

**STRATEGIC ISSUE MANAGEMENT PRACTICES BY SMALL AND  
MEDIUM ENTERPRISES IN MOMBASA COUNTY, KENYA**

**BY**

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## **DECLARATION**

I certify that this is my original work and has not been presented to any other University or College for the award of degree or diploma examination purpose.

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D61/64805/2011

SIGNED.....DATE.....

The research Project has been submitted with my approval as the University Supervisor

DR. JACKSON MAALU

**SIGNED.....DATE.....**

## **DEDICATION**

This project is dedicated to my late parents. Mr. Maurice Otieno and Mrs. Roseline Adhiambo. Thank you for the gift of life and all your love, upbringing and sacrifices made in ensuring I got an education. To my wife Vera Valarie, my daughter Tasha Rose & Son Avidan, my sister Caroline and Brothers Willis and Nicholas, I appreciate your constant Prayers, encouragement and support. May God bless you.

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## Abstract

In less than three decades issue management has become established as a distinct business discipline, with proven capacity to add strategic value to organization, during that time practitioners and academics around the world have explored ways to optimize the new discipline. Strategic issue management is a management tool that helps organization to manage strategic issues in a turbulent environment. SME's environment just like any Business environment in the current times is faced by turbulent environmental conditions and only individual SME's that are able to adapt to the changing environment and new ways of doing business can be guaranteed for survival. Despite the central role of SMEs in employment, industrial transformation and poverty reduction, the competitiveness and growth prospects of SMEs fall below the levels required to meet challenges of increasing and changing basis for competition. The study focused on SME's located in Mombasa County, f Kenya. A descriptive research design was used to carry out the study. Stratified sampling technique was employed and proportionate allocation of sample was used to obtain a representative sample size of 60 Small and Medium Enterprises out of the target population. Out of the 60 SME's sampled, 37 responded. This study attempt to answers the following questions; what kind of strategic issue management practices do SME's in Mombasa County, Kenya employ to strengthen their position? What factors influence Strategic issue management practices by small and medium enterprises in Mombasa County, Kenya? The objectives of the study is therefore to establish the Strategic Issue Management Practiced by SME's in, Mombasa County, Kenya and identify factors influencing Strategic Issue Management Practices by SME's in Mombasa County, Kenya. The result of the study revealed that profitability was considered as the most important performance measure in SME's, followed by market share, innovation and liquidity respectively. Majority of organizations perceived strategic issue management to the future success of organization as very important and essential, this affirms that SME's in Mombasa County are aware of the importance of Strategic Issue management in the success of an organization. Most SME's in Mombasa County practice SIM partially. The study was also able to identify, environmental as well as managerial factors influencing Strategic Issue Management Practices by SME's in Mombasa County, Kenya. The study recommends that there is need to sensitize SME's on the importance of strategic issue management to enable the sector remain competitive and reap full benefit. For SME's to be able to effectively deal with discontinuous and surprising environment, they should embrace SIM systems to enhance their capacity to adapt and learn. The study also recommends that given the rate at which changes occur in the SME's environment, response to strategic issues need to be very fast to maximize on strategic issue management.



## **LIST OF ABBREVIATIONS AND ACRONYMS**

AIDS:	ACQUIRED IMMUNE DEFFICIENCY SYNDROME
G D P:	GROSS DOMESTIC PRODUCT
GOK:	GOVERNMENT OF KENYA
HIV:	HUMAN IMMUNO DEFICIENCY VIRUS
MSE'S:	MEDIUM AND SMALL ENTERPRISES
RBV:	RESOURCE BASED VIEW
SIM:	STRATEGIC ISSUE MANAGEMENT
SME'S:	SMALL AND MEDIUM ENTERPRISES
SWOT:	STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of study

The environment in which a firm operates is becoming increasingly turbulent and complex. Public opinion and individual norms and values have changed and society's expectations and the demand it makes to companies are now higher than before (Oomen & Bosch, 1999). The cost of not responding in real time could amount to loss of profits or cost of reversing a strategic implementation error. It is through strategic responses that a firm is able to position itself to the environment to ensure continued success and also secure itself from surprises from the changing environment (Pearce & Robinson, 1991). Ansoff & McDonnell, (1990) points out that when firms are faced with unfamiliar changes, they should revise their strategies and adapt real time strategic response to match the level of turbulence.

Resource-Based View (RBV) of the firm is one of the theoretical frameworks of this study. The foci of RBV are competitive advantages generated by the firm, from its unique set of resources (Wernerfelt, 1984; Barney, 1986, 1991; Peteraf, 1993). According to Barney (1991) Resource-Based View (RBV) has been used to studying a firm's internal strengths and weaknesses. Firm's resources include all inputs that allow the firm to work and to implement its strategies (Olavarrieta, 1996). Firm resources can be tangible or intangible (Hall, 1992) and they may have been developed inside the firm or acquired in the market. Other theories that this study is based on include; Environmental dependence, Complexity and Chaos theory and Ansoff's success hypothesis.

Muraguri (2010) retorts that small and medium enterprises have been known to contribute greatly in economic growth of both developed and developing countries. Their share of overall employment for instance tends to be higher in developing countries which are typically more focused on small scale production (Tybout, 2000). Survey of

over 28,000 micro and small enterprises in Africa and Latin America reveal that less than 3% MSE's expand by 4 or more employees after startup (Iiedholm, 2002), likewise the baseline survey of 1999 estimated that 80% of the MSEs failed within their first three years after starting up (GOK, 2001).

### **1.1.1 Strategic Issue Management**

Dutton and Duncan (1987) define strategic issues as “developments, events and trends having the potential to impact an organization's strategy”. Ansoff & McDonnell, (1990) define strategic issue as a forthcoming development either inside or outside of the organization, which is likely to have an important impact on the ability of the enterprise to meet its objectives.

Ansoff's Strategic Management system is a 'real-time system' which deals with the rapidly evolving environmental discontinuities. He suggests a robust, dynamic response system that is simple to install, easy to manage and does not interfere with existing structures and system. This system is designed to deal with environmental discontinuities. Strategic issue management is a managerial function that helps corporation to identify, analyze and respond to social and political concern that can significantly affect them (Greening & Gray, 1994). Strategic issues are foundation which strategies are developed and therefore not only important but also forward thinking and seize on current opportunities. The issues require to be viewed from the context of strength, weakness, opportunities and threats of the enterprise (Ansoff & McDonnell, 1990).

Heath (1986) asserts that Strategic Issue Management is proactive rather than reactive, it allows companies to intercept problems at an early stage and it requires application of substantial empirical, qualitative and quantitative analysis to solve cooperate planning problems. Strategic Issue Management therefore serves as a tool in assisting organization to avoid 'strategy amnesia' which sets in resulting in increasing drift from established

strategic direction (Heugen, 2003). Wartik and Mohan describe Strategic Issue Management as a process by which a business can identify, evaluate and respond to social and political issues which may impact significantly upon it.

Strategic Issue Management system entails top management team to continuously survey potential future external environment and internal environments to assess opportunities and threats as well as firms strengths and weaknesses. (Pearce & Robinson, 2003) argues that modern executives must respond to the challenges posed by the firm's immediate and remote external environment. It is through Strategic Issue Management system that issues can be identified, understood, determine the consequences of not addressing them and arranging them in priority order by considering how they relate to one another (Ambler, 1999). Strategic issue Management system are set of organizational procedures, routines, personnel and processes devoted to perceiving analyzing and responding to strategic issues; they enhance an organization's capacity to adapt and learn (Duncan & Weiss, 1979).

Strategic Issue Management system can collect, disseminate and interpreted information and by doing so identify issues that may require manageable interpretation (Daft & Weick, 1984). Thus adaptation or better alignment between an organization and its environment is achieved through strategic issue management systems role in helping to solve the problem of 'equivocality' (Weick, 1997).

### **1.1.2 Small and Medium Enterprises in Kenya**

Some of the criteria employed in defining Small and medium enterprises include: number of workers, value of assets or annual turnover, nature of premises/space, status of registration/ legality of business and sustainability (CBS et al., 1999). However, most definitions employ the number of workers criteria as this is easier to determine compared

to other measures of size (Wanjiku, 2009). In addition, SMEs is defined by the size of the economy (Egbetokun *et al.*, 2010). In the United States for example, the upper limit size for SMEs is set at 500 employees for most manufacturing and mining industries (US Small Business Administration, 2009). In the European Union, a medium enterprise is one that employs up to 250 people (Commission Recommendation, 2003). In China, the definition of SME's can include relatively large firms. For example, an industrial SME has up to 2,000 employees, while a medium-sized business has between 301 and 2,000 employees, and a small business has less than 300 workers ([www.eria.org/research/images/pdf/china-pdf](http://www.eria.org/research/images/pdf/china-pdf)). Therefore, what is regarded as an SME in China or in the US maybe quite large relative to an SME in another smaller economy.

In Kenya, there are different definitions of SME's, for example, national baseline survey of MSEs carried out in 1999 defines a small enterprise as one which employs 6-10 people while a medium one is expected to have 11-100 employees (CBS *et al*, 1999). The Micro and Small Enterprise (MSE) Act 2012 has combined employment with other measures of size, and defines a micro business as a business that has less than Ksh.5 million invested in it, or has sales of less than Ksh.500, 000 a year, or has 1 – 9 people working in it. A Small Enterprise is a business that has sales of between Ksh.500, 000 – Ksh.1million a year, or has 10–50 people working it (MSE Act 2012), therefore based on the above varied definitions, this research will categorize the Small Enterprises as firms size with workers between 10 and 49 while the medium Enterprises are firms with workers between 50 and 150.

Benzing and Chu, (2009) notes that researchers have taken various approaches to explain what motivates individuals to start their own businesses. Some researchers believe innate personality traits are the Primary motivators, while others believe external/situational factors (push-pull) are more important. Personality traits, such as the

need to achieve, a tolerance for ambiguity, a desire to innovate, a propensity for risk-taking and a preference for locus of control, have all been shown to influence entrepreneurial activity (Collins et al., 2004; Chell, 1985; Stewart et al., 1996). Environmental motivations for creating a business can be more easily influenced by policy-makers. These “push-pull” factors often determine whether an individual will take the initiative to launch a new business venture. Individuals can be “pushed” into starting a business by external negative conditions such as unemployment and retrenchment, a low paying job with little upward mobility and/or a desire to escape supervision (Curran and Blackburn, 2001). “Pull” factors, such as the desire to be one’s own boss, increase wealth, change lifestyle or use one’s experience and knowledge, can attract an individual to entrepreneurship (Birley and Westhead, 1994; Burke et al., 2002).

The Significance of Small and Medium Enterprise (SME’s) sector can be attributed to the immense contribution towards economic growth, employment creation, poverty reduction and the development of an industrial base. The National GDP growth rate in the last five years 2005 to 2012 were; 5.9, 7.0, 2.7, 5.8, 4.4 and 4.6 respectively .The economy (Real GDP) expanded by 4.6 per cent in 2012 compared to growth of 4.4 per cent in 2011. The Kenya economy’s short to medium term forecast is for sustained and rising growth. The main sector driving the economy in the year 2011 and 2012 that recorded positive growth were; Agriculture & forestry recorded 1.5 in 2011 and 3.8 in 2012, Wholesale & Retail Trade recorded 7.3 in 2011 and 6.4 in 2012, Transport & Communication recorded 4.7 in 2011 and 4.0 in 2012, Manufacturing recorded 3.4 in 2011 and 3.1 2012 while Financial Intermediation recorded 7.8 in 2011 and 6.5 in 2012 last but not least Construction recorded 4.3 in 2011 and 4.8 in 2012.The SME’s has no doubt made a significant contribution to this economic growth in the last five years and it is projected that more

gains will be made towards achieving the government development strategy of vision 2030 (Economic survey, 2013).

One of the policy interventions on employment is that the Kenyan Government intends to strengthen policies on youth employment and youth participation in micro and small scale enterprises (MSEs) sector and fast track enactment of micro and small scale enterprises (MSEs) bill (Economic Survey 2012). The development of Micro and Small Scale Enterprises (MSEs) has been identified in Kenya's government policy like the Sessional Paper Number 2 of 2005 on the Development of MSEs for Employment and Wealth Creation as one of the strategies for the country's industrialization, employment generation and poverty reduction (Republic of Kenya, 2005).

Despite this recognition at the policy level, the sector continues to face a number of constraints that have inhibited its full potential. Sessional Paper Number 2 of 2005 highlights several challenges engulfing the Micro and Small Scale Enterprises (MSEs) which include; Unfavorable policies, inhibitive legal and regulatory framework, limited access to financial services and markets, Inadequacy access to skills and technology, Insecurity of land tenure, poor access to infrastructure, Inadequate business know how and linkages with large enterprises, gender inequality, limited access to information impact of HIV/AIDS Pandemic, Unsatisfactorily occupational Health and Safety Standards.

There are about 1.3 million micro and small enterprises in Kenya employing some 2.4 million people. Almost two-thirds of all SMEs are located in the rural areas. About 17% are found in Nairobi and Mombasa. Nairobi and Mombasa account for 9.7% of the national population. Out of the total 1,289,012 SMEs in the country, Nairobi and Mombasa account for 204,280 of them; this is 15.8%. Compared to their population,



Nairobi and Mombasa have a relatively high number of SMEs. Thus, compared with the other strata, the major urban areas have a higher density of SMEs per given population. The average number of people working in each enterprise is 1.8. In Nairobi and Mombasa, the average is 2.0, and in the rural towns, it is 1.6 (National MSE Baseline Survey, 1999).

According to data from the Local Authority Integrated Financial Operation Management Systems Business activity code summary 2013, Municipal Council of Mombasa, 34,245 Small and Medium Enterprises have been registered by the council. The main activities of business registered are identified by codes. This study will focus on SME's operating within Mombasa County. The SME's operates within the area cuts across all lines of business including General Trade, wholesale and Retail, Manufacturing, Education, Agriculture, Hospitality, Building and Construction, Clearing and Forwarding among others.

## **1.2 Research Problem**

Oomens and Bosco, (1999) have shown in their studies that “issue management” plays a critical and positive role in facing up the challenges of turbulent environment. Organization faces two types of strategic issues either originating inside or outside organization boundaries (Ambler, 1999). Dutton & Duncan, (1987) discussed the role of management's understanding of a strategic issue and its relationship to the firm's perceived capability to respond to it. The perceived uncertainty of an issue not only conditions the actions of the firm dealing with it. It also determines which issues attract management's interest in the firms place.

SME's environment just like any Business environment in the current times is faced by turbulent environmental conditions and only individual SME's that are able to adapt to

the changing environment and new ways of doing business can be guaranteed for survival. All SME's therefore are forced to keep abreast with the latest development in order to stay relevant in the dynamic sector. Strategic Issue Management in small and medium enterprises (SME'S), demands that SME's should have efficient systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved. Despite the central role of SMEs in employment, industrial transformation and poverty reduction, the competitiveness and growth prospects of SME's fall below the levels required to meet challenges of increasing and changing basis for competition (Moyi & Njiraini, 2005), pertinent

Several studies have been conducted on strategic issue Management, Ali, (2008) studied strategic issue management practices by commercial Banks in Kenya, (Mkamunduli studied strategic issue management in the insurance companies in Kenya, (Nganga, 2001) studied Real time strategic issue management practiced in Kenyan companies quoted in Nairobi Stock Exchange, these studies have all confirmed applicability of strategic issue management practices even though the level of appreciation varied across the sectors. These studies focused on different areas, and since management is sensitive to context, because of environmental and organizational factors, a variation in the context may result in different findings for the proposed study of the same concept. The findings of these studies may therefore not be generalized to fairly represent other sectors that may not have been studied. Studies on Strategic Issue Management Practices by SME's in Mombasa County, Kenya seems to be scarce, there is therefore need to conduct a separate study in the small and medium enterprises in Mombasa County, Kenya. This study answers the following questions; what kind of strategic issue management practices do SME's in Kenya Mombasa County, Kenya employ to strengthen their position? What

factors influence Strategic issue management practices by small and medium enterprises in Mombasa County, Kenya?

### **1.3 Research objectives**

The objectives of the study were;

- a) To establish the Strategic Issue Management Practiced by SME's in, Mombasa County, Kenya.
- b) To identify factors influencing Strategic Issue Management Practices by SME's in Mombasa County, Kenya.

### **1.4 Value of the study**

Highlighting strategic issue management practiced by SME's in, Mombasa County, the study should benefit Managers and Entrepreneurs in various SME's sector to identify Gaps that may require re-evaluation, flexibility and adaptability in meeting environmental challenges.

While appreciating measures the Government of Kenya has taken to revitalize and Support the small and medium enterprise sector, the findings will be of great assistance to the Government as it will give guidance to understanding Strategic issue Management Practiced by Small and Medium Enterprises thereby play a an informed role in supporting SME's in an efficient and effective manner.

The information on Strategic Issue Management practices is very little, this study will thus provide additional insight on the subject .Scholars will therefore expounding on the subject and contribute towards developing it to a fully-fledged discipline.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1.Introduction**

This chapter presents a review of theoretical issues, environmental turbulence and organization strategy, strategic issue management practices and empirical studies on strategic issue management have been discussed.

### **2.2 Theoretical Review**

Specific theories reviewed are; Environmental dependence, Population Ecology theory, Resource Based View, Complexity and Chaos theory and Ansoff's success hypothesis.

#### **2.2.1 Environmental dependence**

The focal organizational approach assumed that the environment consist of all relevant factors external to an individual organization (Dill, 1958). Evan (1966) used the notion of organization set to characterize each of the organization that a focal organization interacts with to procure inputs and to market outputs.

Thomson viewed organization as open system fundamentally interdependent with environments, over which they had only limited control. He conceived the environment in terms of several key dimensions; Organizational domain which are claims an organization make in terms of its range of products and customers it serves and the type of products it renders (Levin and White, 1961), Task environment (Dill 1958) customers, suppliers, competetitors, regulators (Thompson, 1967 pg 27-28).These factors can help or hinder organization attaining its goal.

### **2.2.2 Population Ecology Theory**

From a theoretical standpoint, population ecology has been a relatively influential theory that has provided scholars with a valuable tool in understanding macro organizational phenomena since mid-1970s. From a practical standpoint, the issue of sustainability in organizational practice has emerged as one of the most critical issues facing an organization in recent times. Population ecology has valuable insights for sustainability in organizations. Population ecology theory proposes that change occurs at the population level and is a result of the process of organizational selection and replacement (Carroll, 1988). An individual organization's survival is then based on environmental selection of those organizations that best fit their particular localized environment.

Population ecology has several key assumptions. The first assumption is that organizational change occurs at the population level through organizational births and deaths (Hannan and Freeman, 1989). Inertia is a second major assumption of population ecology, which states that the environmental selection favors organizations with high level of inertia (Hannan and Freeman, 1984). While inertia makes it difficult to change form, only organizational changes that negatively affect an organization's accountability, reliability, and reproducibility increase mortality rates, whereas smaller peripheral changes in organizational features may actually enhance performance (Haveman, 1992).

### **2.2.3 Complexity and Chaos Theory**

Complexity and chaos theory argue that the world appears to be so chaotic and turbulent that it is not possible to predict what will happen or when therefore traditional approaches to strategic management are then not appropriate and there is no point in formalized planning approaches with predetermined fixed objectives and analysis that may have to take weeks, or months to work through.

Chaos and complexity theories suggest that it will never be possible to control some kinds of system, as their behavior is so unpredictable. The chaos theory has been offered as an explanation for unexpected turmoil in: Stock exchanges, Foreign exchange market, World oil market, Commodity prices, International trade and the global recession (economic downturn).

Complexity theory developed from chaos theory and represents the body of research concerning systems that have complex characteristics. The concept of complexity is based on the premise that the world in which organizations exist is highly complex and unpredictable.

### **2.2.4 Resource Based View**

Resource based view was first coined by Birger Wernerfelt (1984) to advance the idea that strategy of a firm is a function of the complement of the resources held. The essence of the Resource Based Model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. The resulting advantage can be sustained due to lack of substitution and imitation by the firm's competitors.

Companies are different collections of resources (tangible and intangible assets/capabilities) no two companies are alike in terms of the resources they hold, the resources a company holds determine how well that company perform its activities. A company will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy and therefore Competitive advantage ultimately can be attributed to ownership of valuable resources that enable the company perform its activities better than competitors. RBV describes a firm in terms of the resources that firm integrates. Frequently, the term resource is limited to those attributes that enhance efficiency and effectiveness of the firm (Wernerfelt, 1984). Miller and Shamsie (1996) refer that resources should have some capability to generate profits or to avoid losses.

### **2.2.5 Ansoff's Strategic Success hypothesis**

Ansoff's tool of strategic diagnosis is a systematic approach used to determining the changes that have to be made to a firm's strategy and its internal capability in order to assure the organization's success in its future environment. This diagnostic procedure is derived from the strategic success hypothesis. The purpose is for managers to have tools to effectively encounter the relentless changes and turbulence of their environment (Ansoff and McDonnell, 1990). Strategic success hypothesis states that an organization's performance potential is optimum when the following three conditions are met:

Aggressiveness of the organization's strategic behavior matches the turbulence of its environment; responsiveness of the organization's capability matches the aggressiveness of its strategy; and the components of the organization's capability must be supportive of each other.

### **2.3 Environmental turbulence and Organisation strategy**

Kotler, (2003) notes that environment is constantly changing and firms are at the mercy of these turbulent forces and the only option is to utilize any learned or acquired techniques to counter or embrace these overriding changes and in the process endeavor to survive and hopefully grow. Environmental turbulence is the major factor that warrants for real time strategic management. Perrott, (2011) points out that as environmental turbulence increases, strategic issues emerge more frequently that challenge the way an organization formulates and implements its strategy. Firms competing at global level experience this level of turbulence more frequent that local established firms. Porter, (2004) points out that firms must respond to an attack from a competitor as early as possible because challenger's exit barriers and commitment growth increases with time. Thus the reaction to the competitor is not only meant to topple a competitor but gain a position in the market arena.

Brown and Eisenhardt, (1998) points out three strategic postures a firm can adopt in an unstable environment are reacting to change, anticipating change and leading change. Reacting to change strategy entails that the firm develops a superior product when competitor has introduced a new product to the market. The second move in change anticipation which involves pre-planning strategies to deal with expected change that is imminent. The last posture is leading change which relates to initiating market and



competitive forces that others must respond to. This is an offensive strategy that aggressively aims at putting the company in the driver's seat.

## **2.4 Strategic issue management practices**

Specific issues discussed are identification of Issues, Strategic Issue Management Systems and Impact estimation.

### **2.4.1 Issue identification**

Three possible sources of identification about impending strategic issues are the trend in external environment, the evolutionary trends within the enterprise and the trends in its performance.

### **2.4.2 Strategic issue management systems**

Ansoff and McDonnell, (1990) points out that SIMS is a systematic procedure of early identification and fast response to surprising changes both inside and outside an enterprise. This system is real time and involves continuous preoccupation with strategic issues first it involves continuous surveillance, both inside and outside the enterprise. The senior management is responsible for managing the system for fast response since they have the resources and authority to initiate prompt action. They assign responsibility for individual issues directly to units which are best equipped to deal with the issues and resources allocated directly to senior management. The Strategic Issues Management (SIM) system is deployed using the following Processes; A firm's top management team continuously surveys their potential future external environment (technology, economic, political, social, competition), and intra-firm environment (strengths and weaknesses), from which they evaluate which issue will likely have a significant effect on the firm. Management evaluates each discontinuity on the firm, its effect, level of urgency, and

immediacy of response required. Those determined as high impact on the firm are, labeled as strategic issues.

For high Impact and high urgency issues, immediate action is required to resolve the issue. Management assigns a rapid response unit with necessary resource allocation to resolve the issue. High impact and moderate issues, a delayed response is required where strategic issues are designated for review in the next scheduled planning session. High impact but low urgency issues, continuous monitoring and evaluation is carried out. If the urgency increases, a task force leader is assigned to deal with the problem. Discontinuities that are both low on impact and urgency on the firm, no changes are expected to be put in place.

### **2.4.3 Impact estimation**

Ansoff and McDonnell, (1990) proposed four analytical techniques to be used in Strategic Issue Management practices; Simple Environmental impact analysis looks into one event at a time without taking into account of inter dependence. Threats opportunities and strengths /weaknesses are identified from continuous surveillance of external environment trends, internal capability trend and performance trend.

Issue ranking approach involves a continuous environmental surveillance through trend analysis. Impact and urgency of the trends are estimated and presented as key strategic issues to top management; issues are then prioritized as issues requiring immediate action, postponable issues, delay able issues and minor issues.

Cross impact analysis estimate the likelihood of simultaneous occurrence of several events/trends. This analysis produce cluster of events/trends, thereby facilitating identification and preparedness of probable future disaster or opportunity scenarios.

Eurequip matrix which is a modified SWOT matrix if one assumes that the firm's strength and weakness are not permanent. This can be used in turbulence levels 4 and 5.

A case where both strength and weaknesses are useful in pursuing future opportunities to minimize the impact of the threats is called the positive synergy case. The negative synergy is where the SWOT synergy will have the opposite effect.

## **2.5 Empirical studies on strategic issue management**

A number of studies related to strategic issue management have been done (Lawal et al, 2012) in their study on effect of strategic issue management on organizational performance reported some evidence adoption of issues management techniques can improve the performance and relative standing of organization that are with different societal and political issues. Heugens, (2003) in his study on strategic issues management and organizational outcomes assessed whether strategic issues management activities contribute anything worthwhile to corporate performance by reporting two studies on the issues management strategies of Dutch food firms during the recent introduction of genetically modified ingredients. He concluded that the implementation of issues management activities by firms that are exposed to societal or political predicaments significantly and positively influences organizational outcome variables. Perrott, (2011) documented Ramsay healthcare a case example of how a health care organization implemented the process of strategic issue management and. The Ramsey case demonstrates how the use of a carefully designed and implemented strategic issue management practices facilitated and improved the identification of priority strategic issues to drive the change and adaption agenda for that organization.

In Kenyan context, the subject of Strategic issue management has been studied by (Ali, 2008) in his study of Strategic issue management practices by Commercial Banks in Kenya, found out that Management understand how critical it is to address strategic issues and that in order to be able to effectively deal with the discontinuous and surprising environment organization should embrace strategic issue management system

to enhance their capacity to adapt and learn, (Wambutura, 2010) studied Strategic issue management in Kenya Maritime Authority and recommended that SIM should be highly implemented in public institutions for them to realize their set goals and objectives. Chembalain, (2012) studied strategic issue management by shipping companies in Kenya and recommends consistent application of SIM practices and a regular review of the techniques in order to match the environmental changes both locally and globally.

All these studies have established that SIM is being practiced even though the level of appreciation varies among the different contexts. These studies have focused on different sectors and contexts, therefore this study sought to establish strategic issue management practices by small and medium enterprises in Kenya, Mombasa County.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provides a discussion on the research design, population of study, and sampling techniques, data collection methods as well as data analysis and data presentation methods.

The survey targeted a sample of 60 small and medium enterprises operating in Mombasa County, Kenya. 37 SME's responded. The response rate was therefore 37/60 which was 61% of the target sample.

### **3.2 Research design**

A descriptive survey design was adopted for this study. Kothari, (2004) points out that descriptive research design describes the characteristics of particular individual or group and is concerned with specific predictions and narration of facts. The research design was appropriate for this study as it assisted the researcher in specific predictions, narration of facts and characteristics concerning Strategic Issue Management Practices by SME's in Mombasa County, Kenya.

### **3.3 Population of Study**

The study population comprised of all small and medium enterprises registered with Mombasa Municipal Council and operating in Mombasa County. Municipal Council of Mombasa has registered 34,242 SME's (Municipal Council of Mombasa 2013, Business activity code summary).

### **3.4 Sampling design**

Stratified sampling was used. The population was divided into 8 homogenous strata based on main activity codes allocated to business by Municipal council of Mombasa. Glasow, (2005) indicated that determination of sample size depends on ability of researcher to gain access to the study subjects and degree to which population can be stratified, a convenient sample of 60 SME's was selected from the list of registered businesses operating within Mombasa county, obtained from municipal council of Mombasa. Proportional allocation was used to determine the sample size from each stratum as shown on table 1.

**Table 1: Categorizations of Sample size based on main activity codes.**

Activity Code	Population	Sample Size
General trade, Wholesale, Retail, Stores	21853	38
Informal sector	126	1
Transport Storage and Communications	1452	2
Professional & Technical Services	3455	5
Agriculture, Forestry and Natural resources	1328	4
Accommodation and catering	2653	4
Private education, Health and Entertainment	1005	2
Industrial plants, Factories and Workshop	2370	4
Total	34242	60

### **3.5 Data collection**

The main source of data was primary data. The primary data collection instrument was a semi structured questionnaire having both open and closed ended questions. The questionnaire was administered to the business owners or those in charge of strategy in the respective firms at their offices as well as through electronic email.

The questionnaire was divided into four parts. The first part was to get demographic and operational characteristics. The second part was to examine the information of the organization in relation to the environment, the third section was to examine information relating to practices of strategic issue management and the fourth section focused on factors impacting on strategic issue management.

### **3.6 Data analysis**

Data on SIM practices by small and medium enterprises in Mombasa County, Kenya was analyzed on the basis of the objective of the study. Descriptive statistics was used to analyze these data and arrive at a meaningful conclusion on the frequencies and level of scores attained.

Data collected was presented using summarized percentages, proportions and tabulations in most sections of the questionnaire, to help describe SIM practices by small and medium enterprises in Mombasa County. Mean scores was evaluated and ranked to give the relative importance of variables in the study. The analyzed data was presented in tabular form for ease of interpretation and reporting.

## **CHAPTER FOUR: FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter present the findings of the study based on data collected from the field and specific objectives .The analysis was presented in form of tables, frequencies and percentages.The study was geared at investigating Strategic Issue Management practices by small and medium enterprises in Mombasa County, Kenya and to Identify factors influencing Strategic Issue Management Practices in Mombasa County, Kenya.

### **4.2 Profile of organization**

Organization profile is important in understanding Strategic issues affecting organizations and how they manage these issues. Specific areas discussed are the gender of the respondent, number of years in operation, number of workers employed and ownership structure.

#### **4.2.1 Gender of the respondent**

Gender of respondents in charge of strategic issues in organizations is important in understanding how organizations manage critical strategic issues. The researcher therefore asked the respondents their gender by either indicating Female or male. The result is indicated on the table below.

**Table 2: Gender**

Gender	Frequency	Percentage
Male	22	59
Female	15	41
Total	37	100

#### **Source Research data**

The respondents covered in the survey were both male and female with the majority being male represented by 59% of the respondents while female were represented by 41% of the respondents. This implies that Male are the majority owners of SME's in Mombasa County and are in charge of strategy in most Businesses.

#### **4.2.2 Number of years in operation**

Number of years in operation determines how organization practices SIM since this affects organizations stability to handle strategic issues. The researcher therefore asked the respondents to indicate the number of years they have been in operation by selecting 0-5 years, 6-10 years, 11-15 years, 16-20 years and over 21 years. The results are indicated in the table below.

**Table 3: Number of years in operating**



Number of years	Frequency	Percentage
0-5 years	15	41
6-10 years	12	32
11-15 years	3	8
16-20years	3	8
Over 21 years	4	11
Total	37	100

**Source: Research data**

Most of the business captured in the survey had been in operation for a period of between 0 and 5 years. These was represented by 41% of the business covered in the survey while those that had been in operation for 6-10 years was represented by 32 % of the respondents surveyed, Business operating between 11-15 years and 16-20 years were represented by a 8% of the respondents, while a paltry 11% of the respondents had operated for over 21 years. It is clear that most SME's in Mombasa County covered in the survey seems to be operating between 0-5 years, most micro and small businesses hit their peak at the fifth year. After the fifth year, most entrepreneurs seem to suffer from what may be described as entrepreneurial burnout and the excitement declines. This may partly explain why most businesses that are more than 5 years and above are represented by a 32% share of the respondent. This finding seems to confirm the observation made by Longenecker *et al.*, (2006) that entrepreneurial burnout may lead to entrepreneurs losing interest in one business venture and instead look out for other opportunities.

**4.2.3 Ownership structure**

Organization ownership structure critical in decision making and response to strategic issues. The structure determines leadership style and decision making process. Swiftiness in responding to strategic issue will guarantee organization survival in a turbulent environ. The researcher therefore asked the respondents to indicate the type of ownership

of their Businesses by selecting Sole proprietorship, Family owned, Group of people or Limited Companies. The results are represented in the table below.

**Table 4: type of ownership**

Type of Ownership	Frequency	Percentage
Sole proprietorship	15	40
Family	8	22
Group of people	6	16
Limited Company	3	8
Total	37	100

**Source Research data**

Most of the SME’s covered in the survey were sole proprietorship represented by 40 % of all respondents covered in the survey, Limited companies was represented by 27% of the respondents covered in the survey while Business owned by group of people was represented by 22% and Business owned by family was represented by 11% of the respondents. This implies that SME’s in Mombasa County are owned by individuals, this is important for quick decision making and in extension SME’s survival in turbulent environment.

**4.3 The Environment**

Organizations’ are both environment dependent and environment serving. The business environment can be viewed as internal environment and external. (Kotler, 2003) notes that environment is constantly changing and firms are at the mercy of these turbulent forces and the only option is to utilize any learned or acquired techniques to counter or embrace these overriding changes and in the process endeavor to survive and hopefully grow

**4.3.1 Business operating Environment.**

All organization depends on the environment for survival and growth. Business environment is dynamic and changes may affect strategic issue management. The researcher therefore asked respondents to state how they would describe their business operating environment in the last five years by selecting either Turbulent, Relative stable or irregular. The results are represented in the table below.

**Table 5: Business operating Environment.**

Business operating environment	Frequency	Percentage
Turbulent	7	19
Relative Stable	13	35
Irregular	17	46
Total	37	100

**Source Research data**

Most of the business captured in the survey reported that business environment has been irregular. These formed 46% of all the businesses covered in the survey. Businesses in relative stable environment formed 35% of all the business captured in the survey while Businesses in turbulent environment formed 19%.This implies that SME's environment just like any Business environment in the current times is faced by irregular environmental conditions and it is only individual SME's in this sector that are able to adapt to the changing environment and new ways of doing business that can be guaranteed for survival.

**4.3.2 Factors having impact of SIM.**

The swiftness in environmental changes and ability to respond appropriately to external, internal as well as performance trends is crucial in strategic issue management. Firms should seek ways of handling the diverse issues using appropriate strategies.

The researcher therefore asked the respondents whether they study issues that affect their business operations. The result shows that all organizations study external and internal environment and they also study performance trends of their business. This implies that Small and Medium enterprises in Mombasa County Kenya are sensitive to the environment and tries to cope with environmental changes.

**Table 6: Factors having impact on SIM**

Impact	Major	Minor	No impact
Change in time to make decision	64%	36%	0%
Change in top management	55%	35%	10%
Restructuring and reengineering	33%	40%	27%
Number of new services introduced	57%	38%	5%
Number of training programmes	35%	51%	14%
Number of promotional campaigns	4%	38%	38%

**Source: Research data.**

The study revealed that change in time to make decision had a major impact on organization as shown by 64% share followed by number of new services introduced with a share of 57% .Change in top management had an major impact in organization with a 55%, followed by number of training programmes with a share of 35% while restructuring and engineering had a share of 33% and number of promotional campaigns had a 24% of the market share of all business sampled. Factors considered to have minor impacts were number of training programmes with a 51% share of Business surveyed, restructuring and reengineering had a share of 40%, while number of promotional campaigns and number of new products introduced had a market share of 38%.Change in time taken to make decision had a share of 36% while change in top management had a share of 35%.

Factors considered to have no impact on Business were number of promotional campaigns with a 38% share, restructuring and reengineering had a 27% share, number of training programmes had a 14% share, change in top management had a 10% share, number of new service/products introduced had a 5% share while change in time to make decision had 0% share.

#### **4.3.3 Strategic issues encountered.**

The respondents were required to indicate the strategic issues that they have encountered for the last five years, by the way of listing the issues. The table below summarizes the issues raised by the respondent with frequency indicating the number of times the issue was mentioned.

**Table 7: Strategic issues encountered**

Issue	Frequency	Percentag
Changes in regulation(Government policies)	17	46
Competition from other organizations	20	54
Pricing	15	40
Introduction of new products	10	27
Technological changes	19	51
Currency exchange rate	9	24

**Source: Research data**

54% of the respondents pointed out that competition from other organization as an important strategic issue encountered, followed by technological changes at 51% and pricing at 40%. Other issues mentioned were introduction of new products at 27% and currency exchange rate at 24%. From the comments made, it can be inferred that most Small and Medium Enterprises in Mombasa County, Kenya do identify strategic issues that require attention by management

#### **4.4 Strategic Issue Management Practices**

Strategic issue management can be practiced through strategic issue management system according to Ansoff and McDonnell (1990). This is a systematic procedure of early identification and fast response to surprising changes both inside and outside an enterprise. The researcher therefore sought to understand how SME's in Mombasa County have systems in place to address strategic issue.

##### **4.4.1 Issues that affect Business operations.**

The swiftness in environmental changes and ability to respond appropriately to external, internal as well as performance trends is crucial in strategic issue management. Firms should seek ways of handling the diverse issues using appropriate strategies. The researcher therefore asked the respondents whether they study issues that affect their business operations. The result shows that all organizations study external and internal environment and they also study performance trends of their business. This implies that Small and Medium enterprises in Mombasa County Kenya are sensitive to the environment and tries to cope with environmental changes.

##### **4.4.2 Level of strategic issue management practices.**

SIM for the purpose of this study includes procedures, techniques and methods that are used to analyze strategic issues with a view to intercepting problems or take advantage of emerging opportunities due to changes in the environment. The researcher sought to find out the rate of strategic management practices in the organization, and respondent were asked to state whether it is highly practiced, not practiced or partially practiced. Their response were shown in table 4 below,

**Table 8: SIM practices.**

Level	frequency	percentage
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Highly practiced	9	25
Not practiced	0	0
Partially practiced	28	75
Total	37	100

**Source: Research data.**

The majority of the respondent shown by 75% said that it was partially practiced, followed by 25% who said that it was highly practiced and 0% said that it was not practiced at all. The result therefore confirms that SIM has not been fully adopted or effectively utilized by Small and Medium enterprises in Mombasa County, Kenya, to take advantage of opportunities in the sector.

#### **4.4.3: List of strategic issue management practices.**

SIM system involves a systematic procedure of early identification and fast response to surprising changes both inside and outside an enterprise. Since SIM practices should not be a onetime affair, as an organization is an open environment, the researcher therefore sought to find out if firms have a list of strategic issues and how often do they update this list, by indicating Yes or No and also selecting Annual, Semiannual, Quarterly or Monthly. Table below shows the result.

**Table 9: Firms Practicing SIM**

	Frequency	percentage
Yes	28	76
No	9	24
Total	37	100

**Source: Research data**

24% of the respondent confirmed that they do not practice a list of strategic issues while 76% practiced a list of strategic issues. This affirms that SME's in Mombasa County, Kenya practice SIM though the level of practice differs from one organization to the other.

**Table 10: Firms Updating of Strategic issues.**

	Frequency	percentage
Monthly	5	18
Quarterly	5	18
Semi annually	6	21
Annually	12	43
Total	28	100

**Source: Research data**

From the above table, it was clear that strategic issues were practiced annually as shown by 39% of the respondents followed by 22%, of respondents who said that it was practiced semiannually and 17% said the key strategic issues were practiced both quarterly and monthly. The result affirms that strategic issues are not given the deserved attention since a majority of the respondents updates their list annually which is a long time in a turbulent environment. Strategic issues Management should involve continuous surveillance, both inside and outside the enterprise for first issues which arise between the reviews for immediate action.

**4.4.4 Performance measure**

Performance measure forms an indication of firm's direction and its future success. Respondents were asked to state the level of importance of performance measure with regards to profitability, market share, liquidity and innovation. Scores of 1 (most important) to 5 (least important) were to be used. The outcomes of the response were shown in table below;

**Table 11: Performance measure**

	1	2	3	4	5
Profitability	80%	8%	6%	6%	0%
Market share	43%	30%	24%	3%	0%



Liquidity	40%	27	13%	20%	0%
Innovation	43%	20%	17%	20%	0%

According to the findings, profitability was considered as the most important in SME's as shown by 80% of the respondent, followed by market share and innovation both represented by a 43% market share and liquidity had a 40% market share. This implies that profitability is highly considered as a performance measure among SME's in Mombasa County, Kenya.

#### **4.4.5 Top management response to tackling strategic issues**

Timely response to tackling issues affecting the SME's is very essential. The study sought to establish the rate at which the top management response to tackling issues in the SME's. Respondents were asked to state whether the top management is very fast, fast or sometimes fast in tackling issues. Findings are summarized in Table below.

**Table 12: Time in responding to issues**

	Frequency	Percentage
Fast	11	30
Very Fast	19	51
Sometimes fast	7	19

**Source: Research data**

From the data collected, 51% of the respondents indicated that time taken by management to respond to strategic issues was fast followed by 30% of the respondent who indicated that the time taken to respond was very fast and 19% of the respondent mentioned that time taken to respond was sometimes fast. Given the rate at which changes occur in the SME's environment, response need to be very fast to maximize on strategic issue management.

#### 4.4.6 Planning Horizon

Strategic formulation has to be of long term since it is expected to define the future direction of a firm. The study sought to establish among the SME's that carry out long term planning. The respondent was required to indicate short term as less than 1 year.

The responses were as below;

**Table 13: Planning Horizon**

	Frequency	Percentage
Medium term 1-3 years	10	28
Long term-> 3 years	9	25
Short term-<1	18	50
TOTAL	36	100

**Source: Research data**

Organizations that carry out short term planning, was represented by 50 % of the respondents, while 28% of the respondents indicated that organizations carry out medium term planning for 1-3 years and 25% of respondents indicated that organizations carry out long term planning, greater than 3 years, this implies that SME's in Mombasa County are preoccupied with short term planning to take advantage of the turbulent environment.

#### 4.4.7 “Strategic Plans” and “urgent and critical issues”

While strategic plans follow norms and certain patterns as laid down by management urgent and critical issues are those perceived problems or happenings which have profound or major impact on organizations and must be acted upon without delay. The study sought to find out from the respondent whether management considers urgent and critical issues in their strategic plans or not by simply indicating YES or NO. The result is indicated in the table below.

**Table 14: “Strategic Plans” and “urgent and critical issues”**

	Frequency	Percentage
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No	16	43
Yes	21	57
TOTAL	37	100

**Source: Research data.**

The findings from the study revealed that 57% of the respondent, the management consider urgent and critical issues within their strategic planning cycle while 43% do not. This implies that SME's in Mombasa County are aware about urgent and critical issues that have to consider in strategic planning cycle.

#### **4.4.8 Continuous preoccupation with checking urgent and critical issues**

SIM system entails top management team to continuously survey potential future external environment and internal environments to assess opportunities and threats as well as firms strengths and weaknesses. The researcher therefore to find out if SME's in Mombasa County are continuously involved with checking urgent and critical issues. Respondents were therefore asked to indicate if their organizations are continuously preoccupied during the year with checking urgent and critical issues by indicating Yes or No. The results are represented in the table below.

**Table 15: Continuous preoccupation with checking urgent and critical issues**

	Frequency	Percentage
Yes	26	70
NO	11	30
TOTAL	37	100

**Source: Research data**

From the study, the majority of the respondent as shown by 70 % said that they are continuously preoccupied during the year with checking urgent and critical issues that may affect daily operations. This implies that majority of SME's in Mombasa County understand how important it is to continuously survey strategic issues in the environment, to assess opportunities and threats.

#### **4.4.9 Employees Empowerment.**

Employees of an organization are a very important resource without which an organization's strategic goals can never be realized. The study sought to find out how

employees in SME's in Mombasa County, Kenya are empowered to handle strategic issues. The respondents were requested to indicate whether employees are empowered through, training, involvement in identifying solutions or are totally excluded. The table below shows the result from the study.

**Table 16: Employees Empowerment.**

Employee Empowerment	Frequency	Percentage
Training	14	39
Involvement in identifying solutions	23	61
Excluded	0	0
Others	0	0
Total	37	100

**Source: research data.**

Majority of the respondents indicated that employees are empowered through involvement in identifying solutions while 39% indicated that employees are empowered through training. None of the respondent indicated that employees are empowered through exclusion. This implies that SME's understand the need to involve employees in strategic issues for success in achieving organization strategic goals.

#### **4.4.10 Documented process of SIM**

Data documentation enables organization to access information in future. The study sought to find out if SME's in Mombasa County have a documented process to handle strategic issues. The respondents were asked to indicate if they have a documented process in their respective organization to handle strategic issues by simply selecting Yes or No. The results are represented in chart below;

**Table 17: Documentation of SIM**

Documented SIM Process	Frequency	Percentage
Yes	22	51
NO	15	49

Total	37	100
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**Source: Research data**

The result indicate that 59% of the respondents affirmed that their organizations have a documented process to handle strategic issues while 41% of the respondent indicated that their organizations do not have a documented process to handle strategic issues. This implies that SME’s in Mombasa County document their processes to handle strategic issues.

**4.4.11 Champions of implementation of strategic issues**

Strategic champions or individuals going beyond their operative responsibility in strategic issues are key stakeholders in SIM. The researcher sought to find out from the respondent, the person who champions the identification and implementation of strategic issues in their organizations. The respondents were requested to indicate between 1 as the least responsible while 5 as the most responsible.

The results were as shown below;

**Table 18: Champions implementation of strategic issues**

	Least responsible	Fairly responsible	Responsible	More Responsible	Most responsible
Chief Executive Officer	3%	3%	3%	10%	80%
General Manager	10%	3%	7%	43%	37%
Business manager	3%	7%	17%	43%	30%
Supervisor	7%	13%	23%	43%	13%
Consultant	40%	30%	16%	7%	7%

**Source Research Data**

The findings reveals that 80% of the respondents indicated that The Chief Executive officer was most responsible in Championing of identification of strategy and

implementation of strategic issues, 37% of the respondents said that the General Manager was most responsible, 30% of the respondents said that the Business Manager was most responsible while 13% said the supervisor was most responsible and 7% said the Consultant was most responsible. This implies that SIM in SME's is mostly championed by the top management in the organization.

#### **4.4.12 Recorded Strategic issue Objectives**

Environmental variation has to be recorded to allow management to make comparison when making similar goals. The study sought to find out if organizations have recorded strategic issues objectives for the current years. The respondents were requested to indicate if their respective organizations have a recorded strategic issue objective for the current years by selecting Yes or No.

The result indicated that 70% of the respondents have recorded strategic issues objectives for the current year, while 30% do not have recorded strategic issue objective for the current year. This implies that SME's are keen in recording strategic issues.

#### **4.4.13 Action taken when target are not met**

Targets and objectives ensures that everyone knows what an organization is trying to achieve and that everyone involved is working toward achieving the same target. It is important to apply some measures when objectives of an organization are not met. The study aimed to establish the action SME's take when targets/objectives/benchmarks are not met. the respondent were requested to indicate whether the variance is reported to top management, report to top management and include a list of issues to be investigated. The respondent were asked to indicate what they do when targets/objectives/benchmarks are not met by selecting if they Report to top management, Report to top management and list issues to be investigated or state other ways. The results were represented in the table below;

**Table 19: Action taken when target / Objectives/benchmarks are not met**

	Frequency	Percentage
Report to top management	8	22
Report to top management and list issues to be	26	70
Others	3	8
TOTAL	37	100

**Source. Research data.**

From the table above, 70% of the respondent Report to top management and list issues to be investigated, while 22% of the respondents Report to top management and a paltry 8% of the respondents have other systems like logging in strategic issues in their information systems. This implies that SME's in Mombasa County are proactive in handling SIM by Reporting to top management with list issues to be investigated if targets are not met.

#### **4.4.14 Management Authority to make decision**

Top management teams make strategic decisions, and the products of their decision making influence organizational performance. The study sought to establish the extent to which SME's management have authority to review strategic issues, accept or reject strategic issue proposal or offer advisory role in strategic issue management process. The respondents were asked to indicate The respondents were requested to indicate between 1 as not applicable to 5 as very great extent their organization management has authority to Review of strategic issue, Accept reject proposal or Offer advisory role in strategic issue management process by The results of the study were shown on the table below;

**Table 20: Management Authority to make decision**

Statement	Not applicable	To less extent	Moderate	To great extent	To very great extent
Review	7%	6%	10%	20%	57%
Accept reject	13%	4%	13%	40%	30%

Offer advisory role	0%	10%	10%	27%	53%

**Source: Research data**

The study revealed that the management had authority to review strategic issues and to offer advisory role to very great extent at 57% and 53% respectively while to accept or reject proposal was to a great extent and very great extent was at 40% and 30% respectively. This means that management is empowered enough to make important strategic decisions within the organization.

#### **4.4.15 Factors considered before engaging in strategic issues**

Issue selling is an important mechanism for creating change initiatives in organizations. It is important to understand what managers think about as they decide whether or not to adopt SIM. The study sought to find out factors firms consider before they engage in SIM. The respondents were requested to indicate factors they considered before engaging in SIM by selecting opinion of consultants, other organizations, past experience, industry policy, core competences and need of target customers before engaging in strategic issue management. The respondents were requested to indicate between 1 as the least considered to 5 as the most considered among the factors.

**Table 21: Factors considered before engaging in SIM**

Key factors	Least Considered	Fairly considered	Averagely considered	More considered	Most considered
Opinion of consultant	14%	13%	37%	20%	16%
Opinion of other Organizations	10%	13%	43%	16%	18%
Past experience	10%	6%	13%	23%	48%
Industry policy	11%	11%	1%	27%	50%
Core competence	9%	3%	17%	17%	54%



Needs of target customers	10%	7%	0%	13%	70%

**Source: Research data**

The findings from the study revealed that the most considered factor before engaging in strategic issues is needs of customer which was represented by 70% of the respondent followed by organizations core competence represented by 54%, industry policy was represented by 50% of the respondent, organization’s past experience was represented by 48% of the respondent, opinion of other organization was represented by 18% of the respondent while opinion of consultant was represented by 16% of the respondent. This implies that needs of the customer is critical and important strategic issue factor for SME’s in Mombasa County

#### **4.4.16 Perception rating of Strategic issue management**

It is important that management understand several concerns within the organization in order to address strategic issues. SIM should not be confined to top management alone. This study sought to establish the perception of the respondents on various issues relating to strategic issue management practices. The respondents were asked to rank issues in a response scale of 5 variables; 1 not applicable, to 5 applicable to very great extent .The table below shows the outcome of the study from the respondents

**Table 22: Perception rating of Strategic Issue Management**

Statement	1	2	3	4	5	Mean
SIM hold a place in our organization	3%	20%	20%	17%	40%	3.66
SIM is motivating	4%	7%	32%	21%	36%	3.78
The resources required to handle SIM are adequate	3%	23%	30%	30%	14%	3.26
SIM is allocated humble time	3%	17%	24%	33%	23%	3.56
The SIM is clear to everyone	10%	23%	24%	30%	13%	3.13
Top management take interest in the output of SIM	10%	13%	20%	40%	17%	3.4
Strategic issue committee is respected esteem	10%	10%	30%	23%	27%	3.46

There is a feeling of teamwork	10%	13%	14%	40%	23%	3.53
SIM is incorporated in our annual plan	3%	7%	30%	40%	20%	3.66
Clear communication channel	7%	17%	17%	42%	17%	3.5
Strategic issue logs is clear	17%	13%	17%	23%	30%	3.36

**Source Research data.**

From the above table, it can be deduced that a majority of Small and Medium Enterprises in Mombasa County, Kenya view Strategic Issue Management as a motivating activity to undertake as it had the highest mean of 3.78, which in the response scale of 1-5; it means that this variable was important to moderate extent. Other variables also had a mean ranging from 3.13 to 3.66, which means that they were important to a moderate extent according to majority of the respondent, strategic issue management hold a place in the organization to a moderate extent and had a mean of 3.66. On the variable on the importance of strategic issue Management being clear to everyone in the organization had a mean score of 3.13 which means that it this was clear to a moderate extent. This implies that SME's in Mombasa county strategic issue management is perceived as motivating activity to undertake therefore it is gaining more popularity.

**4.4.17 Extent to which strategic issue management is worth investing in**

Managers have limited supply of attention to devote to any activity or aspect of their work. (Sproul, 1984), the study therefore sought to find out the extent to which Small and Medium enterprises consider strategic issue management as a project worth investing in. The respondents were requested to tick one of the considerations from not applicable, to a

less applicable, moderate extent, great extent and very great extent. The result are represented in the table below

**Table 23: Extent that SIM is considered a project worth investing in**

	<b>Frequency</b>	<b>Percentage</b>
To great extent	16	43
To very great extent	10	27
To less extent	6	17
To moderate extent	3	8
Not applicable	2	5
Total	37	100

**Source: Research data**

The study revealed that SIM is considered a project worth investing in to a great extent, this was represented by 43% of the respondents, while 27% of the respondent said that SIM is a project worth investing in to a very great extent, while 17% of the respondent said SIM is a project worth investing in to less extent and 8% said SIM is worth investing in to a moderate extent. This implies that SIM is considered by SME’s as a project worth allocation of individual and organizational resources.

#### **4.5 Factors impacting on Strategic issue management**

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. This study will therefore sought to find out various factors that impact on SIM in SME’s in Mombasa County.

##### **4.5.1 Factors to determine urgent and critical decisions**

Ranking factors is important in addressing issue resolution. It determines the priority order for dealing with and expediting resources of an issue. Respondents were asked to indicate their level of importance of the factors in the table below, determining the time

taken to make urgent and critical decision in the organization by ranking the factors between 1 as most important and 5 as least important.

**Table 24: factors to determining urgent and critical decisions**

	Most important	More important	important	Less important	Least important	mean
Organisation size	0%	1%	4%	17%	73%	4.5
Majority share holder	7%	7%	17%	43%	26%	3.76
Organisation structure	0%	3%	7%	30%	60%	4.46
Top management	23%	14%	50%	13%	0%	2.5
Infrastructure	7%	20%	38%	24%	11%	3
Industry completion	13%	40%	27%	10%	10%	2.63
Employees attitude	10%	47%	20%	13%	10%	2.6
Funds	43%	33%	17%	7%	0%	1.86
Innovation	43%	37%	13%	4%	3%	1.86

Changing environment	50%	20%	20%	16%	7%	2.1
Profitability results	87%	10%	0%	0%	3%	1.23

**Source: research data**

The results of the study were analyzed using the mean. The mean ranged from 1.22 to 4.5. Profitability results had the lowest mean of 1.22 which in the response scale of 1-5 it means that profitability is most important in determining the time taken to make urgent and critical decision. According to majority of the respondent organization structure had the highest mean of 4.5 which in the response scale of 1-5 it means that it was least important in determining the time taken to make urgent and critical decision in organization

Other factors had a mean ranging from 2 to 2.4 which means that they were more important according to majority of the respondent, infrastructure, employees attitude and amount of funds involved had a mean ranging from 2.9 to 3.4 which means that they were important while organization structure and majority shareholders had a mean of 4 meaning that they were less important in determining the time taken to make urgent and critical decisions in the organization.

#### **4.6 Discussion of Findings**

Findings of the study revealed that Male are the majority owners of SME's in Mombasa County and are in charge of strategy in most Businesses. Findings also reveals most of respondents covered in the survey are sole proprietors, these was represented by, 40 % of the respondents covered in the survey while Limited companies formed 27%.Ownership structure is critical in strategic decision making in a turbulent environment based on this it may be deduce that decision making in sole proprietorship is much faster. Most of the Business covered in the survey had been operating for a period between 0-5 years, this is

typical of SME's who most of them are not able to survive over a long time owing to turbulent environment thus the importance of embracing strategic issue management to real time identify issues and implement them and by extension enhance SME's survival. There seems to be SIM practices embraced by SME's in Mombasa County even though the level of SIM practices differs from one organization to the other, Business captured in the survey indicated that they have a business plan in place to allow for adjustment with the changes in the environment, SIM in SME's is mostly championed by the top management in the organization this implies that Management is concerned and involved in strategic decisions making within the organization and this confirms that the organization appreciate the importance of SIM on the success of their organization. The study reveals that SME's in Mombasa County Kenya carry out short term planning of between 1-3 years, perhaps this is to allow organizations adapt to the irregular environment reported by the respondents.

Factors influencing strategic issues were also identified which included change in time to make decision, Change in top management that had a major impact on organization SIM. Organization size, organization structure, Shareholders , Changing environment and Industry Competition and amount of funds involved among others were considered as factors, both managerial and environmental that influence SIM practices.

#### **4.6.1 Key findings in comparison with previous studies**

Key findings of this study indicates that SME's in Mombasa County, Kenya implement Strategic issue management though the level of appreciation differs among different industries in the SME's sector SME's have developed Business plans and a majority study external and internal environment and even document this issues. These are indications of some level of SIM practices, these finding confirms studies done by

(Chembalain, 2012) who studied strategic issue management by shipping companies in Kenya and found out that SIM is practiced in the shipping industries, but level of appreciation varies among the shipping companies.

The study reveals that SME's Management in Mombasa County understands how critical it is to address strategic issues this confirms that Management appreciate the need to study key strategic issues this is also in agreement with findings of studies done by (Ali, 2008) in his study of Strategic issue management practices by Commercial Banks in Kenya, who also found out that that Management understand how critical it is to address strategic issues and that in order to effectively deal with the discontinuous and surprising environment organization should embrace strategic issue management system to enhance their capacity to adapt and learn.



## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

The chapter outlines a summary of the findings of the study; deduces conclusions based on the results of the study findings and makes recommendations on other possible areas of study. The chapter also discusses the limitations of the study and proposes areas of further research

From the analysis and data collected the following discussions, conclusions and recommendations were made. The analysis was based on the objectives of the study.

### **5.2 Summary of the findings**

The objective of this study was to; to establish the Strategic Issue Management Practiced by SME's in, Mombasa County, Kenya and to identify factors influencing Strategic Issue Management Practices by SME's in Mombasa County, Kenya. The survey was targeted to a population sample of 60 Small and Medium enterprises in Mombasa County, Kenya. 37 responses were received from the target population sample. The response rate was therefore 37/60 which was 62% of the target population sample. Most Business operators

were male represented by 59% of the respondents while the female were represented by 41% of the respondents.

The research findings show that most of the business captured in the survey had been in operation for a period of between 0 and 5 years. These formed 41% of the business covered while those that had been in operation for 6-10 years followed with a 32 % share. Business operating between 11-15 years and 16-20 years shared 8% share and a paltry 11% had operated for over 21 years.

Most of the businesses covered in the survey had between 1-40 workers this is as represented by 54% of the respondents followed by those that employed between 41-80 workers represented by 22% of respondents. Those that employed between 81-120 workers were represented by 16% of the respondent and finally those that employed 121-150 workers were represented by 8% of the respondents.

Most of Small and Medium Enterprises in Mombasa County, Kenya covered in the survey had sole proprietorship, these was represented by, 40 % of the respondents covered in the survey. Limited companies formed 27% of the respondents while Business owned by group of people formed 22% of the respondents and Business owned by family formed 11% of the respondents.

The study reveals that 46% of respondents covered in the survey reported that business environment has been irregular. Businesses in relative stable environment formed 35% of all the business captured in the survey while Businesses in turbulent environment formed 19%.

All the business captured in the survey admitted that they have a business plan in place to allow for adjustment with the changes in the environment. The study revealed that change in time to make decision had a major impact on organization represented by a 64% of the respondents followed by number of new services introduced represented by a 57% of respondents .Change in top management had a major impact in organization represented by a 55% of respondents, number of training programmes represented by 35% of respondents while restructuring and engineering had a share of 33% and number of promotional campaigns was represented by 24% of respondents.

The study revealed that all SME's in Mombasa County, Kenya study external and internal environment and also study performance trends of their business. SME's are therefore likely to respond to rapid changes in their operations

The study reveals that 54% of the respondent pointed out that competition from other organization is an important strategic issue encountered, followed by technological changes at 51% and pricing at 40%. Other issues mentioned were introduction of new products at 27% and currency exchange rate at 24%. From the comments made, it can be inferred that most Small and Medium Enterprises in Mombasa County, Kenya do identify strategic issues that require attention. Other issues mentioned were security, stable political environment, Quality level of services. Most SME's in Mombasa County practice SIM partially as was represented by 75 % of the respondents 25 % highly practiced.

The study reveals that 24% of the respondent confirmed that they do not practice a list of strategic issues while 76% practiced a list of strategic issues. It was clear from majority of respondent that key strategic issues were practiced annually represented by 39% of the

respondents followed by 22%, of respondents who said that it was practiced semiannually and 17% said the key strategic issues were practiced both quarterly and monthly. The result affirms that strategic issues are not given the deserved attention since no follow up done.

Majority of organizations perceived strategic issue management to the future success of organization as very important and essential as shown by 35% each while 30 % said it was important. This affirms that SME's in Mombasa County are aware of the importance of Strategic Issue management in the success of an organization.

The study reveals that profitability was considered as the most important performance measure in SME's as shown by 80% of the respondent, followed by market share and innovation both represented by a 43% market share and liquidity had a 40% market share.

The study reveals that 51% of the respondents indicated that time taken by management to respond to strategic issues was fast followed by 30% of the respondent who indicated that the time taken to respond was very fast and 19% of the respondent mentioned that time taken to respond was sometimes fast.

The study reveals that SME's in Mombasa County Kenya carry out short term planning, was represented by 50 % of the respondents, while 28% of the respondents indicated that they carry out medium term planning for 1-3 years and 25% of respondents indicated they do carry out long term planning, greater than 3 years.

The findings from the study revealed that 70% of the respondent considered needs of customer mostly before engaging in strategic issues followed by organizations core competence represented by 54% of the respondents, industry policy was represented by 50% of the respondent, organization's past experience was represented by 48% of the respondent, opinion of other organization was represented by 18% of the respondent while opinion of consultant was represented by 16% of the respondent.

The findings reveals that 70 % of the respondents pointed out that they are continuously preoccupied during the year with checking urgent and critical issues that may affect daily operations.

Majority of the respondents indicated that employees are empowered through involvement in identifying solutions while 39% indicated that employees are empowered through training. None of the respondent indicated that employees are empowered through exclusion.

The findings reveals that 59% of the respondents affirmed that SME's in Mombasa County, Kenya have a documented process to handle strategic issues while 41% of the respondent indicated that their organizations do not have a documented process to handle strategic issues.

The study revealed that 70% of the respondent Report to top management and list issues to be investigated, when targets/objectives are not met, while 22% of the respondents report to top management and a paltry 8% of the respondents have other systems. The result of the study also indicated that 70% of the respondents have recorded strategic

issues objectives for the current year, while 30% do not record strategic issue objective for the current year.

The study revealed that the management had authority to review strategic issues and to offer advisory role to very great extent at 57% and 53% respectively while to accept or reject proposal was to a great extent and very great extent was at 40% and 30% respectively. This means that management in Small and Medium Enterprises in Mombasa County, Kenya is empowered enough to make important strategic decisions within the organization.

From the study it is clear that Small and Medium Enterprises in Mombasa County, Kenya view Strategic Issue Management as a motivating activity to undertake as it had the highest mean of 3.78, which in the response scale of 1-5; it means that this variable was important to moderate extent. According to majority of the respondent, strategic issue management hold a place in the organization to a moderate extent and had a mean of 3.66. On the variable on the importance of strategic issue Management being clear to everyone in the organization had a mean score of 3.13 which means that it variable was important to a moderate extent.

### **5.3 Conclusion**

Organizations do not operate in a vacuum but within an external environment. This environment consists of variables that form the context within which firms exist. Organizations should therefore depart from planned change practices and adopt real time systems and continuously monitor strategic issue throughout the year in order to realize its full potential. From the findings, it can be concluded that a majority of the SME's in Mombasa County, Kenya understand how critical it is to address strategic issues while

still remaining focused on the strategic plans and they prefer to carry out short term planning of a period less than 1 year.

To be able to effectively deal with discontinuous and surprising environment organization should embrace SIM system to enhance their capacity to learn.

The study was able to establish that SME's in, Mombasa County, Kenya partially practice Strategic Issue Management and Majority of organizations perceived strategic issue management to the future success of organization as very important within their organizations .The study was also able to identify, environmental as well as managerial factors influencing Strategic Issue Management Practices by SME's in Mombasa County, Kenya.

#### **5.4 Recommendations**

There is need to sensitize SME's on the importance of strategic issue management to enable the sector remain competitive and reap full benefit. To be able to effectively deal with discontinuous and surprising environment, SME's should embrace SIM systems to enhance their capacity to adapt and learn.

SME's should adopt Issue impact and ranking method, these may help SME's discover more opportunities and therefore reduce adverse effects. Given the rate at which changes occur in the SME's environment, response to strategic issues need to be very fast to maximize on strategic issue management.

SME's should be consistent with application of SIM practices and a regular review of the techniques in order to match the environmental changes both locally and globally.

#### **5.5 Further studies**

From the summary of the findings and conclusions in this chapter, a research should be undertaken to determine the success level of Small and Medium Enterprises that are

using Strategic Issue Management. A research should also be undertaken to determine how well SME's are prepared on the application of SIM.

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