Operational Cost	2.98	1.30	0.44
Strategy Implementation and Operational Cost	3.19	1.42	0.45
Strategy Evaluation and Operational Cost	3.16	1.36	0.43

Source: Researcher, 2020

4.6 Strategic Management Practices and Competitiveness

Lastly, the researcher was interested in studying the effect of strategic management practice on competitiveness. The research findings indicate that 44 (54.3%) of the respondents agree that strategy formulation has a positive impact on competitiveness while 29.7 % (24) of the respondents disagree as indicated on table 4.42. This aspect had a mean of 3.40, a standard deviation of 1.32 and a coefficient of variation of 0.39 as indicated on table 4.49

Table 4.42: Strategy Formulation and Competitiveness

Response	Frequency	Percent
1	8	9.9
2	16	19.8
3	13	16.0
4	23	28.4
5	21	25.9
Total	81	100.0

Source: Researcher, 2020

The research findings indicate that 33 (40.7%) of the respondents agree that strategy implementation has a positive impact on competitiveness while 38.3 % (31) of the respondents disagree as indicated on table 4.43. This aspect had a mean of 3.19, a standard deviation of 1.42 and a coefficient of variation of 0.45 as indicated on table 4.49

Table 4.43: Strategy Implementation and Competiveness

Response	frequency	percent
1	17	21.0
2	14	17.3
3	17	21.0
4	16	19.8
5	17	21.0
Total	81	100.0

Source: Researcher, 2020

The research findings indicate that 34 (42.0%) of the respondents agree that strategy evaluation has a positive impact on competitiveness while 42.0 % (34) of the respondents disagree as indicated on table 4.44. This aspect had a mean of 3.16, a standard deviation of 1.36 and a coefficient of variation of 0.43 as indicated on table 4.49

Table 4.44: Strategy Evaluation and Competitiveness

Response	Frequency	Percent
1	22	27.2
2	12	14.8
3	13	16.0
4	19	23.5
5	15	18.5
Total	81	100.0

Source: Researcher, 2020

Table 4.45L Summary of SMPs and Competitiveness

Strategic Management Practice	Mean	SD	CV
Strategy Formulation and Competitiveness	3.50	1.32	0.39
Strategy Implementation and Competitiveness	3.19	1.42	0.45
Strategy Evaluation and Competitiveness	3.16	1.36	0.43

Source: Researcher, 2020

4.7 Strategic Management Practices and SMEs Performance in Thika

The final stage is that the researcher needed to establish the link and relation between the strategic management practice and the performance indicators. The researcher adopted a linear model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon,$$

Where Y = SMEs Performance,

β_0 = Constant term,

β_1 = co – efficient for strategy formulation,

β_2 = co – efficient for strategy implementation,

β_3 = co – efficient for strategy evaluation and control,

X_1 = Strategy formulation,

X_2 =Strategy implementation,

X_3 = Strategy evaluation and Control and

ε = error term

From the study findings, it was revealed that the application of strategic management practice has a direct impact on the SMEs performance as indicated on table 4.46

Table 4.46: Regression Statistics

Regression Statistics					
Multiple R	0.6900				
R Square	0.4761				
Adjusted R Square	0.4557				
Standard Error	0.3682				
Observations	81				
ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	9.4848	3.1616	23.3250	0.0000
Residual	77	10.4370	0.1355		
Total	80	19.9218			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	8.3341	0.2478	33.6306	0.0000
Formulation	0.2629	0.0499	5.2635	0.0000
Implementation	0.2553	0.0498	5.1244	0.0000
Evaluation	0.1452	0.0521	2.7840	0.0068

Source: Researcher, 2020

The equation from the regression is given below:

$$Y = 8.3341 + 0.2629X_1 + 0.2553X_2 + 0.1452X_3$$

From the regression equation above it is clear that all the three variables have positive impacts on the performance of the SMEs. All the coefficients are statistically significant with probabilities less or equal to 0.05. The regression statistics show that one unit of strategy formulation increases performance by 0.2629, a unit of strategy implementation increases performance by 0.2553 while a unit of strategy evaluation increases performance by 0.1452. In the absence of these strategic management practices the SMEs' performance is at 8.3341. This implies that all the strategic analysis determine the success of the firm.

4.8 Summary

There is enough evidence that the SMEs in Thika Town make use of the strategic management practices. Top on the list is strategy implementation with a mean of 3.47 and a standard deviation of 1.18, followed by strategy formulation with a mean of 3.27 and a standard deviation of 1.37 and ranking third is strategy evaluation and control with a mean of 3.09 and a standard deviation of 1.42.

There is enough evidence that the application of the three strategic practices have a positive impact on the general success of the SMEs in Thika Town. From the regression, it is clear that the three strategic management practices when applied explain at least 69% of the

overall performance of the SMEs. From these results it is therefore important to embrace the strategic management practices in order to enhance the performance of the SMEs.

4.9 Discussion

This purpose of this section is to discuss the study findings in view of other studies conducted before. It is organized such that it discusses the consistencies and/or the inconsistencies between the current studies and other studies. It indicates how strategic activities influence success of the small firms in the society.

The study sought to evaluate the effect of strategy formulation on SMEs performance. Essentially procedures on strategy development are well laid down. Majority of the aspects deliberated in the process of strategy formulation include procedures on policy development, mission statement and vision statement that guide operations, market analysis in terms of products, environment scanning and examining the internal strengths. Maroa and Muturi (2015) insist that formulated strategies determine the progress of a firm. Auka and Langat (2016) and Gure and Karugu (2018) are concerned that strategy formulation exerts pressure on the firm to enhance performance.

In assessing the effect of strategy formulation, the findings indicate that the effect is significant. This in essence means that strategy formulation can improve the performance of SMEs. The findings concur with the findings of Maroa and Muturi (2015) and Auka and Langat (2016) and those of by Makanga and Paul, (2017) and Mohamed, Ndinya, and Ogada (2019). Further, the findings indicate that good strategy formulation has a positive impact on the performance. Strategy formulation can be good for the enhancement of performance but there are other underlying factors that should be considered such as the

turbulent business environment. However, most the SMEs are not keen on setting up mission and vision statements.

The study also sought to establish the effect of strategy implementation on the performance of SMEs in Thika. The strategy implementation in SMEs in Thika seem to be taking shape. The strategy implementation in SMEs seem to be considered as key to the overall performance. Some of the attributed studied included formulation of the formulated strategies, realization of short and long range strategies, programs for activities, allocation of resources for budgets, procedures, involvement of all levels of management in implementation and restructuring. The process was handled with some care since involvement of all level of management and have well laid down procedure were in place. These results show that proper implementation of strategy positively influences the performance of SMEs. These results concur with Maroa and Muturi (2015) and Burugo and Owour (2017). Therefore it is important for SMEs to implement all the formulated strategies.

The study sought to evaluate the effect of strategy evaluation on the performance of SMEs. The results indicate that the implemented strategies must be evaluated so as improve on those strategies that are ineffective. The results indicate that most the SMEs have put in place key performance indicators are objectively used to monitor performance. At the same time it is clear from the results that audits are carried out with the sole purpose of providing information on the performance of SMEs.

The results indicate that the evaluation of strategies has a positive impact on the performance of SMEs in Thika. These results concur with the results obtained by Mosoti & Murabu, 2014; Musanga & Ombui, 2015; Kanugi & Gichira, 2017). However, the SMEs are doing poorly on corrective measures. Corrective measures are crucial for the performance of the firm. Mumbe, and Njuguna (2019) indicate that the strategic management cycle may be useless if the corrective actions are not undertaken to counter variances.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The segment provide summary of the inquiry. It also provides recommendations. Conclusion is also highlighted. The section also covers suggestion for future inquiries.

5.2 Summary of the Study

The study determine how strategic analysis influence the success of small firms-SMEs in Thika. The selected SMEs were the top 100 SMEs in Thika. The SMEs selected must have been in operation for the last three years and must have been registered by Kiambu County government and Thika sub – county offices. The study was motivated by the fact that despite their contribution to the economy most of them fail to prosper beyond three years. The study focused specifically on establishing the impact of strategic analysis and practices on the efficiency and success of SMEs in Thika. This would promote success of the small firms in the region.

The literature reviewed revealed compelling evidence to the fact that proper strategic management practices influences the performance of SMEs. The literature show evidence that link the study variables of performance and strategic management practices positively. The study gap identified is that similar studies have been carried out in other places but little has been done in the specification study location and more so on SMEs.

The third chapter described the research models used in carrying out the study. The research models comprised of the design and other tools for inquiry collection. The researcher preferred both cross – sectional and descriptive survey design. The population

of the study was the top 100 SMEs in Thika town. The question tool for data collection was used to collect data a hundred of them were distribute and 81 were duly filled. The analysis consisted of both descriptive and inferential statistics.

The fourth chapter entailed the data presentation, analysis and interpretation. The back information consisted of response rate, and demographic information. Most the SMEs have in operation for not more 15 years and very few had been in operation for 20 years. Most of SMEs had employees not more than 40 and very few had employed 80 employees. Most of the SMEs had embraced strategic management practices with strategy implementation doing fairly well. The findings indicate that for SMEs in Thika there is a strong, stable and significant (positive) correlation between strategic analysis and management practice and firm success or performance.

5.3 Conclusions

From the research findings, it is clear to make the following deductions about the impact of strategic analysis and the success of SMEs in Thika Town. Most of the SMEs in Thika Town have embraced strategic management practices but have prioritized strategic implementation followed by formulation and lastly strategy evaluation.

From the study findings, there exists a linear relationship between SMEs performance in terms of profitability operations and competitiveness and strategy formulation. It is also clear that a similar relationship exists between SMEs performance and strategy implementation. The relationship between the SMEs performance and strategy evaluation is also linear. This in essence means that the more the SME embraces these strategic management practices,

the higher the profit or return on investment, the lower the operational cost and the more the SME becomes competitive in terms of expansion.

5.4 Recommendations to the Industry

In view of the deductions made from the research it is worth noting strategic management practices enhance performance of organization more so the SMEs. The management of SMEs should embrace strategic management practices so as to reap the full benefits. The management of SMEs should also involve all levels of the management in strategic management. The goals and objectives of the firm should be known to everyone in the firm. All the procedures, policies, budgets should be communicated to all and sundry. The management should create enabling environment by putting in place objective key performance indicators.

The regulators should encourage the SMEs in the different sectors to embrace strategic management practices. The regulators should provide the necessary framework for embracing the strategic management practices.

5.5 Recommendations for Further Research

The research concentrated the study in Thika and therefore a similar study should be conducted in other towns and nationally so as to establish whether a similar relationship exists in those towns. Since the study was concentrated on SMEs, there is need for a similar study to be conducted on big firms and companies to establish whether a similar relationship exists. The study was a cross – sectional one and the researcher would recommend a longitudinal study as a panel study to establish the relationships.

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APPENDIX I – QUESTIONNAIRE

The intention of this data tool is strictly and purely for academic process and will be used in gaining more understanding of the topic. All the information will be accorded the strict confidentiality it deserves and will be treated so. Please answer the questions as guided by the instructions in each part.

The Questionnaire for this study contains six (6) sections

SECTION A: BACKGROUND INFORMATION

- i. Name of the Organization.....(Optional)
- ii. Number of years with the SME has been in existence
 - Under 5 year Over 5 but Less than 10years
 - Over 10 but less than 15 Over 15 but less than 20
 - Over 20 years
- iii. How many employees does your firm have?
 - Below 20 [] 21 - 50[] 51 – 100 [] Above 100 []

SECTION B: STRATEGY FORMULATION

Indicate to what degree you agree with the following items

Scale: 1 - Strongly Disagree 2 - Disagree 3 - Neutral 4 - Agree 5 - Strongly Agree

No	Description	Rating				
		1	2	3	4	5
1	The SME has procedures on policy development					
2	The SME has a formal Mission statement that guides all operations					
3	The SME has vision statement which defines the desired future					
4	The SME has guiding philosophies					

5	The SME complies with government statutory regulation with ease					
6	The SME adopts new products whenever customer tastes, perception and preferences change					
7	The SME Analyzes the external environment which helps the company to seize new opportunities					
8	The SME examines its strengths that help to focus on the goals and objectives of the firm.					

Please state any other factor/s which in your view affects the competitiveness in your organization during formulation process.

- i.
- ii.
- iii.
- iv.

SECTION C: STRATEGY IMPLEMENTATION

No	Description	Rating				
		1	2	3	4	5
1	The SME implements its formulated strategies					
2	Short term strategies are easily realized					
3	The SME has programs to create new activities are established					
4	The SME allocates resources after the preparation of the budgets					
5	The SME has well laid down procedures outlining what must be done are put in place					
6	The owner/Manager steers the implementation process					
7	All levels of management are involved to achieve the desired results					
8	Restructuring is done if there is need to					
9	Long range strategies of the SME are realized					

Please state any other factor/s which in your view affects the competitiveness in your organization during implementation process

- i.
- ii.
- iii.
- iv.

SECTION D: STRATEGY EVALUATION

No	Description	Rating				
		1	2	3	4	5
1	The SME evaluates its strategies					
2	The SME establishes a system for measuring performance					
3	Audits are continuously done which initiate ways to improve					
4	Audits are usually done which are basis to assess whether objectives have been fully met					
5	Internal audits provide information on performance					
6	Performance of competitors are usually checked in order to bench mark					
7	The SME has Key Performance Indicators in place					
8	The Key Performance Indicators are used objectively and corrective action is taken where necessary					
9	Corrective measures are taken continuously					

Please state any other factor/s which in your view affects the competitiveness in your organization during evaluation process

- i.
- ii.
- iii.
- iv.

SECTION E: THE IMPORTANCE OF SMP’S IN SME’S PERFORMANCE IN THIKA

No	Description	Rating				
		1	2	3	4	5
1	The process of strategic generation has led to high growth of the business					
2	The process of strategic generation has promoted my firm operational efficiency and effectiveness					
3	The process of strategic generation has improved my firm outlook					
4	The process of strategic generation has improved my firm success					
5	The strategy implementation has a positive impact on operational efficiency and effectiveness					
6	The strategy implementation has a positive impact on competitive edge					
7	The strategy evaluation has a positive impact on profitability and growth of the business					
8	The strategy evaluation has a positive impact on operational efficiency and effectiveness					
9	The strategy evaluation has a positive impact on competitive edge					

SECTION F: PERFORMANCE MEASUREMENTS

Kindly provide the following information to help determine the performance index for your SME.

Performance Measure	Unit of Measure	2015	2016	2017	2018	2019
Sales	Volume of Sale					
Profit before tax	Net Profit After Tax					
Expansion	Number of outlets					
Operation Cost	Kshs					
Profit AfterTax	Kshs					
No of Customer Accounts	No of Accounts					