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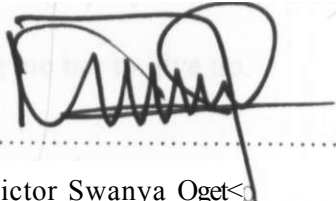
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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI
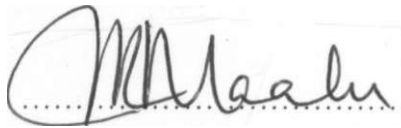
NOVEMBER, 2010

DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

Signature .... Date

Victor Swanya Oget<

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

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DEDICATION

To my family for support and understanding especially to my wife Janet Nyanduko Ogeto and four daughters: Kwamboka F., Kerubo C., Kemunto S. and Kemuma M. who stood by me and supported me both morally and in their consistent prayers during my working on this proposal. My father, Joseph Ogeto and mother Yunike Sigara for enconraging me not to give up.

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I want to appreciate the encouragement from my Brothers, sisters and their families respectively. Special thanks to Symon and Sarah for taking time to ensure that I enrolled in the MBA program. 1 cannot forget thank Professor Mibey and his wife Elizabeth Mibey who besides being family friends are my academic mentors.

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ABSTRACT

Strategy development in an organisation is an on-going, never-ending integrated process requiring continuous reassessment and reformation. This process will include the setting of corporate objectives and targets, forecasting performance in key areas, comparing predictions with targets, assessing strengths and weaknesses, generating alternative strategies and deciding on the appropriate strategy. This process will ordinarily be directed by the top management of organisation to determine the fundamental aims or goals of the organization, and ensure a range of decisions which will allow for the achievement of those aims or goals in the long-term, while providing for adaptive responses in the short-term. Further, the strategy of the organisation will result from discussion made about the positioning and repositioning of the organization in terms of its strengths in relation to its markets and forces affecting it in its wider environment

The objectives of the study were to determine the nature of strategy development among the SMEs in the Furniture and Fittings sector in Nairobi and also establish the factors that influence strategy development in these firms. In striving to achieve the objectives, the study adopted a survey research design in which several SMEs in the sector were interviewed and the results presented. The results of the study indicated that most of the SMEs did not have a strategic plan and even for those that had, the process was not an all inclusive process. The senior managers of the SMEs were found to be ones that mostly developed the strategies and the other employees only implemented it. Feedback on organization's strategy performance varied from one organization to another but mostly it was found out to be quarterly.

Leadership and management were found to be the most critical factors affecting the development of strategies in the SMEs. With the support of the managers the firm's objectives was easily achieved. However, strategy development should be all inclusive as others are involved in the formulation while others are tasked with the duty of implementation and therefore all the employees of the SMEs needs each other to ensure the success of the strategy.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

CBK   Central Bank of Kenya

CCC   Chrisco Christian Centre

CPAs   Critical Path Analysis

GDP   Gross Domestic Product

KICC   Kenyatta International Conference Centre

MSEs   Medium Size Enterprises

NCC   Nairobi City Council

SMEs   Small and Medium Enterprises

SPSS   Statistical Package of Social Scientists

CHAPTER ONE: INTRODUCTION

1.1 Background

A strategy is the direction and scope of an organization over the long term. It ideally matches its resources to its changing environment and in particular its markets, customers or clients so as to meet stakeholder expectations (Johnson and Scholes, 1993). On his part, Thorelli (1977) defined strategy as the primary means of reaching the focal objective. The focal objective is whatever objective is in mind at the moment and thus strategy becomes an integral part of the ends-means hierarchy. What can be concluded from the above definitions is that strategic management is a process, directed by top management to determine the fundamental aims or goals of the organization, and ensure a range of decisions which will allow for the achievement of those aims or goals in the long-term, while providing for adaptive responses in the short-term. The three core areas of corporate strategy: strategy analysis, strategy development and strategy implementation (Gole, 2005).

Strategy formulation is concerned with determining where the organization is, where it wants to go and how to get there. It involves carrying out situation analysis that leads to setting of objectives. Vision and mission statements are crafted and overall corporate objectives, strategic business unit objectives and tactical objectives are also developed. Strategy implementation is the process of allocating resources to support an organization's chosen strategies. This process includes the various management activities that are necessary to put strategy in motion and institute strategic controls that monitor progress and ultimately achieve organizational goals. Strategy evaluation

includes review of external and internal factors that are bases for strategies formulated, measuring performance and taking corrective action, if necessary. This is important as all strategies are subject to future modification depending on environmental turbulence (Robbins and Coulter (1996).

Strategy development and implementation is an on-going, never-ending integrated process requiring continuous reassessment and reformation. Strategic management is dynamic and involves a complex pattern of actions and reactions. It is partially planned and partially unplanned. Strategy is planned, emergent, dynamic and interactive (Thompson and Strickland, (1980), Johnson, and Scholes (2002). Pearce and Robinson (2007) states that to effectively direct and control the use of the firm's resources, mechanisms such as organizational structure, information systems, leadership styles, assignment of key managers, budgeting, rewards and control systems are essential strategy implementation ingredients.

Stacey (1993) observes that there is now a growing cognizance that no single strategy process or single strategic capability will lead to a sustainable competitive advantage to a firm. Organizations increasingly have to adjust dynamically their characteristics to the requirements of the environment by constantly changing their strategies and strategic capabilities. Mintzberg (1994) further observes that organizations achieve superior results if they can select from a wide range of strategic capabilities rather than concentrating on a single capability or process. The focus of strategy research is once again shifting away from identifying drivers of organization success towards maximizing the change potential of an organization. He argues that the role of strategists has to change from that of

planners and strategy creators to that of strategy finders, knowledge generators and catalysts of change and that strategic planning must be replaced by strategic thinking. Ansoff (1991) stressed that the classical understanding of strategic planning must be replaced by a more dynamic understanding that focuses on strategic issues.

1.1.1 Strategy development

The development of firms' strategy has its origins in the techniques and concepts of business policy and strategic planning. The associated process is generally prescriptive in nature, suggesting that strategy is developed in a rational, two-dimensional process of formulation (deciding what to do) and implementation (taking the required action) (Beaver, 2007). The production of a formal statement of business objectives, such as plans and mission statements is normally regarded as an essential feature of strategy development (Campbell and Yeung, 1991; Hannon and Atherton, 1998).

According to Hall (1995), strategy development is about the major moves made by a firm in the attainment of its objectives, or the pattern or plan that integrates the organization's major goals, policies and action sequences into a cohesive whole. Further, Quinn (1980) noted that a formal planning process would include a variety of information-gathering and action-based activities, which, citing Hall (1995), typically might include: the setting of corporate objectives and targets, forecasting performance in key areas, comparing predictions with targets, assessing strengths and weaknesses, generating alternative strategies, decide on the appropriate strategy and monitoring the progress.

Strategy development process can also be considered to involve design stage, the experience stage and the ideas stage (Scholes and Johnson, 2002). The design stage

involves the development of strategy by the top management through careful analysis and planning and implemented down through the organization. Strategy development is therefore seen as a process of systematic thinking and reasoning. This analysis permits the matching of organizational strengths and resources with the changes in the environment of the organization so as to take advantage of opportunities and overcome or circumvent threats. The strategy of an organization is, therefore the result of discussion made about the positioning and repositioning of the organization in terms of its strengths in relation to its markets and forces affecting it in its wider environment (Scholes and Johnson, 2002). In addition, strategy development is an outcome of individual and collective experience of individuals. Human beings are able to function effectively because they have the cognitive capability to make sense of problems or issues on the basis of past experience and what they come to believe to be true about the world. Move formally, individual experience can be explained in terms of the mental (or congruities) models people build over time to help make sense their situation.

Strategy development is equated with the strategic planning systems. In respects they are the archetypal manifestation of the design approach to managing strategy. Such processes may take the form of highly systematized step by step chronological procedures involving many different parts of the organization. Organizations which have sophisticated and extensive planning systems may well be populated with believers that strategies can and should be developed in such ways and who may argue that a highly systematic approach is the rational approach to strategy formulation (Pearce and Robinson, 2007).

1.1.2 Small and Medium Enterprises in Kenya

The term SME covers a wide range of definitions and measures, varying from country to country and between the sources reporting SME statistics. Although there is no universally agreed definition of SME some of the commonly used criteria are the number of employees, value of assets, value of sales and size of capital as well as turnover. Among them the most common definitional basis used is employees because of the comparatively ease of collecting information and here again there is variation in defining the upper and lower size limit of an SME. In developing countries the number of employees and size of assets or turnover for SME tend to be much smaller compared to their counterparts in developed countries due to their relative size of business entities and economies.

In the Kenyan scenario, a study conducted by Kimuyu & Omiti (2000) defined a small enterprise as one with employment ranging between five (5) and about fifty (50). The enterprises will usually be owner-managed or directly controlled by the owner-community and are mostly family owned. They are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. However, they observed that classification in terms of assets and turnover is difficult, given the wide differences in various business sectors like retailing, manufacturing, professional services and construction. Medium enterprises constitute a category difficult to demarcate vis-a-vis the "small" and "big" business categories. It is still viewed as basically owner/manager-controlled, though the shareholding or community control base could be more complex. It is characterized by the employment of more than 200

employees and capital assets of a substantial amount of about Ksh. 2 million -excluding property (Kimuyu & Omiti, 2000).

The Kenyan SME sector is mixture of self-employment outlets and dynamic enterprises involved in an array of activities that are concentrated in urban areas but are also evident in rural Kenya. There are about 1.3 million establishments employing 2.3 million individuals and generating as much as 14% of the country's GDP (Mullei & Bokea, 1999). A majority of these small enterprises are sole proprietorships; a third of the enterprises operate from homes; and one half are female-owned. According to recent research, female-owned small enterprises are more likely to be informal, usually start smaller, use less start-up capital, grow slower if at all, have more limited access to credit and more often operate from less permanent premises and homes (Kimuyu & Omiti **2000).**

Through the small enterprise sector, unskilled rural migrants acquire skills needed for survival in the more challenging urban environment. The sector also attracts skilled persons retrenched from formal sector jobs, and is often regarded as a second-best option for those unable to find or to keep jobs in the modern sector. The size of an SME's total labour force varies widely across business establishments and activities. However, the two key components of the labour force are entrepreneurs and apprentices. Informal garages absorb appreciably more apprentices and workers than the formal service sector that is dominated by proprietors. In the recent past, employment growth in Kenya's small enterprise sector has far outpaced growth in the larger modern sector (Aboagye, 1986).

However, many MSEs still require workers with skills that school leavers often lack, and therefore the small enterprise sector is not likely to solve Kenya's daunting unemployment problem on its own (Ongile and McCormick, 1996).

Although most small enterprises are younger than the large ones, their ages vary across locations and activities. For the informal small businesses, the first two years are critical for survival since mortality rates are highest around this age. In many sectors, lack of entry barriers creates severe competition that leads to the demise of the less efficient and poorly managed enterprises. However, there are higher capital and skill requirements in construction and vehicle garages and this act as effective entry barriers so that there is less competition in these sub-sectors.

1.1.3 Furniture and Fittings Sector in Kenya

In Building construction industry generally there are several type of specialties whose inputs eventually see a complete furnished and habitable building. All these specialized firms are coordinated by an "architect" whose main function is to design the building project and procure the services of various contractors to implement the project. The construction of Skelton building commonly known as the "structure" is undertaken by the Main Contractor. Main Contractors are generally established firms with high mechanized equipments for excavation and Constructions. The Main Contractors are intensely or highly capitalized with huge purchasing capacity. This is important because in this industry it requires ample capital to finance the construction activities before payments

are processed. The Interior architects would source for Interiors Fitting contractors commonly known as "subcontractors" to undertake the furnishing that includes Furniture, flooring, air conditioning, electrical, Mechanical Services and soft fittings. The Subcontractors are the firms that undertake the furnishings and fittings in the built building. Their capital requirement is not as intense as the Main Contractors'. As a matter of fact the contract between the Main Contractor and Subcontractor allows the Main contractor to finance the Subcontractor's activities.

Furniture and fittings is the final finishes undertaken before a building is occupied. It addresses all that is required to make the building functional and defines the building aesthetically. The different Subcontractors to the Main Contract undertake their area of specialty and this includes: Flooring and Window fittings, Plumbering works, Mechanical Services-Ventilations, Electricals and Data cabling, Ceiling and furniture fittings. In each of this line of specialty the works are substantive and technical in nature. For example, a Furniture fit-out Subcontractor determines the furniture fittings as drawn by the interior architect by matching spatial layouts with different users as required by Management. The furniture sizes, functionality and types are designed for fabrication fitting employees' categories bearing in mind the corporate aesthetic and depicting friendly environment. Similarly the Electrical & Cabling Subcontractors will determine the power requirement, accessories required to provide raw Power and data Power. Security control panels and terminals that ensure that on power application there is absolute functionality and any dysfunctional is detected by circuit breakers. Each Subcontractor in the team respectively

provides technical and professional service that is synchronized with other Services from the other Subcontractors. •

Maylor (2003) described project planning process in four stages; namely identify the constituent activities, determine their logical sequence, prepare estimates of time and resources and present the plan in a readily intelligible format. The last step allows the plan to be communicated to all parties involved with the project implementation and analysis. To oversee the harmonization of the Subcontractor's activities, the Project Manager (Project architect) uses the "Critical Path Analysis"(CPA) concept to line up events to be done by each Subcontractor. The Critical path process defines the activities that are required to precede the other. It is a quantitative method that is used to systematically identify the first and last event in the construction. Thus in the an average of 16weeks timeline for the fit out project implementation period the project Manger is guided by the critical path principle to allocate tasks and time for each event of the project. Therefore the subcontractors are coordinated such that they fit their events at the right time harmoniously.

A few studies and literature on the state of the local furniture and fittings are available in Kenya. However Schneider (2001), researched on the role of buyers in the development of the Hotel Furniture industry in Kenya. He observed that the four and five star hotels generally need high quality furniture and fittings. Given generally the limited capabilities furniture manufacturing in Kenya, local manufacturers will be unable to meet the demands of the leading hotels. The main findings of her research were that 95% of the

hard furniture in the above hotels was locally sourced, a significant variety of furniture is found locally. Local furniture manufacturers have specialized in products which the overseas producers find it difficult to provide. There are two types of furniture used in most establishments in the country - hard and soft furniture. Hard furniture includes furniture made of wood, aluminum, rattan, sea grass, bamboo etc as well as mattresses, divans and head boards. Carpets, pillows, duvets, blankets, fabrics etc are soft furniture items and are mostly imported in Kenya. Hotels buy furniture when they first open and when they undertake renovation of the entire hotel or a section of the hotel. However as was noted by Schneider (2001), majority of these hotels take an average of 15 years to undertake major renovations and hence they will not constitute a major buyer of the furniture in Kenya annually.

1.2 Statement of the Problem

Strategy development is concerned with determining where the organization is, where it wants to go and how to get there. It involves carrying out situation analysis that leads to setting of objectives. Vision and mission statements are crafted and overall corporate objectives, strategic business unit objectives and tactical objectives are also developed. Thus, a firm will need a strategic plan which will act as a road map of where the organisation will need to be in the medium and long term period.

The small and medium enterprises sector in Kenya is very visible and is the largest provider of essential services and goods to the general public (Central Bank of Kenya Economic review, 2009). The sector is an important component in the country and is often used as the benchmark in terms of its development and the general growth of the

National economy. By being a major employer, the sector has thus contributed in constructive ways and positively to the people and economy of Kenya. However, global competition confronts the majority of purely domestic SMEs, whose products and sales are extremely localized or segmented. Trade liberalization increases the capacity of well-established foreign manufacturers and retailers to penetrate both remote and underdeveloped markets leading to heightened level of competition. Against this development and the critical role SMEs play, local SMEs need to come out with effective and dynamic strategies to survive and maintain their current position in such a turbulent business environment. In such a demanding environment, the capacity of a firm to develop its own strategy is critical to ensure long-term sustainability.

Studies have been undertaken on the area of strategy development in various firms. Kemei (2009) undertook a study on strategy development and implementation at the Nairobi water and sewerage company limited. In the study, he found among others that the corporation by being a local authority owned firm, had good strategies but its major handicap was the implementation phase due to the level of bureaucracy involved. Kitangita (2009) on his part studied on the strategy development and implementation at the Kenyatta international conference centre corporation. He found out that most previously government controlled entities like the KICC have now embraced strategic plans and as a result lead to such entities registering profits in their operations. On his part, Mwanzia (2009) researched on the strategy development at Bamburi cement limited - Kenya. The findings were that being a privately held firm, the firm puts a great deal of time and resources in the development and implementation of its strategic plans and that

this could partly be as a result of the level of competitions in the industry. As observed from the above studies, there exist strategy development in various forms within specific organizations within the public and private sector. However there appears to be very little study that has been done on strategy development in small and medium enterprises and this leads to the following research question; what is the nature of strategy development among SMEs in furniture and fittings Sector in Kenya?

1.3 Research Objectives

The overall objective of this study was:

(i) To establish the nature of strategy development among SMEs in Furniture and Fittings Sector in Kenya.

(ii) To determine factors that influence strategy development in furniture and fittings Sector in Kenya.

1.4 The Importance of the study

Studies have been carried out on strategy development in various sectors in the country. However a study on strategy development in furniture and fittings is absent. The study was of importance to policy makers and implementers within the sectors in understanding the analytical steps and stages where applicable in the strategy development processes. It gave information on areas that need to be refined and redefined in order to ensure that the strategic direction is attained.

The study provided useful information on which components are all-important and must be taken into consideration at the planning stage to ensure that implementation is efficient, effective and successful. It provided information to the sector that resulted in

sound and more informed decisions when formulating strategies and to understand the underlying factors that are pertinent in the process. These factors gave direction on the structure of the process and weighting across the components required in implementing and formulating the plan.

This study serve as a useful tool for top managers in the sector of the industry and Government policy makers in adapting formulas and use of best practices to drive performance in furniture and fittings sectors programs and operations.

CHAPTER TWO: LITERATURE REVIEW

2.1   The Concept of Strategy

Chandler (1962) defined strategy as the determination of the basic long term goals and objectives of an enterprise and the adoption of action and the allocation of resources necessary for carrying out these goals. This means that strategy is about managing new opportunities. The strategy that is chosen should be one that optimizes the resources available in order to achieve organizational goals and objectives. According to Mintzberg (1987), strategy is a plan, ploy, a pattern of behaviour, a position in respect to others and a perspective.   Strategy therefore specifies the intended course of action of an organization, develops ways to outwit a competitor, is emergent in a process of actions and it is a position in the market. The characteristic of strategy is that it is deliberate as well as emergent.   It is a pattern of actions and resource allocations designed to achieve the goals an organization (Bateman and Zeithaml, 1993). Quinn (2003) defined strategy as the pattern or plan that integrates an organizations major goal, policies and action sequences into a cohesive whole. Goals state what is to be achieved and when the results are to be accomplished and policies guide the limits within action should occur.

Strategy is the direction of an organization over the long term, which achieves advantage in the changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson and Scholes, 2003). This means that organizations should provide value to their customers better than their competitors. Strategic planning involves making decisions about the organizations' long term goals

and strategies. It is an ongoing activity in which all managers are encouraged to think strategically and focus on the long term, have a strong external orientation as well be focused on short term-tactical and operational issues. In strategic planning senior management is responsible for the development of the strategic plan. The concept of strategic planning is concerned with where are we now, where do we want to be, how do we get there, who must do what and how are we doing (Bateman and Zeithaml, 1993).

2.2 The Strategy development Process

Components key in carrying out strategy development revolve around the following strategic management tools namely; Situation analysis, Mission Statements, External Analysis, Internal Analysis, Development of Objectives, Development of Strategies, Development of Appropriate Budgets, Reward Systems, Information Systems and Policies and Procedures. Corporate planning looks at strategic development in terms of the corporate mission, strategic audit, corporate objectives and corporate strategies (Bateman and Zeithaml, 1993).

Often, strategy development is equated with the strategic planning systems (Quinn, 2003). Such processes may take the form of highly systematized step by step chronological procedures involving many different parts of the organization. Organizations which have sophisticated and extensive planning systems may well be populated with believers that strategies can and should be developed in such ways and who may argue that a highly systematic approach is the rational approach to strategy formulation (Quinn, 2003)

According to Mintzberg (1987), a strategy development processes may also be strongly associated with an individual. A strategic leader is an individual upon whom strategy development and change are seen to be dependent. They are individuals personally indentified with and central to the strategy of their organization: their personality or reputation may result in others willingly deferring to such an individual and seeing strategy development as his or her province. In other organizations like in the case of SMEs, an individual may be central because he or she is its owner or founder; or it could be that an individual chief executive has turned round a business in times of difficulty and, such personalities is the success of the organization's strategy.

Quinn (1995) concluded that the management process could best be described as logical incrementalism. Logical incrementalism is deliberate development of strategy by "learning through doing" or the crafting of strategy. Logical incrementalism does not fit a neat sequential design approach to strategy development. The idea that the implementation of strategy somehow follows a choice, which in turn has followed analysis, does not hold. Rather, strategy is seen to be worked through in action. It can be argued that strategies are developed in such a way, it has considerable benefits. Continual testing and gradual strategy implementation provides improved quality of information for decisions. Since change will be gradual, the possibility of creating and developing a commitment to change throughout the organization is increased (Quinn, 1995)

2.2.1 Situation analysis

Situation analysis looks at a combination of both the industry and competitive analysis of the environment. Tools used in the development process are employed to determine how well the strategy is working on the development of alternative strategies. The analysis is used to identify all issues and mission statements are critically analysed. Situation analysis also addresses where the organization believes it is at "today", that is in terms of financial performance, organization culture and customer perception (Hussey, 1998).

Mission statements are statements that state what an organization stands for; the purpose of the organization and it forms basis in which the strategies are derived and based. Corporate goals can be described as the result in strategy. According to Franklin (2002), the goals aptly describe the aspirations of the organization. Objectives are similar to goals and are usually shorter in terms of time horizon and can be described as highlighting the ways that the organizations intend to achieve their desired state as echoed in their mission statement.

On his part Connor (2002) stated that external and internal analysis can be studied in different forms where the organizations look at the strengths and weaknesses in terms of the internal environment, and also critically examines the potential that exists in opportunities and threats in the external environment. Appropriate allocation of resources or budgets is integral to strategic planning and can be a source of power within the process. Issues of human resource management under the reward systems are critical in the strategic planning process as the people tasked with wholesome strategic process, are key in ensuring that strategic decisions take off. In any organization, the management

process around the information systems is likely to impact on the course strategic planning takes. The dissemination of information to whom, how important it is, understanding the involvement of the stakeholders, which may include government, competitors, employees, parental companies etc. Likewise, policies tend to come first before strategies as they define under what conditions a certain way or means of doing things is acceptable to an organization. Policies can be referred to as broad goals. Procedures describe the *modus operandi* of actions that will guide the process as per the policies laid down. The action or inaction of the above tools has an immense impact on strategic planning in the organization (Connor, 2002).

2.3 Modes of Strategy development

The development of business strategy has its origins in the techniques and concepts of business policy and strategic planning. The associated literature is generally prescriptive in nature, suggesting that strategy is developed in a rational, two-dimensional process of formulation (deciding what to do) and implementation (taking the required action). The production of a formal statement of business objectives, such as plans and mission statements is normally regarded as an essential feature of strategic planning (Hannon and Atherton, 1998; Hussey, 1998). Much of the emphasis underpinning many of the initiatives of the business support infrastructure shows that the business plan is popularly regarded and promoted as the preferred management instrument, enabling small firms to fashion their success (Beaver and Prince, 2003).

However, it is contended that the notion of strategic awareness as a specific capability and planning as an embedded process is much more critical than the written business plan

for shaping the competitive posture of many small enterprises (Georgellis *et al.,* 2000; Beaver and Ross, 2000). Indeed, the growth and ultimate success of the small firm are likely to be constrained by the strategic awareness capability of the principal small firm actors. A major concept underpinning much of the literature is the rational actions and choices of managers based on logical analysis and stakeholder management. This has generated a body of literature that has catalogued observed behaviour rather than what it is thought should happen. In reality formulation and implementation are intertwined as complex interactive processes in which management values, politics and organisational cultures determine or constrain strategy decisions (Franklin, 2002; Connor, 2002).

Hall (1995), while discussing about strategic planning and the small firm, stated that strategy is about the major moves made by a firm in the attainment of its objectives, or the pattern or plan that integrates the organization's major goals, policies and action sequences into a cohesive whole. Both Hall (1995) and Quinn (1980) note that a formal planning process would include a variety of information-gathering and action-based activities which typically might include: the setting of corporate objectives and targets; forecasting performance in key areas; comparing predictions with targets; assessing strengths and weaknesses; generating alternative strategies; deciding on the appropriate strategy; evaluating the chosen strategy; develop action and business plans and monitoring progress.

Typically, analysis of the small firm and the assessment of its strategic posture have involved utilising planned frameworks and concepts. In particular, many contributions have adopted the design school approach to strategy - the classical, rational model of

planning that has been a dominant strand in the general strategy literature. Such an approach is exemplified by Porter (1985) and much of the discussion of small firm strategy is based on Porter's (1985) approach. In this framework, competitive advantage is hypothesized to derive from product-market positions based on either cost leadership or product differentiation. A central theme in Porter's (1985) theory is that, if firms are to enjoy success and longevity, a clear and definitive strategy based on cost leadership, differentiation or focus should be adopted, and they should not succumb to combining a hybrid mixture that renders them "stuck in the middle".

However, according to Beaver and Prince (2003) strategic management, as an emerging and increasingly sophisticated body of theory, tools and techniques, is still more applicable and more closely associated with the corporate sector, due principally to the design school approach in analyzing, prescribing and legitimizing strategic actions. They argue that a critical appraisal of this approach suggests that strategic activity in the small firm sector is much more informal, intuitive and invisible than has been previously suggested by design school advocates. They argue that the strategy process in small firms is emergent and instinctive rather than fixed and regulated. This approach recognises that management decisions are often based on information that is imprecise and subject to fluctuation (Beaver and Prince, 2003). This is not to suggest incompetence, but to acknowledge the volatile and short-term nature of contemporary market conditions. Hence, a strategic approach that is emergent is both more appropriate and efficient for the majority of small enterprises to deploy when integrating their business activities with the competitive environment. It could also be argued that a relatively simple framework is appropriate, as small narrowly focused firms typically face relatively simple strategic

choices. A case can be made that complex and detailed strategies are a distraction for all but the largest companies, as only these concerns can use such strategies to sustain the competitive advantage that makes an investment in such planning worthwhile (Shepherd and Shanley, 1998).

2.3.1   Factors that Influence strategy development in SMEs

The internal barriers can be described as internal restrictions that a company faces when they pursue a certain market expansion or a strategy development. These restrictions can be described as a combination of available resources and firm size. Internal barrier expressed in terms of resources that can prevent a company's operations locally or otherwise are for example limited production capacity, lack of competent people and deficiencies in the internal structure Rundhi (2001). The level of education in both staff and directors/Owners determines the capability in conceptualization of business issues. This is important for the purpose of interpreting the business internal and external environment so that planning or decisions and actions taken are able to address the concerned issues effectively.   The size of SMEs in terms of turnover and Number of employees and to a large extent the territory it covers will determine the strategies the firm will develop taking into account of the resources available.

The government policy plays important role and information dissemination about changes in business environment and stability of business law. For example developing economies in efforts to attract Direct Foreign Investment (DFI) have developed policies and enacted relevant laws providing incentives to foreign investors and local firms able to invest tabulated range of capital resources in designated sectors of the economy.

Therefore the role of government in SMEs plays an influential role in the decisions eventually adopted to do business and extends to the strategy developed (Schneider (2001).

Technological advance and breakthroughs have generated dramatic increase in information availability and made the effective use of modern information technology a critical, competitive business tool. Information technology is not only influencing how to do businesses but is greatly changing lifestyle and global culture. Storey (1994) noted that governments, institutions and indeed Companies have been forced to adapt into systems that are in line with the ever changing Information and communication technology. For example World Bank and its affiliates offer most of their businesses particularly procurements or outsourcing processes online. Majority of Embassies have posted general information about visa and application in the web. Therefore the Embassies require that applications of visa and processing are done online. Today communication is done through the internet, achieves of data are slowly changing from hard storage to soft storage. SMEs cannot ignore to integrate technological changes in their strategy development (Stanworth and Gray, 1991).

2.3.2 Management and the small firm

Business ownership is one of the factors at the very heart of what characterizes and differentiates a small business and is probably the key feature of difference (apart from size) between small and large firms and their management (Storey, 1994). The issues and complexities that result from ownership and control in the small firm have been the subject of substantial research. The major differences have been noted by Stanworth and

Gray (1991) as relating to business objectives, management style and marketing and operational practices. It is now widely accepted that the particular characteristics of small firms require a different appreciation of management understanding and that the methods and techniques in the corporate sector are not applicable, valid or relevant (Beaver and Jennings, 2000).

Management in small firms cannot be separated from the motivations and actions of the key actors. They are the essential component in understanding the fashioning of the relationships between ownership and decision making, managerial styles, organisational structures and cultures, and patterns of business development. The role and nature of ownership, the pattern of business management that emerges from it and its connection with enterprise success and failure are now a common theme in small enterprise research activity (Beaver and Jennings, 2000). Understanding the management practices of small firms therefore requires an appreciation of the psychology of ownership and the perceptions that owner-managers and entrepreneurs have of themselves and their operating context (Curran and Blackburn, 1994).

These dominant and consistent psychological characteristics of the main actors in small firms have been repeatedly reported as manifesting themselves in a distinct managerial style (Carter and Jones-Evans, 2000). Much of the available literature reveals that this managerial style is autocratic, egocentric, impulsive and often unpredictable. Strategy and planning are limited to the short term and relations with employees are highly particularistic, involving personal and sometimes highly idiosyncratic relationships (O'Gorman, 2000; Marlowe, 2000). There are a range of entrepreneurial and owner-

manager identities that result in different management styles and priorities. Such identities will be conditioned by the type of economic activity, the operating environment, and interpretations of success criteria, the period of establishment of the firm and whether the key players are first generation or those that have inherited ownership.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

The research design for the study was a survey of SMEs dealing in furniture and fittings and operating in Nairobi's industrial area. It has been observed that a survey is feasible when the population is small and variable. When all items of the population are covered, no element of chance is left and highest accuracy is obtained. This technique allowed the researcher to draw conclusions about the relationship existing in the population and also characterize their phenomena.

3.2 Population of the Study

The population of the study consisted of SMEs dealing in furniture and fittings operating in Nairobi's industrial area. According to the Nairobi City Council 2009 licensing data, there are 35 SMEs dealing with furniture and fittings in industrial area (Appendix III). The selection of SMEs based in Industrial area was necessitated by the fact that, it is one single area in Nairobi with large number of firms dealing with furniture and fittings. In addition by the fact that some of these firms are engaged in exportation business, they will be exposed to international competition and hence will have to come out with strategic plans to counter the challenges arising.

3.3 Data Collection

The study used primary data; these were collected through self-administered questionnaires. Structured questionnaire that was used consisted of both open and closed

ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively.

The respondents were the owners/directors, senior managers and specific employees with managerial knowledge at the respective organizations who are privy to the development of strategies at the respective firms. The questionnaire was administered through "drop and pick later" method. The respondents were expected to give an insight into the nature of strategy development they have in place in their respective firms.

3.4   Data Analysis

The data was analyzed by the use of descriptive statistics to summarize and relate variables which were attained from the administered questionnaires. The data was classified, tabulated and summarized using means, standard deviation, and frequency distribution. Tables and graphs were used for presentation of the findings. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. Cross tabulation was used to compare the existence of relationship between the individual firm size and the nature of strategy development practice put in place. Nachmias (1996) Statistical package for Social Science (SPSS), enables a researcher to recode variables, to deal with missing values, to sample weight and select cases; to compute new variable and effect permanent or temporary information. Therefore for ease handling of the recurring needs and computerized data analysis efficiently and effectively we shall use the Statistical Package for Social Sciences (SPSS) software.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish the nature of strategy development among SMEs in furniture and fittings Sector in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations.

4.2 Characteristics of the respondent firms

A total of 35 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 35 questionnaires issued, only 29 were returned. This represented a response rate of 82.9%.

Figure 4.1: Response rate
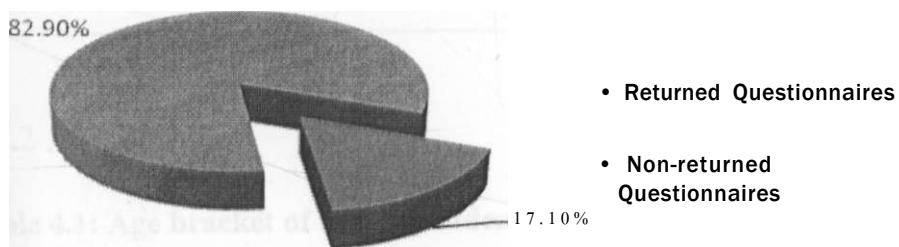
4.3 Demographic and Respondents profde

The demographic information considered in this study for the respondents included the gender of the respondents, age, and length of service in the organization, organization existence duration, number of employees currently employed and ownership of another branch or factory.

4.3.1 Gender

As can be observed, in figure 4.1, the respondents were made up of 51.7% female and 48.3% female.

Figure 4.2: Respondents gender

4.3.2 Age Bracket

Table 4.1: Age bracket of the respondents

	Frequency	Percent	Cumulative Percent
21 -30	8	27.6	27.6
31 -40	15	51.7	79.3
41 - 50	5	17.2	96.6
Over 50	1	3.4	100.0
Total	29	100.0	

The findings presented in table 4.1 show that, 51.7 % of the respondents were of 31-40 years, 27.6% were between 21-30 years of age, 17.2% were between 41-50 years old and a few (3.4%) were over 50 years. On average the majority of the employees are between the age brackets of 31 -40 years.

4.3.3 Length of Service with organization

Figure 4.3: Length of Service with organization
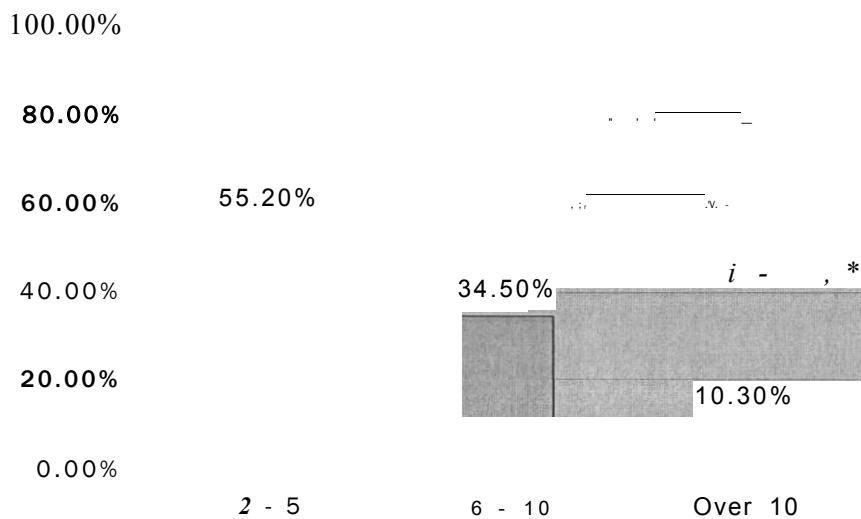
The results presented in figure 4.2 shows that the number of years of service in the current organization varies from a period of more than 2 years to over 10 years. 55.2% of the respondents had worked in their respective organizations for a period of between 2 and 5 years, 34.5% of the respondents have worked in the organization for a period of 6 to 10 years while 10.3% have worked for over 10 years. Majority of the respondents have worked in their organization over 2 years, thus there is high level of understanding of their organization.

4.3.4 Duration of SME existence (Years)

Table 4.2: Duration of SME existence (Years)

	Frequency	Percent	Cumulative Percent
6-10	13	44.8	44.8
11-15	7	24.1	69.0
16-20	2	6.9	75.9
21 -25	3	10.3	86.2
Over 25	4	13.8	100.0
Total	29	100.0	

From the findings 44.8% of the respondents said the SMEs they work for have been in existence for a period of 6 to 10 years, 24.1% said they have been in existence for 11 to 15 years while 13.8% of the respondents said theirs have been in existence for over 25 years. 10.3% of the respondents said the SMEs have been in existence for 21 to 25 years while 6.9% said it has been in existence for 16 to 20 years. Majority of the SMEs have been in existence for a period of 10 years and therefore they have understood the market which they serve well.

4.3.5 Size of employees

Table 4.3: Number of employees in the organization

	Frequency	Percent	Cumulative Percent
Less than 20	8	27.6	27.6
21 -30	11	37.9	65.5
31-40	7	24.1	89.7
41 -50	3	10.3	100.0
Total	29	100.0	

Majority of the respondents (37.9%) said they have between 21 and 30 employees, 27.6% said they have less than 20 employees, 24.1% said they have 31-40 employees, while 10.3% said they have 41-50 employees. The findings show that the SMEs employ more

than 20 people and therefore they have a well structures way of ensuring that the employees assists the SME to achieve its strategy objectives.

4.3.6 Existence of another branch or factory

Figure 4.4: Existence of another branch or factory
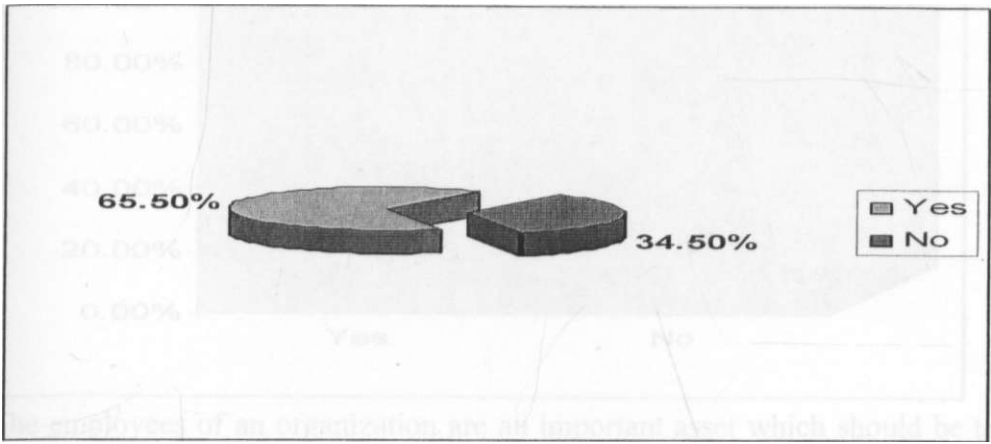
The findings regarding the existence of another branch or factory indicates that 65.5% of the respondents said they have some other branches or factory while 34.5% said they do not have. Ownership of more than one factory or branch indicates that the SMEs have been in existence for a long time and also that the business in the sector could be doing well and thus necessitates opening of more branches/factories.

4.4 Strategy development

Strategy development is concerned with determining where the organization is, where it wants to go and how to get there. It involves carrying out situation analysis that leads to

setting of objectives. Vision and mission statements are crafted and overall corporate objectives, strategic business unit objectives and tactical objectives are also developed.

4.4.1 Employees involvement in strategy development

Figure 4.5: Employees involvement in strategy development
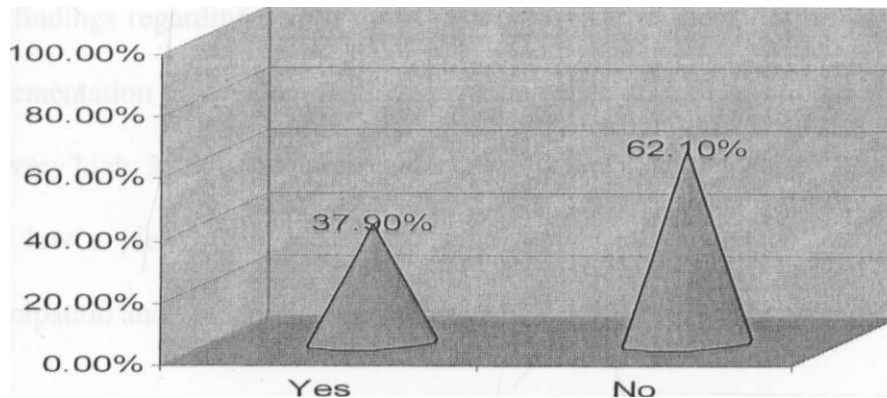
The employees of an organization are an important asset which should be taken care of and its interest considered adequately. The organization employees are the ones who carry out the task of implementing the approved strategies of the organization and therefore their commitment to ensuring that the strategies approved succeed depends on whether the employees were involved when designing the strategies. The findings from the interviewees indicated that 62.1% of the respondents said the employees were not involved in the development of the strategy while 37.9% said they were involved. These will impact negatively on the achievement of the organization objectives as the employees may sabotage the achievement of the best objectives.

4.4.2 Senior management level of participation

' able 4.4: Senior management level of partici pation			
	Frequency	Percent	Cumulative Percent
Very high	12	41.4	41.4
High	11	37.9	79.3
Low	3	10.3	89.7
Very low	3	10.3	100.0
Total	29	100.0	

The findings regarding senior management level of participation in the formulation and implementation of development strategies indicates that 41.4% of the respondents said it was very high, 37.9% of the respondents said it was high while 10.3% said it was low and very low a piece. The success of a strategy greatly depends with the management participation and guidance as the employees will follow the management footsteps.

4.4.3 Level of strategic planning importance

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions, that is, what do we do, for whom do we do it and how do we excel.

Table 4.5: Level of strategic planning importance

	Frequency	Percent	Cumulative Percent
Less important	3	10.3	10.3
Important	12	41.4	51.7
Very important	9	31.0	82.8
Extremely important	5	17.2	100.0
Total	29	100.0	

The results above show that 41.4% of the respondents said strategic planning is important, 31.0% said it's very important while 17.2% said it's extremely important. 10.3% of the respondents said it's less important. This shows that the SMEs values the concept of strategic planning as they know that it will take the SMEs to the next destination if they adopt it appropriately.

4.4.4 Organizations strategy performance

This section of the questioner aimed to determine from the respondents how long they take to receive feedback on the strategies they have adopted. It is expected that for an effective control on strategy, the feedback should be made after a short duration.

Figure **4.6: Feedback on organizations strategy performance**
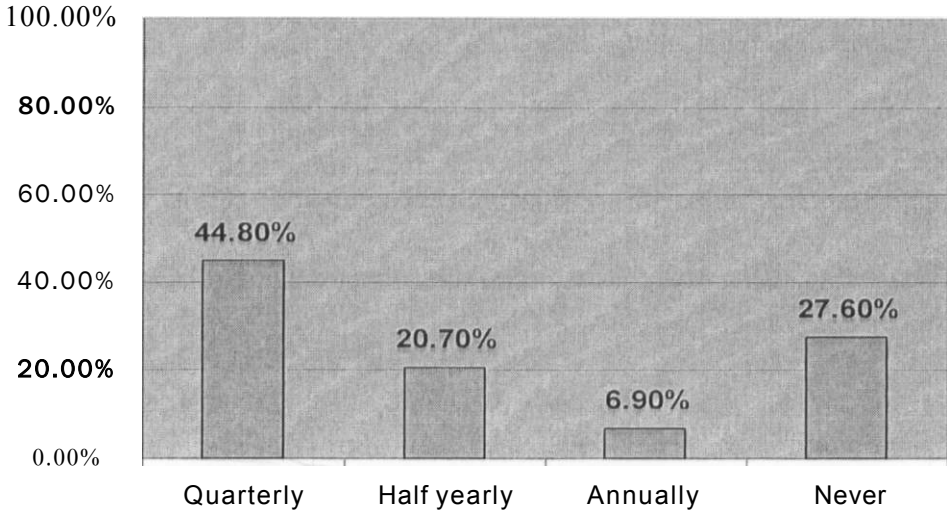
The findings in figure 4.6 show that majority of the SMEs (44.8%) receives feedback on organization performance on quarterly basis, 27.6% said they have never received feedback, 20.7% said they receive it half annually while 6.9% said they receive the

feedback annually. Quarterly feedback is preferred by majority of the organizations, this will enable then to make necessary changes within reasonable time.

4.4.5 Inspirational nature of the strategies

Figure 4.7: Inspirational nature of the strategies
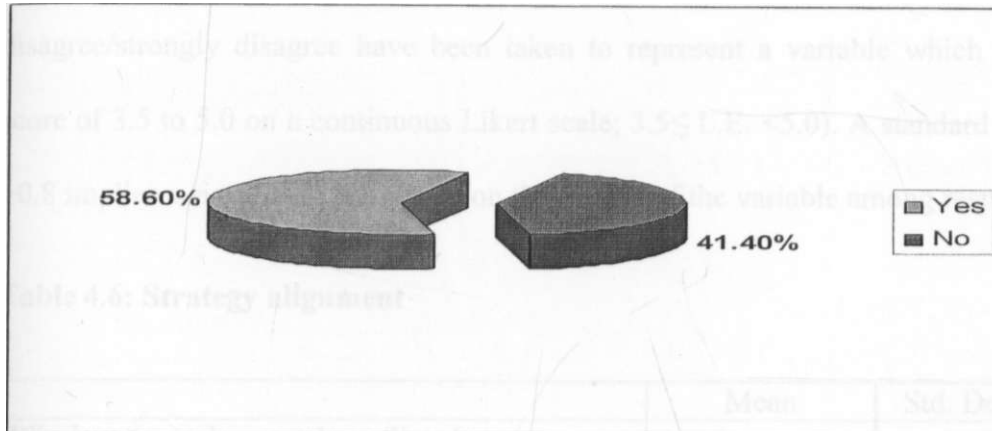
The analysis above show that 58.6% of the respondents said the strategies suggested by the management is inspirational while 41.4% said it is not. The management should ensure that the strategies which they suggest meet the organizational goals and therefore they should see how to change the perception of the respondents who said the strategies are not inspirational by consulting widely.

4.4.6 Strategies alignment

This part of the questioner was aimed to determine whether the organization strategies were in tandem with the business environment it is operating.

The respondents were to give their independent opinion on what alignment of organizational strategies strived to achieve. The range was 'Strongly agree (1)' to 'strongly disagree' (5). The scores of very strongly agree/agree have been taken to present a variable which had mean score of 0 to 2.4 on the continuous Likert scale ;(0< S.E <2.4). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 pm the continuous Likert scale: 2.5<M.E. <3.4) and the score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; 3.5< L.E. <5.0). A standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents.

Table 4.6: Strategy alignment

	Mean	Std. Deviation
Eliminate or reduce goal conflicts between entities	1.8966	.85960
Minimize strategy overlaps and redundant efforts	2.0690	.75266
Co-ordinate activities which span over several business entities or regions	2.0000	.70711
Maintain the same overall direction and focus	1.7241	.79716

The findings above indicates the organizations alignment of the strategies strive to achieve all the factors however the achievement of the factors varied with maintenance of the same overall direction and focus (mean 1.7241) being the factor which the alignment seeks to achieve mostly followed by elimination or reduction of goal conflicts between entities (mean 1.8966) then Co-ordination of activities which span over several business entities or regions (mean 2.0000) and lastly to minimize strategy overlaps and redundant

efforts (mean 2.0690). The high variation of the standard deviation indicates that some factors do affect alignment of the strategies.

4.4.7 Qualities fulfillment by organizational strategy

Table 4.7: Qualities fulfillment by organizational strategy

	Mean	Std. Deviation
Supportive and enabling	2.7586	.78627
Provides a large degree of freedom for individuals and business entities in the decision-making process	2.4483	.98511
Delegates and demands responsibility for any action taken	2.5172	.82897
Builds up commitment and leadership	2.0690	.99753
Adjusts dynamically the organizational structure with changing requirements	2.0345	.86531
Treats individuals and teams according to their tasks and roles within the business processes rather than as parts of a hierarchical structure	2.3793	.77523
Gives teams and individuals the character to select new business opportunities and realize their ideas by working closely together with potential customers	2.1724	.88918

The respondents were in agreement that organizational strategy fulfills majority of the qualities but the degree of fulfillment was not strong enough. The adjustment dynamically of the organizational structure with changing requirements (mean 2.0345) was the factor which majority of the respondents agreed that their organizational structure fulfills followed by building up commitment and leadership (mean 2.0690) then giving teams and individuals the character to select new business opportunities and realize their ideas by working closely together with potential customers (mean 2.1724). Treating

individuals and teams according to their tasks and roles within the business processes rather than as parts of a hierarchical structure come in with (mean 2.3793) while providing a large degree of freedom for individuals and business entities in the decision-making process had (mean 2.4483) and delegating and demanding responsibility for any action taken had a mean of 2.5172. Being supportive and enabling was the only factor which the organizational structure does not fulfill with a mean of 2.7586.

4.4.8 Extent the organization practices the factors

Under this section, the researcher wished to determine the extent to which the organization incorporates a numbers of activities in its strategy development.

Table 4.8: Extent the organization practices the factors

	Mean	Std. Deviation
Employees are involved in reviewing policy, strategy and change formulation	2.4138	1.29607
Employees are encouraged to think together	2.3448	.89745
All employees are involved in team playing and learning	2.5862	1.11858
All employees can access the organization databases	2.8621	1.09297
Accounting systems provide all employees with feedback on the financial consequences of actions as soon as they are known	2.4828	1.12188
Departments and sections in the organization all understand each other's importance	2.3103	1.07250
Information is received from people and organization stakeholders all the time	2.1724	1.00246

The respondents agreed that the organization practices receiving information from people and organization stakeholders all the time, departments and sections in the organization

all understand each other's importance, employees been encouraged to think together, accounting systems provide all employees with feedback on the financial consequences of actions as soon as they are known and the involvement of all employees are in team playing and learning. Access by all employees to the organization databases was rated as being practiced in the organization to a moderate extent.

4.4.9 Importance of organizational strategy

Figure 4.8: Importance of organizational strategy
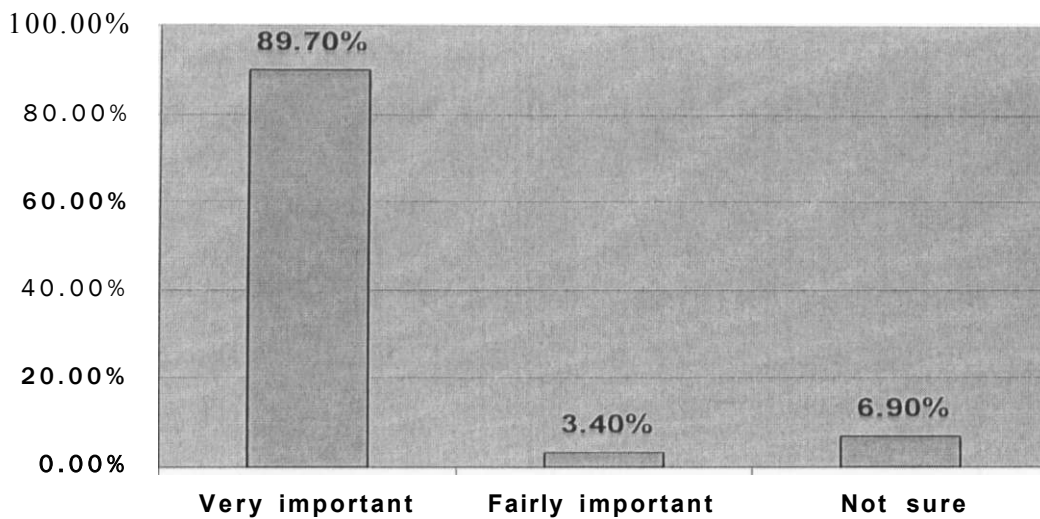
The findings indicates that 89.7% of the respondents said it is very important to have organizational strategy, 6.9% said they are not sure while 3.4% thought that it is fairly important. Organizational strategy assists the organization to achieve its strategies in that they will follow them and thus achieve their objective.

4.4.10 Importance of organizational goals

Table 4.9: Importance of organizational goals

	Mean	Std. Deviation
Survival in the market	1.4138	.68229
Growth (gain market share)	1.6552	.55265
Profitability	2.0345	.86531
Product and market differentiation	2.1379	.83342
Maximize market share	1.5862	.82450

Respondents were of the opinion that survival in the market, maximization of market share, growth in market share, profitability and product and market differentiation were considered important goals for business.

4.4.11 Policy guide on reward

Figure 4.9: Policy guide on reward
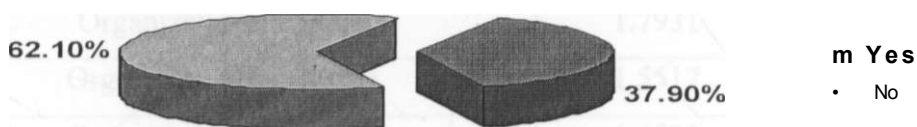
From the findings in figure 4.9, 62.1% of the respondents indicated that there was a policy on reward while 37.9% said there was none. The SMEs should ensure that they

have a reward mechanism to motivate employees towards achievements of organizational

targets.

4.4.12 Type of strategy used

Table 4.10: Type of strategy used

	Frequency	Percent	Cumulative Percent
Focus	15	51.7	51.7
Cost leadership	12	41.4	93.1
Differentiation	2	6.9	100.0
Total	29	100.0	

The findings indicates that the SMEs uses all the strategies in order to fulfill their

objectives but the degree of usage varies as 51.7% of the respondents said they use focus,

41.4% said they use cost leadership while 6.9% said they use differentiation.

4.4.13 Extent the factors influences strategy development

Table 4.11: Extent the factors influences strategy development

	Mean	Std. Deviation
Organizational culture	1.7931	.67503
Organizational structure	1.5517	.57235
Resources and capacity	1.6538	.68948
Leadership and management	1.7931	.67503
Employees	2.1724	.80485
Customers	2.2414	1.29987

The findings indicate that all the factors all the factors influences strategy development

but their influence varies. However organizational structure was rated as the factor which

influences mostly strategy development with a mean of 1.5517 followed by resources and

capacity (mean 1.6538), then organizational culture and leadership and management each with a mean of 1.7931 while employees and customers had a mean of 2.1724 and 2.2414 respectively.

4.5 Discussion of Findings

Various studies ranging from Bateman and Zeithaml (1993) and Johnson and Scholes (1993) have reinforced the importance of a firm having a strategy in cognizance of the importance it plays in the current competitive business environment. This is because a firm's strategy will give it the direction over the long term and attempts to match the organisation resources to its changing environment and in particular its markets, customers or clients so as to meet stakeholder expectations. With small enterprises, the need of having a strategy is of great importance considering the level of competition that these firms face from the well established organisation and foreign firms with competitive advantage.

The findings of this research reinforce the importance of strategy development in an organisation. In the research, it was found out that SMEs recognize the value of an all inclusive strategy development where all employees are involved in order to reduce on the incidences resistance to the strategies adopted. This findings are similar to the one made by Kemei (2009) where he observed that the success of an organizational strategy will depend on the level of inclusiveness that was put in place during its development stage. In addition, the need of a strategic plan to have a short feedback analysis period was further reinforced by Mwanzia (2009) when he observed that for proper control of the activities based on the strategic plan, there is need for more frequent analysis.

In addition, the research found out that senior managers of the SMEs researched on are in most cases involved in the preparation. Kitangita (2009) noted that most of the lower and middle level staff in the labour intensive firms are not well educated to participate competently in preparation of these strategic plans. As a result, the exercise is left mostly with senior managers. The findings therefore in this research will be in line with the observation made by the researcher.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The respondents agreed that not all the SMEs employees are involved in strategy development in their organizations and since the employees are the ones tasked with the implementation of the approved strategies, then their input is highly needed to ensure that they do not sabotage the carrying on of the strategy. The senior management of the SMEs participates in the formulation and implementation to a very high extent and therefore this will motivate the other employees to follow in the footsteps of the senior management in implementing the organization strategies. Strategic planning is very important to the SMEs as it describes what do they do now, for whom do they do it and how do they excel.

Feedback on organization's strategy performance varies from one organization to another. However, quarterly feedback is preferred by majority of the SMEs since this makes it easier to make necessary changes within reasonable time. An organization strategy determines the level of success which an organization will achieve and therefore the management should ensure that the strategies which they suggest inspire any one to strive to achieve greater heights. Alignment of organizations strategies strive to eliminate or reduce goal conflicts between entities, maintain the same overall direction and focus, co-ordinate activities which span over several business entities or regions and minimize strategy overlaps and redundant efforts.

It was noted that the SMEs strategies has qualities which includes; giving teams and individuals the character to select new business opportunities and realize their ideas by working closely together with potential customers, adjusting dynamically the organizational structure with changing requirements, building up commitment and leadership and treating individuals and teams according to their tasks and roles within the business processes rather than as parts of a hierarchical structure. The findings regarding the practices which the SMEs do include; receipt of information from people and organization stakeholders all the time, departments and sections in the organization all understand each other's importance and employees are encouraged to think together.

The respondents agreed that organizational strategy is very important to the organization as it assists the organization to know what they are supposed to do a certain task at a certain time thus helps in achieving its objectives. Survival in the market, market share gain, profitability, product and market differentiation and market share maximization are very important goals in the furniture and fittings industry sector in Kenya. Policy guide on reward though not a major weakness in most SMEs, there are some respondents who said they did not have policy guide on rewards. Organizations should set up reward mechanism to motivate employees towards achievements of organizational targets. The findings on the strategy which the SMEs use differs but majority of them uses focus then cost leadership and then differentiation. Respondents were of the opinion that; organizational structure, resources and capacity, organizational culture, leadership and management, employees and customers were rated as factors which influences strategy development to a very great extent.

5.2 Conclusions

From the research findings and the answers to the research questions, some conclusions can be, made about the study.

Strategy development is very vital for the functioning of any SME as it determines where the organization is, where it wants to go and how to get there. Thus, a firm will need a strategic plan which will act as a road map of where the organization will need to be in the medium and long term period. The study showed that the SMEs value very much strategic development and in fact reports to the employees on the performance of its strategy quarterly thus giving room for adjustment in case of some objectives not been achieved in time. The study established that the SMEs strategies strive to eliminate reduce goal conflicts between entities, maintain the same overall direction and focus, co-ordinate activities which span over several business entities or regions and minimize strategy overlaps and redundant efforts.

In addition, the success of any organization is largely dependent on several factors which if all of them act towards the same direction then the organization will achieve its objectives. Leadership and management being the act of guiding human and physical resources into dynamic organizational units which attain their objectives to the satisfaction of those served and with a high degree or morale and sense of attainment on the part of those rendering the service was rated as among the factors influencing strategy development and it would be tricky for the SMEs to achieve its objectives if the management is part of the problem. It is therefore of great importance that the

46

management of the SMEs starts by assessing themselves so that by the time they are tackling the other factors then they are not part of the problem but part of the solution.

5.3 Recommendation

Strategy development should be all inclusive as others are involved in the formulation while others are tasked with the duty of implementation and therefore all the employees of the SMEs needs each other to ensure the success of the strategy. All the qualities of a good strategy should be considered when developing a strategy so that the strategies they are going to set up withstand the test of time. The use of a strategy by the SME should be one which will assist an organization to have competitive edge over its competitors.

There is need for the leadership and management of the SMEs to ensure that they change tact on the development of the strategies since majority of the challenges like organizational culture, structure, employees, resources and capacity which affects the development of the strategies revolves around the management. Management needs to devote more time in analyzing the progress reported in order to provide timely guidance in change management. Leadership always starts from the top going down and it is recommended that the SMEs ensure that they have management who can spearhead the SMEs towards meeting its objective.

The study confined itself to SMEs dealing with furniture and fittings operating in industrial area. This research therefore should be replicated in other furniture and fittings

SMEs operating in Nairobi if not the whole country and the results be compared so as to establish whether there is consistency among the furniture and fittings SMEs.

5.4 Limitations of the study

This study was based on a sample limited to SMEs in the furniture and fittings sector. It did not cover other SMEs in other sectors of the economy and therefore the findings of the study may not be a representative of the SMEs in all the sectors. However, the challenge did not affect the findings of the study. The scope and depth of study was also limited by the time factor and financial resource constraints. This put the researcher under immense time pressure. The researcher also encountered immense problems with the respondents' unwillingness to complete the questionnaires promptly. Some of them kept the questionnaires for too long, thus delaying data analysis.

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Appendix I: Questionnaire

Please give answers in the spaces provided and tick (V) in the box that matches your response to the questions where applicable.

PART A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1) Name of SME:

2. What is your designation at the organization

3. Gender: male ( )   Female ( )

4. What is your age bracket? (Tick as applicable)

    a) Under 20 years   (   )

    b) 21-30 years   (

    c) 31 - 40 years   (

    d) 41-50 years   (

    e) Over 50 years   (

5. Length of continuous service with the organization?

    a) Less than two years   (

    b) 2-5 years   (

    c) 6-10 years   (

    d) Over 10 years   (

6. For how long has your organization been in existence?

    a) Under 5 years   (

    b) 6 - 10 years   (

    c) 11 - 15 years   (

    d) 16 - 20 years   (

    e) 21-25 years   (

    f) Over 25 years   (

7. How many employees do you currently have?

    a) Less than 20   (

    b) 21-30   (

    c) 31-40   (

    d) 41-50   (

    e) Over 50   (

8. Do you have any other branch or factory?   Yes ( )   No ( )

If yes, please give the actual number............................!

Section B: Strategy development

1. Are all the employees involved in the development of the strategy in your

    organization?   Yes ( )   No ( )

2) What is the level of participation by the senior management in the formulation and

    implementation of development strategies?

    Very high   ( )

    High   ( )

    Neither high nor low   ( )

    Low   ( )

    Very low   ( )

3) How important is strategic planning in your organization.

    Not important   (   )
    Less important   (   )
    Important   (   )
    Very important   (   )
    Extremely important   (   )

4) How often do you receive feedback on the organizations' strategy performance?

    Quarterly   (   )
    Half yearly   (   )
    Annually   (   )
    Never   (   )
5) Is the strategies suggested by the management inspirational?

             Yes ( )   No ( )

5) Do you think the alignment organizations strategies strive to? (Use the scale below to

   tick the most appropriate response?)

1) Strongly Agree 2) Agree 3) Moderate extent 4) Disagree 5) Strongly Disagree

FACTORS	1	2	3	4	5
Eliminate or reduce goal conflicts between entities					
Minimize strategy overlaps and redundant efforts					
Co-ordinate activities which span over several business entities or regions					
Maintain the same overall direction and focus					

6) Is your organization strategy fulfills the following qualities? (Use the scale below to tick the most appropriate response?)   1) Strongly Agree 2) Agree 3) Moderate extent 4) Disagree 5) Strongly Disagree

FACTORS	1	2	3	4	5
Is supportive and enabling					
Provides a large degree of freedom for individuals and business entities in the decision-making process					
Delegates and demands responsibility for any action taken					
Builds up commitment and leadership					
Adjusts dynamically the organizational structure with changing requirements					
Treats individuals and teams according to their tasks and roles within the business processes rather than as parts of a hierarchical structure					
Gives teams and individuals the charter to select new business opportunities and realize their ideas by working closely together with potential customers					

7) Please circle the number that best describes the extent to which your organization practices the following: (Use the scale below to tick the most appropriate response)
1) Strongly Agree, 2) Agree, 3) Moderate extent, 4) Disagree, 5) Strongly Disagree

		1	2	3	4	
1	All employees in my organization are involved in reviewing policy and strategy and formulating change					i
2	Employees are encouraged to think together					i
3	All employees are involved in team playing and learning					i

4	All employees can access the organization databases					
5	Accounting systems provide all employees with feedback on the financial consequences of actions as soon as they are known					
6	Departments and Sections in the organization all understand each other's importance					
7	Information is received from people and organization stake holders all the time					

8) Were the strategies adopted by the firm reactive or proactive?
   Please explain

9) In your opinion, how important is it to have an organization strategy?

   i) Very important (   )   ii) Fairly important (   )   iii) Not sure   (   )

   iv) Not important (   )   v) Not important at all   (   )

10) In your opinion, how important are the following goals in your business? Responses are in a scale of 1 - 5 defined as; 1 - Very important, 2 - Fairly important, 3 - Not sure, 4 - Not important and 5 - Not important at all.

FACTORS	1	2	3	4	5
Survival in the market					
Growth (gain market share)					
Profitability					
Product and market differentiation					
Maximize market share					

11) Is there a policy guide on reward for meeting the set strategy targets?

   Yes   (   )   No   (   )

12) Which strategy do you use in your organization?

    a) Focus   ( )

    b) Cost leadership   ( )

    c) Differentiation   ( )

13) In a scale of 1-5, please indicate the extent to which each of the following factors influences strategy development in your firm?

Key 1) Very great extent, 2) Great extent, 3) Moderate extent, 4) Small extent, 5) Not at all

FACTORS	1	2	3	4	5
Organizational culture					
Organizational structure					
Resources and capacity					
Leadership and Management					
Employees					
Customers					

UNIVERSITY OF NAIROBI

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^A PROGRAM - LOWfeR KABETE CAMPUS

Kuwywrnj-TaïgKlU

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Nairobi, Kenya

DATE..

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TO WHOM IT MAY CONCERN

The bearer of this letter

Registration No: Δ6/ b / . ^ I . V Q . j & . a r

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is-required to submit as part-of his/her-coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
          SJATOR, MBA PROGRAM
SCHOOL OF n n S f ' R ° B »
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  p O Box 30197
      HAIROS/

Appendix III: Sample list of SMEs furniture and fitting companies in Industrial area

S _ 1. HOME REPAIRSjSERVICES LTD

I _ 2. PHOENIX DECORATORS AND CONTRACTORS U"D

I _ 3. HASCONS AND CO. _____ j

4. SADASA CONSTRUCTION UMITED

~ SPIEGEL LTD _ _

6. MALKIT CONSTRUCTION CO.

KHUSH FURNITURE

8. PEPONI JUA KAL^FURNITURE SELF HELP GROUP

9. BAH ATI INDUSTRIES LTD "

10. CUCKOOS" NEST ^ __

11. GROUNDWORKS

12 KITCHEN & OFFICE INTERIORS LTD

13. PAYAMNDUSTRIEsTfD _

14. STAN INTERIOR DEISGNERS KAREN LTD

15. VENEER INDUSTRIES LIMITED

16. WOODART (KENYA) LIMITED

17. ADSEL TIMBER AND RENOVATORS"""

18. BELLWAY GARDENS LIMITED

" 19. CHEGE HARAKA TIMBER . . . .___-----_ _ _ _ _

20. APPLE PINE FURNITURES LTD

21. DEPCO FURNITURES

22. AZADCUSHION MAKERS

23. SAMORA ENTERPRISES ~

247BEAMSPOT1^RNITURE

25. KEMCO TIMBER _ _ _

26. LEVA ENTERPRISES

27. ALVUD FURNITURES

28TRAM CONSTRUCTION

29. LONGONT INTERIORS

30. ORBITECH LTD

31. SEJMA ENTERPRISES

"IZSCALAFURMTURES

33. IDRIS FURNITURES

"34? PRAMCONSTRUCTION-

35. RANA KITCHEN & FITTINGS

v