CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES IN STRATEGY IMPLEMENTATION IN NAIROBI CITY COUNTY

JACQUELINE. O. ASEKA

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DECLARATION

I hereby declare that the work contained in this proposal is my original work and has not been presented for a degree in any other university or institution.

Signed: .... Date..

Jacqueline O. Aseka

D61/61410/2013

SUPERVISOR

This proposal has been submitted for examination with our approval as University Supervisors

Signed: .... Date..

Prof Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To the almighty God for this far he has brought me and to all those who have gone through this process before me.

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I would like to appreciate the contribution of my Supervisor Professor Martin Ogutu. I sincerely thank him for his immeasurable scholarly wealth of knowledge, guidance and time that he generously sacrificed from formation of the research idea to the completion of the research project.

Secondly, I would like to genuinely thank my parents for investing in my education and instilling in me virtues of hard work. To my mother, you are my hero. Your prayers have propelled me to the height of my success and humility. God Bless you.Finally to all those who in one way or another have contributed to the completion of this work and I have not explicitly acknowledged you personally, receive my innermost appreciation.

ABSTRACT

There is vast knowledge on strategic plans and strategy planning as put forward by various scholars and researchers. Other researchers have studied on the strategic planning practices of various organizations. While these research studies emphasize the importance of strategic plans, they do not give details of some of the challenges of strategy implementation. This study therefore sought to fill the existing research gap by carrying out a survey on the challenges faced by Small and Medium enterprises in strategy implementation in Nairobi City County. A survey of small and medium enterprises within Central Business District (CBD) of Nairobi city was undertaken. Data were obtained from 30 respondent firms. Data were collected through questionnaires. Results were analysed through descriptive statistics, cross tabulations, Pearson Correlation and analysis of variance. It was established that inadequate finances, government regulation, competition and organization structure pose the greatest challenge to strategy implementation. In contrast, organizational culture, lack of management support and lack of clear communication strategy affected strategy implementation process to a small extent. Age of the enterprise can be both an asset and a liability in the strategy implementation process. As an asset, organizational age can enhance a firm's ability to attract financial resources. As a liability, age can promote status quo preference and entrench structural rigidities which in turn impede strategy implementation process. It was also established that nature of enterprise ownership is associated with a firm's ability to access financial resources. The study established that external environment factors largely affected strategy implementation process than internally based factors. Based on findings of the study, it was concluded that successful implementation of strategy require addressing access to funds, gathering market intelligence and monitoring the regulatory environment. It was recommended that future studies need to adopt longitudinal research design to investigate challenges to strategy implementation. In addition, there is need for widening the geographic scope of the study to include the entire Nairobi City County and beyond. It was further recommended that managers should redesign organization structure whenever a new strategy is prepared; and to gather and share market intelligence with organizational members.

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ABBREVIATIONS AND ACRONYMS

CBD	Central Business District
DC	Dynamic Capabilities
IP	Intellectual Property
RBV	Resource Based View
SMEs	Small & Medium Enterprises

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

For the first three-quarters of the 20th Century, strategy was not seen as difficult to formulate or difficult to execute. The most remarkable shift in the history of business was felt in 1981. The changeover wasevidenced by migration from value based tangible assets to value based intangible assets.The necessity to manage organizational paradox and change in general has been stressed by many analysts of organization (Clegg, et al., 2002; Hatch & Ehrlich, 1993; Martin &Meyerson, 1988; Meyerson& Martin, 1987; Quinn &Kimberley, 1984; Quinn & Cameron, 1988; Van de Ven&Poole, 1988).

There is a weak relationship between strategy formulation and execution. More specifically, the need to manage change has been highlighted by Snowden (2002) and by Jackson and Harris (2003). Even after the grand strategies have been determined and the long term objectives set, the strategic management process is far from complete (Pearce & Robinson, 1994). This move has given rise to three interrelated concerns identifying measurable mutually determined annual objectives developing specific functional strategies and communicating concise policies to guide decisions.

A number of recent drivers have spurred interest in finding ways of cutting costs in the corporate environment. Among them are the recessionary trend that saddled the US economy after 2001 (Attaran&Attaran, 2002), the resolve by firms to use internet-enabled technologies to achieve organization's efficiencies for competitive advantage with a specific focus on strategy (Presutti, 2003), and the passage of the US Sarbanes-Oxley Act in 2002, which requires organizations to improve their ability to report on revenues and expenses in order to provide greater transparency into the financial activities of public companies (Bushell, 2004). Although the implementation of various strategies is not all that new, there is current interest in understanding issues involved in its implementation, especially in developing countries.

1.1.1 Concept of Strategy

According to Porter (1980) strategy is about competitive position, about differentiating yourself from the point of view of the customer, about adding value through a mix of activities different from those used by competitors. He argues that competitive strategy is about being different, which means deliberately choosing a different set of activities to deliver a unique mix of value. The field of strategic management distinguishes several different schools, among them the prescriptive and emergent approaches. The authors highlight the distinctions between the rational planning and emergent schools, particularly in regards to issues of epistemology and strategic implementation.

The rational planning school defines an objective in advance, describes where an organization is now, and uses a prescriptive approach, in which the three core areas consisting of strategic analysis, strategic development and strategic implementation are sequentially linked together.

Chandler (1962) argues that organizational structure follows strategy, supposes that strategy is determined centrally and then implemented structurally. The emergent approach to strategy formulation is characterized by trial, experimentation and discussion; by a series of experimental approaches rather than a final objective. Emergent strategy is undertaken by an organization that analyses its environment constantly and implements its strategy simultaneously. Emergent strategy development is linked with Mintzberg (1985).

According to Mintzberg (1985) strategy is a plan and pattern; that is, organizations develop plans for the future and they also develop patterns out of their past. In addition, Mintzberg, an early proponent of emergent strategy, says that a realized pattern which was not expressly intended can emerge. Mintzberg defines emergent strategy as actions taken, one by one, which converged in time in some sort of consistency or pattern. For example, Mintzberg and Quinn (1992) argue that a firm might gradually acquire diverse businesses until a strategy of diversification emerges. Emphasis upon emergent strategy as an absence of intentions or as emergent despite the intentions (Mintzberg, 1995) presumes inaction or error in the process of strategic management. It is clear that strategy can emerge not only from patterns of action, but also from interpretations of meaningful and casual events.

Strategy to an organization is, amongst other things, a plan of how the organization can achieve its goals and objectives (Mintzberg, 1992); it is a commitment of present resources to future expectations. Porter (1986) strategies are made with the view of attaining competitive advantage in the local and foreign markets and they incorporate the working of different strategies working together to achieve the desired goals of the multinational, investment and extension of market share. The aim of strategic management is to help organizations decide on goals, means of achieving the goals, and ensuring that the organization is sustainably positioned in order to pursue these goals. Furthermore, the strategies developed provide a base for managerial decision making (Porter, 1980).

The design school of strategic management emphasizes on the strategic analysis process which focuses on the integration of opportunities with distinctive competences. The internal analysis is used to identify assets (resources) and competences (capabilities) currently possessed by the organization (Wernerfelt, 1984). These will influence the strategic options developed in the next stage of the strategic planning process, as will be the external market environment of customers and competitors. Strategies may be developed around existing assets or distinctive competencies through matching them with environmental opportunities. Alternatively, they may identify new competencies that will be acquired, developed and supported. Growth strategies such as product expansion, market expansion, and diversification often require that competencies be extended and enhanced to meet environmental opportunities.

1.1.2 Strategic Management

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Therefore, Strategic management combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction to the enterprise and is closely related to the field of organization studies. In the field of business administration it is possible to mention the "strategic consistency." According to Arieu (2007), "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

“Strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy periodically to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment” (Lamb, 1984).

1.1.3Strategy Implementation

Strategy implementation has attracted much less attention in strategic and organizational research than strategy formulation or strategic planning. Alexander (1991) suggests several reasons for this: strategy implementation is less glamorous than strategy formulation, people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends. Furthermore, there are only a limited number of conceptual models of strategy implementation.

Organizations seem to have difficulties in implementing their strategies. Researchers have revealed a number of problems in strategy implementation: e.g. weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities, and uncontrollable environmental factors (Alexander, 1991; Giles, 1991; Galpin, 1998; Lares-Mankki, 1994; Beer &Eisenstat, 2000).

In strategy text books, implementation has usually been regarded as being distinct from strategy formulation and as a matter of adjustment of organizational structures and systems (Galbraith, 1980; Hrebiniak & Joyce, 1984; Higgins, 1985; Thompson &Strickland, 1987; Pearce & Robinson, 1994). It seems that this approach is limited, and a number of new perspectives to this problematic phenomenon have emerged. Pettigrew's (1987) framework for strategic change also sheds some light on the analysis of strategy implementation. Pettigrew distinguishes the content of the strategy, the outer and inner contexts of an organization, and the process in which strategic change is carried out. Pettigrew contends that the content, the context and the process are intertwined and affect one another. This has an important impact on strategy implementation research. In order to understand implementation, which is close to the process in Pettigrew's model, also the content of strategy and the context in which it takes place must be understood.

Another issue influencing the study of strategy implementation is the perspective one has on strategy. Whether strategy is formulated first and then implemented or vice versa. If one believes that strategies are explicit (Mintzberg, 1978), implementation means carrying out the pre-determined strategic plans. If, on the other hand, one holds an emergent view of strategy, one does not believe that strategy is first created and then implemented, but that strategy emerges and evolves without interventions by the strategic planners, or in spite of them (Mintzberg, 1978).The reality is that some strategies are planned and some strategies just emerge from the actions and decisions of organizational members. The planned strategy and realizing, or emergent, strategy evolve hand-in-hand and affect each other in the process of strategy implementation, where strategies are communicated, interpreted, adopted and enacted (Noble, 1999).The successful strategy implementation is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. The components of strategy implementation – communication, interpretation, adoption and action – are not necessarily successive and they cannot be detached from one another. If this interaction is successful, the organizational vision may be achieved. When doing research from this view, the scope needs to be broad to grasp both the planning of the strategies and the real work practices through which the strategies come true (Beer, 2000).In measuring the effectiveness of the organizational strategy, it is extremely important to conduct a SWOT analysis to figure out the strengths, weaknesses, opportunities and threats (both internal and external) of the entity in question. This may require to take certain precautionary measures or even to change the entire strategy (Beer, 2000).

1.1.4Small and Medium Enterprises in Kenya

The definition of small and medium enterprises (SMEs) remains contentious. While some scholars have pegged their definition on the number of employees engaged by these firms, other researchers define SMEs on the basis of their scope including market share and volume of business handled. According to Organization for Economic Co-operation and Development (2007) small enterprises refer to firms employing between 11 and 50 employees in manufacturing and services, and up to 30 employees in retail. This number varies across national statistical systems (Organization for Economic Co-operation and Development, 2000), that is, the most frequent upper limit is 250 employees, as in the European Union while the United States considers SMEs to include firms with fewer than 500 employees. Those firms with fewer than 50 employees are considered to be small firms. The Organization for Economic Co-operation and Development further observes that in the European Union, SMEs must have an annual turnover of 40 million euros or less and/or a balance-sheet valuation not exceeding 27 million euros.

In Kenya, "medium-enterprises" are those with 10 or fewer workers, "small enterprises" have from 11 to 50 workers, and "medium enterprises" have from 51 to 100 workers. Censuses indicate that medium-enterprises comprise the lion's share of enterprises in Kenya, while there are a few medium enterprises (Gray, Cooley &Lutabingwa, 1997). Kuratko and Hodgetts (2007) opined that SMEs form significant sectors in most world economies and therefore their development is regarded as an important issue for most governments. The significance of the sector is due to the contribution made to job and wealth creation in the world economies. SMEs have made contributions to the world economies by limiting rural-urban migration through decentralization and employment generation (Republic of Kenya, 1992). According to Meredith (1988) SMEs provide opportunities for innovation and breeding grounds for new business ventures and also create competition amongst small businesses and with large enterprises and outlets for entrepreneurial activities. SMEs are a vital part of most economies but there has been concern about failure and this has led researchers to examine causes of the high failure rate and to suggest possible solutions to success. According to the Organization for Economic Co-operation and Development (OECD), SMEs have specific strengths and weaknesses that may require special policy responses.

1.2 Research Problem

The small and medium enterprises (SMEs) play an important role in the Kenyan Economy. Although they accelerate economic growth, generate employment, foreign exchange and tax revenue, they operate against heavy odds and any slight changes in the external environment hits them strongly (King & McGrath, 2002). Despite their significance, studies indicate that three out of five businesses die within the first few months of their operation (Nickels et al., 2002). This suggests that SMEs face many strategy implementation challenges which hamper their competitiveness and survival. Nasirembe (2008) contends that financing is a critical element in ensuring the competitiveness of SMEs.

However, small enterprises remain unattractive to financial institutions due to high risks associated with non-performing loans. Weak linkages and lack of managerial skills among small enterprises also make it difficult for them to access capital. SMEs are important catalysts for economic growth and employment creation in Kenya. It is therefore important to facilitate their growth by identifying and addressing challenges which impede their operations. The study aims at establishing challenges faced by SMEs in strategy implementation and making recommendations aimed at improving their conditions.

The noteworthy statement ". . . great strategy, shame about the implementation . . . " (Okumus& Roper, 1998, p. 218) captures the essence of the problem that strategy implementation suffers from a general lack of academic attention (Alexander, 1985; Edgar & Taylor, 1996; Noble, 1999; Aaltonen & Ika°valko, 2002; Otley, 2003). Indeed, Okumus and Roper (1998, p. 219) go on to observe that despite the importance of the strategic execution process, far more research has been carried out into strategy formulation rather than into strategy implementation, while Alexander concludes that literature is dominated by a focus on long range planning and strategy "content" rather than the actual implementation of strategies, on which little is written or researched (Alexander, 1985, p. 91). Although previous scholars have attempted to study strategic management process, little effort has been put towards investigating challenges to strategy implementation.

Empirical studies on strategy implementation by SMEs in Nairobi City County are not systematically documented. A study by Wainaina (2011) focused on the strategic implementation practices at the Law Society of Kenya, while Kitoto (2011) studied the strategic implementation challenges at Kenya Pipeline Company. Muchiri (2012) studied challenges of strategy implementation at the Ministry of Finance in Kenya whereas Njiraini (2012) studied challenges of strategic plan implementation at the Bank of Africa in Kenya. While these research studies emphasize the challenges of strategy implementation, they do not focus on Small and Medium Enterprises in Kenya. Guided by this knowledge gap, the proposed study fills this void by answering the research question; What are the challenges affecting Small and Medium Enterprises in Nairobi City County when it comes to strategy implementation?

1.3 Research Objective

The objective of the study was to determine the challenges faced by SMEs in Strategy Implementation in Nairobi City County.

1.4 Value of the Study

The study will be of benefit to management of medium enterprises and other organizations in understanding the challenges they would encounter when implementing various strategies and be able to come up with better ways of dealing with these challenges so as to be successful in their strategies. The SMEs would be enlightened on the challenges they face and how they can overcome them as well.

Financial institutions such as banks would be provided with insight on how to serve the SMEs better and how to minimize the financial challenges faced by SMEs.

Government will be made aware of the challenges that SMEs face and as a result it will develop policies which enhance growth of SMEs. Researchers on the other hand will be provided with information for future research in the area of small and medium enterprises

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Chapter two presents review of relevant theoretical and empirical literature. The chapter presents the theoretical foundations of the study, factors in strategy implementation, challenges of strategy implementation, and dealing with challenges of strategy implementation challenges.

2.2 Theoretical Foundations of the Study

The managerial perception of the environment in which firms operate can influence the choice of the firm's strategic adaptation and implementation (O'Cass et al., 2004). Various theories support strategy implementation among them the Resource Based View (RBV) and Dynamic Capabilities (DC) view. RBV and DC approach focuses on the internal firm characteristics that affect firm performance as a result of strategy implementation.

2.2.1 The Resource Based View

The Resource Based View of the firm suggests that performance is driven by the resource profile of the firm while source of superior performance is embedded in the possession and deployment of distinctive resources that are difficult to imitate (Wernerrelt, 1984). RBV proposes that firms achieve sustainable competitive advantage if they poses certain key resources and if they effectively deploy these resources in their chosen markets (Barney, 1991). O'cass et al., (2004) argue that a firm's specific characteristics are capable of producing difficult to imitate core resources which determine the performance variation among competitors. The resource- based view further stipulates the fundamental sources and drivers of firm’s competitive advantage and superior performance is mainly associated with the attributes of their resources and capabilities which are rare, valuable, difficult to imitate and not substitutable. The resource based view (RBV) of the firm proposes that firm performance depends on firm specific resources and capabilities (Baker & Sinkula, 2005). Grant (1991) puts forth levels of durability, transparency, transferability and replicability as the key RBV determinants. Amit and Schoemaker (1993) argue that complementarity, scarcity, low tradability, inimitability, limited factors constitute the key firm resources. Day (1994) argued that intangible assets such as market orientation, knowledge management and organizational learning allow firms to develop abilities that enhance competitive advantage leading to enhanced market performance.

Colis and Montegomery (1995) suggest that the value of a resource can be tested by the levels of inimitability, durability, appropriability, substitutability, and competitive superiority. Morgan, Kaleka and Katsikeas (2004) argue that the RBV of the firm consists of internal resources of the firm such as physical, financial, experimental and human capital resources such as management experience, training judgement, intelligence, relationships, and individual manager insight. These resources can generate a competitive advantage which eventually leads to superior firm performance. Similarly, O’Cass and Weerawardena (2010), asserts that a firm’s competitive advantage may be determined by the strategic resources it possesses.

2.2.2 The Dynamic Capability Theory (DC View)

The DC view evolved from the Resource Based View (RBV) and is concerned with the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece, Pisano &Shuen, 1997). However, a concise and comprehensive definition of dynamic capabilities, view has not yet been reached (Teece et al., 1997; Eisenhardt& Martin, 2000). According to Day (1994), capabilities are complex bundles of skills and collective learning exercised through organizational processes that ensure superior coordination of functional activities and are deeply embedded within the organization's fabric. Hence firms that are better equipped to respond to market requirements and to anticipate changing conditions will enjoy long run competitive advantage and superior performance.

Hou, (2008) asserts that dynamic capabilities are the collection of resources, such as technologies, skills and knowledge basd resources. This view is augmented by Helfat and Peteraf (2009) who view dynamic capabilities as the capacity of a firm to purposefully create, extend or modify its resource base. The focus is on the capacity of an organization facing a dynamic environment to create new resources, renew or change its resource mix making it possible to deliver a constant stream of innovative products and services to its target customers. The resource base includes tangible, intangible and human assets which the firm owns and controls or has preferential access to.

Dynamic capabilities view knowledge top management team's belief that firm evolution plays an important role in developing dynamic capabilities (Teece et al., 1997; Helfat & Peteraf, 2009). According to Ambrosini, Bowman and Collier (2009), dynamic capabilities comprise four processes; reconfiguration, transformation and recombination of assets and resources. Leveraging is concerned with the replication of a process or system that is operating in one area of a firm into another area, or extending a resource by deploying it into a new domain, learning allows effective and efficient performance of tasks and finally, integration which is the ability of the firm to integrate and coordinate its assets and resources that results in the emergence of new resource base.

Eisenhardt and Martin (2002) describe capabilities as complex coordinated patterns of skills and knowledge that are embedded in organizational routines and are distinguished from other organizational processes by being performed well relative to competitors. They further argue that since market places are dynamic, it is the capabilities the firm's resources are acquired and deployed in a way that matches the firm's market environment that explains inter firm performance variance over time. Barreto (2010) defines dynamic capabilities as the firm's potential to systematically solve problems, formed by its propensity to sense opportunities and threats, to make timely and market orientation decisions and to change its resources base. Based on these views, market orientation and marketing practices can be considered as one of firm's internal factors that enable firms to perform more efficiently and effectively their day to day activities relative to competition.

2.3 Factors in Strategy Implementation

A well-developed service strategy does not automatically mean well implemented (Al-Ghamdi, 1998). Strategic management gradually is shifting from paying 90 per cent attention to strategy formulation and 10 per cent to strategy implementation, to paying equal attention to both (Grundy, 1998). Traditionally, it is believed that strategy implementation and execution is less glamorous than strategy formulation, and that anyone can implement and execute a well-formulated service strategy. Therefore, implementation and execution has attracted much less attention than strategy formulation or strategic planning (Alexander, 1991; Bigler, 2001).

Kumar et al. (2004), underline that "the role of supporting services needed to exploit product's function to an agreeable performance is becoming increasingly important". Industrial service contracts need to be negotiated carefully to avoid disagreement and inadequate performance. Companies are becoming progressively more dependent on service providers to deliver performance at a competitive level according to stakeholders and market demands. However, to be able to achieve this the service delivery process need to be carefully defined, negotiated, and agreed upon considering involved parties' needs, wants and preferences. Moreover, a service strategy need to be defined on how to implement and thereafter execute the agreed on service strategy. One needs to assure that there is no force that can influence the process in such a way that it threatens to become critical and/or a stopper (Grundy, 1998).

This demands a different business approach for both operator and service companies. Effective and efficient service strategies are needed where major influence and performance factors are considered, as well as customers' demands and requirements and providers' expertise and competence (Kumar &Markeset, 2005). In other words, a prudent organization needs to formulate a service strategy that is "appropriate for the organization, appropriate for the industry, and appropriate for the situation" (Alexander, 1991). He further emphasizes that effective strategy implementation and execution relies on maintaining a balance between preventing failures and promoting success simultaneously. When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives (Okumus, 2003).

Organizations face difficulties while implementing and executing their strategies for different reasons. There is uncertainty about what these processes include and where they begin and end. Such uncertainty includes weak management roles in implementation, a lack of knowledge and communication to guide their actions, unawareness or misunderstanding of the strategy, poor coordination, inadequate capabilities, competing activities within the working team, unfortunate marketing timing, uncontrollable environmental factors, misaligned operation and insufficient monitoring and evaluation of the process (Alexander, 1985; Gilmore, 1997; Okumus, 2003).

Hrebiniak (1992) proposed a conceptual framework to implement strategies in global firms. He incorporated earlier work carried out by himself and Joyce in (Hrebiniak & Joyce, 1984), and suggested the following new specific implementation factors: leadership; facilitating global learning; developing global managers; having a matrix structure; and working with external companies. Another framework, consisting of four factors, was proposed by Yip (1992): organizational structure; culture; people; and managerial processes. Yip argued that these four factors and their individual elements determine the crucial organizational forces that affect a company's ability to formulate and implement strategies. Bryson and Bromiley (1993) reported the results of a quantitative cross-sectional analysis of 68 case descriptions of major projects in public companies which identified several factors and grouped them into three categories; namely: context; process; and outcome.

There are important similarities between the previous frameworks in terms of the key factors forwarded and the assumptions made. For example, they generally refer to, and suggest, similar implementation factors. The overriding assumption of these frameworks is that multiple factors should be considered simultaneously when developing and implementing a strategy or strategic decision. The service strategy implementation and execution process is complicated, but is important for the organization to compete in the market. There are several factors that need to be considered and continuously monitored to keep the implementation and execution process updated. These are discussed as follows.

2.4 Challenges of Strategy Implementation

According to Alexander (1985), the ten most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition to controllable factors in the external environment had an adverse impact. Strategy implementation involves the allocation and management of sufficient resources (financial, personnel, time, and technology support). A number of activities are involved, including: establishing a chain of command or some alternative structure (such as cross functional teams); assigning responsibility of specific tasks or processes to specific individuals or groups; it also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes.

Reasons put forward for this apparent dearth of research effort include that the field of strategy implementation is considered to be less "glamorous" as a subject area, and that researchers often underestimate the difficulties involved in investigating such a topic – especially as it is thought to be fundamentally lacking in conceptual models (Alexander, 1985; Goold, 1991; Aaltonen & Ikavalko, 2002).

More "practical" problems associated with the process of strategy implementation, meanwhile, include communication difficulties and low middle management skill levels (Alexander, 1985; Otley, 1999; Beer & Eisenstat, 2000).Thus there would appear to be a significant "gap" in the knowledge base at a time when the commercial environment is exhibiting significant changes. The transformation from the industrial to the information age is signaled by increasingly sophisticated customers and management practices, escalating globalization, more prevalent and subtle product differentiation, and an emphasis on intellectual capital and enhanced employee empowerment (Johnson & Kaplan, 1987; Eccles, 1991; Kaplan & Norton, 1992; Hope & Hope, 1997; Huckstein & Duboff, 1999; Brander & Atkinson, 2001). In this new world order successful strategy implementation becomes ever more important. Simultaneously, new performance measurement frameworks are evolving to fill the gap between operational budgeting and strategic planning. These new multidimensional performance measures have replaced the more traditional financial orientated metrics with non-financial measures that more effectively focus on the new managerial imperatives. According to Bungay and Goold (1991) these strategic controls (non-financial performance measures) provide short-term targets on the long-term strategic road.

Although the necessary link between the effective performance management systems (PMS) and strategy is well established (Butler et al., 1997; Kaplan & Norton, 1996; Neely et al., 1994), there are still relatively few studies focusing on the potential role of the scorecard in the process of strategy implementation. According to Alexander (1985), the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the external environment had an adverse impact.

Based on empirical work with 93 firms, he observed that senior executives were over optimistic in the planning phase and it is noteworthy that the first two issues which occurred most frequently in Alexander's study are planning issues. He also found the effectiveness of coordination of activities and distractions from competing activities inhibited implementation, in addition key tasks were not defined in enough detail. With regard to people, the capabilities of employees involved were often not sufficient, leadership and direction and "training and instruction given to lower level employees were not adequate" (Alexander, 1985, p. 92). Although the least frequent in this study in many cases the information systems used to monitor implementation were not adequate.

Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting "it is possible for the planning intent of any resource redistribution to be ignored" (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the "entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment" (Reed &Buckley, 1988, p. 68). Goal setting and controls are also recognized as problematic, identifying coordinated targets at various levels in the organization is difficult and the need for control is heightened as uncertainty and change provide a volatile environment, a point supported by Tavakoli and Perks (2001).

Al Ghamdi (1998) replicated the work of Alexander (1985) in the UK and found for 92 percent of firms implementation took more time than originally expected, that major problems surfaced in 88 percent of companies, again showing planning weaknesses. He found the effectiveness of coordination of activities as a problem in 75 percent and distractions from competing activities in 83 percent cases. In addition key tasks were not defined in enough detail and information systems were inadequate in 71 percent of respondents. What is interesting is that there is congruence between these findings, which implies that lessons have still not been learned; as Al Ghamdi states, "the drama still continues" (Al Ghamdi, 1998, p. 322).

More recent articles confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000, p. 37) Six silent killers of strategy implementation comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development (Beer &Eisenstat, 2000). It is recognized that such change requires a shared vision and consensus (Beer et al., 1990) and "failures of strategy implementation are inevitable" if competence, coordination and commitment are lacking (Eisenstat, 1993). Corboy and O'Corrbui (1999, p. 29), meanwhile, identify the deadly sins of strategy implementation which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process; difficulties and obstacles not acknowledged, recognised or acted upon; and ignoring the day-to-day business imperatives.

Overall though, it is increasingly acknowledged that the traditionally recognised problems of inappropriate organisational structure and lack of top management backing are not the main inhibiting factors to effective strategy implementation (Aaltonen & Ika°valko, 2002).

Rather, the major challenges to be overcome appear to be more cultural and behavioural in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Alexander, 1985; Giles, 1991; Corboy & O'Corrbui, 1999; Aaltonen & Ikavalko, 2002; Franco & Bourne, 2003). Aaltonen & Ikavalko recognise the role of middle managers, arguing they are the "key actors" "who have a pivotal role in strategic communication" (Aaltonen & Ikavalko, 2002, p. 417). Meanwhile, Bartlett and Goshal (1996) talk about middle managers as threatened silent resistors whose role needs to change more towards that of a “coach”, building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes.

In addition to the above, another inhibitor to successful strategy implementation that has been receiving a considerable amount of attention is the impact of an organization’s existing management controls (Langfield-Smith, 1997) and particularly its budgeting systems (Reed & Buckley, 1988; Otley, 2001; Marginson, 2002).

So far in this review of literature on strategy implementation there is evidence of some recurring themes, including communication and coordination which are essential to ensure that people across the organization know what to do and to ensure that they stay focused on the key targets under the everyday pressures.

2.5 Dealing with Strategy Implementation Challenges

Strategy implementation is an enigma in many companies. The problem is illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies. The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. This study discusses how a successful implementation is a challenge that demands patience, stamina and energy from the involved managers. The key to success is an integrative view of the implementation process. With the help of a checklist the ten critical success factors of an implementation process are figured out. Strategy implementation differs completely from the formulation process and requires much more discipline, planning, motivation and controlling processes. The fatal problem with strategy implementation is the de facto success rate of intended strategies. In research it is as low at 10 percent (Judson, 1991).

Despite this abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. This can be documented by the focus on strategy formulation in strategic management literature. To resolve this, strategic management should accomplish its very own shift of emphasis by moving from a 90:10 concern with strategy formulation relative to implementation to a minimum 50:50 proportion with each (Grundy, 1998). To overcome and improve the difficulties in the implementation context, the following checklist of five critical points gives direction on the effectiveness of strategy implementation.

2.5.1 Commitment of Top Management

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Grundy, 1998).

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Grundy, 1998).

2.5.2 Involve Middle Manager’s Valuable Knowledge

The second most important thing to understand is that strategy implementation is not a top-down-approach. The success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers’ knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process. Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth targeted and accepted strategy implementation process increases substantially.

Studies indicate that less than 5 percent of typical workforce understands their organization’s strategy (Kaplan & Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to strategy implementation. To involve employees is an important milestone to make strategy everyone’s everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy. The involvement of middle managers helps build consensus for the strategy. A lack of strategic consensus can limit a company’s ability to concentrate its efforts on achieving a unified set of goals.

2.5.3 Communication is what Implementation is all About

At first look, the suggestion that communication aspects should be emphasized in the implementation process seems to be a very simple one. Even though studies point out that communication is a key success factor within strategy implementation (Miniace & Falter, 1996), communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized.

In this context, it is recommendable an organization institute a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to soliciting questions and feedback, the communications should tell employees about the new requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason ("the why") behind changed circumstances (Alexander, 1985).

It is essential both during and after an organizational change to communicate information about organizational developments to all levels in a timely fashion. However, one may not misunderstand communication, or the sharing of information, as engagement the direct dialogue that produces active participants in the change process. The way in which a change is presented to employees is of great influence to their acceptance of it. To deal with this critical situation, an integrated communications plan must be developed. Such a plan is an effective vehicle for focusing the employees' attention on the value of the selected strategy to be implemented. A communications plan will provide the appropriate information to market the implementation effectively in order to create and maintain acceptance (Grundy, 1998).

2.5.4 Integrative Point of View

Traditional strategy implementation concepts generally over-emphasize the structural aspects and reduce the whole effort down to an organizational exercise. It is dangerous, however, when implementing a new strategy, to ignore the other existing components. Strategy implementation requires an integrative point of view. Not only the organizational structure, but cultural aspects and the human resources perspective are to be considered as well. An implementation effort is ideally a borderless set of activities and does not concentrate on implications of only one component, e.g. the organizational structure. It is of great importance to integrate soft facts as well in the reflection of the implementation process. It is the consideration of soft and hard facts together that ascertains that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, such an integrative interpretation allows an important scope of development for implementation activities.

2.5.5 Clear Assignment of Responsibilities

One of the reasons why strategy implementation processes frequently result in difficult and complex problems or even fail at all is the vagueness of the assignment of responsibilities. In addition, these responsibilities are diffused through numerous organizational units (Grundy, 1998). Cross-functional relations are representative of an implementation effort. This is indeed a challenge, because as already mentioned before organizational members tend to think only in their “own” department structures. This may be worsened by over-bureaucracy and can thus end up in a disaster for the whole implementation. To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities regarding detailed implementation activities. This is a preventive way of proceeding. Responsibilities are clear and potential problems are therefore avoided (Grundy, 1998).

2.5.6 Preventive Measures against Change Barriers

Change is part of the daily life within an organization. The ability to manage change has shown to be a core competency for corporations. A great challenge within strategy implementation is to deal with potential barriers of the affected managers. Implementation efforts often fail when these barriers are underestimated and prevention methods are not adopted at the beginning. One has to be aware that barriers against the implementation of the strategy can lead to a complete breakdown of the formulated strategy. In psychology, much research is done about human barriers. The cause for these barriers is seen in affective and non-logical resistances, which are, in a way, incomprehensible because they come out of the subconscious of human beings (Grundy, 1998).

Barriers to implementing a strategy range from delay to outright rejection. However, this psychological point of view is often downplayed during discussions of implementation issues, even though it is becoming more and more obvious that strategy implementation consists, for the most part, of psychological aspects. By changing the way they view and practice strategy implementation, senior executives can effectively transform change barriers into gateways for a successful execution.

2.5.7 Emphasize Teamwork Activities

Teamwork plays an important role within the process of strategy implementation. When it comes down to implementation activities, however, it is often forgotten. It is indisputable, that teams can play an important part to promote the implementation. To build up effective teams within strategy implementation the Myers-Briggs typology can be useful to ascertain person-to-person differences. Differences in personality can result in serious inconsistencies in how strategies are understood and acted on. Recognizing different personality types and learning how to handle them effectively is a skill that can be taught (Grundy, 1998).

2.5.8 Respect the Individuals' Different Characters

Human resources represent a valuable intangible asset. Latest study research indicates that human resources are progressively becoming the key success factor within strategy implementation. In the past, one of the major reasons why strategy implementation efforts failed was that the human factor was conspicuously absent from strategic planning (Lorange, 1998). This leads to a dual demand. First, considerations regarding people have to be integrated into considerations about strategy implementation in general. Second, the individual behaviour of these persons is to be taken into account. Individual personality differences often determine and influence implementation. The difference of individuals requires, as a consequence, different management styles. For the purpose of strategy implementation it is desirable to create a fit between the intended strategy and the specific personality profile of the implementation's key players in the different organizational departments.

2.5.9 Take Advantage of Supportive Implementation Instruments

To facilitate the implementation in general implementation instruments should be applied to support the processes adequately. Two implementation instruments are the balanced scorecard and supportive software solutions. The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). When it comes to meeting the criteria of a strategy implementation instrument, there is an excellent fit. The individual character of each balanced scorecard assures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process. It is a comprehensive management system, which can support the steering of the implementation process.

A strategic planning system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems. The balanced scorecard provides a framework to integrate the strategic planning and meets the requirements that the strategic planning system itself can display. In the context of implementing strategies, the application of software solutions seems to be neglected. Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and most important provide an early warning of any need to adjust or reformulate the strategy (Kaplan and Norton, 1993).

Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of a company's day-to-day business. The strategy implementation perspective demands systems with different criteria than those of conventional systems. The supportive character in monitoring and tracking the implementation process should be the centre of interest. In the past, these activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategy implementation. In addition to that, a software solution is a starting point to define as mentioned above clear assignments of responsibilities throughout the organization's implementation processes.

2.5.10 Calculate Buffer Time for Unexpected Incidents

One of the most critical points within strategy implementation processes is the exceeding of time restrictions. This can be attributed to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities.

Basically, it is difficult enough to identify the necessary steps of the implementation. It is even more difficult to estimate an appropriate time frame. One has to find out the time-intense activities and harmonize them with the time capacity. One method for accomplishing this is to work with the affected divisions and the responsible managers. In addition to calculating the probable time frame an extra buffer should be calculated to account for unexpected incidents that might occur at any time.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Chapter three describes the research methodology that was used in this study. It addresses the following: Research design; study area; the study population; samples & sampling procedure; research instruments; and the data collection method and measurement that will be employed.

3.2 Research Design

The number of small and medium enterprises in Nairobi is large (approx. 10,000) making it expensive, time consuming and difficult to carry out a census study. It is important however, to generate findings that would represent SMEs within the CBD. Consequently, a survey design was adopted. A survey was considered appropriate because it would provide representative findings which could be used to generalize challenges faced by small enterprises.

3.3 Population of the Study

The population of interest consisted of small enterprises operating in Nairobi. However, for purposes of this study, the target population comprised of Small and Medium Enterprises in the retail sector within the Central Business District of Nairobi (approx. 3,000).

3.4 Sample & Sampling Technique

According to Kothari (2004), a sample design is a definite plan for obtaining data from a given population. Mugenda and Mugenda (2003) observed that a sample is a small section of the target population that has been selected for observation and analysis. The sample size will consist of 50 small enterprises distributed along the various streets within the Central Business District (CBD). To obtain a representative sample size from the streets, a stratified random sampling was used in selecting the respondent firms. Streets formed the strata from where respondents were selected.

Table 3.1: Sampling Matrix

Type of enterprise	**Sample size**
Electronics	5
Clothes and apparel	15
Assorted household goods	5
Telecommunications	3
Pharmaceutical	5
Money transfer	3
Bookshop	3
Footwear	5
Confectionery	3
Hardware	3
Total	**30**

3.5Data Collection

Data was collected through interviewer administered questionnaires. The method was preferred because of the nature of study which requires probing by research assistants to obtain additional information. Questionnaires were designed alongside the research questions and objectives of the study.

3.6 Pilot Test

Questionnaires were developed and pretested on a small sample of SMEs at Githurai along Thika Road. A pretest for the instruments was conducted in order to establish areas of weakness, interpretations of questions by the respondents and need for adjustments. Based on results of pre-test, the questionnaires were revised in line with the objectives of the study and to make them more elaborate. The sample used in the pretest was left out of the sample frame from which actual data was collected. Interviewers were identified and trained on the data collection instrument and objectives of the study. Data was collected through interviewer administered questionnaires. Interviewers were closely supervised by the researcher.

3.7 Data Processing and Analysis

Descriptive statistics such as mean scores, and standard deviations were used to analyze distribution and dispersion of data. Inferential statistics such as Pearson correlation was used to test the relationships between dependent and independent variables. Pearson correlation was preferred because of the nature of relationships between variables under investigation. To enhance comparison of relationship between variables, cross-tabulation was done. Narrative responses were analysed through content analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains analysis of the data, findings and discussions. Data analysis was guided by objective of the study. Results have been presented in tables and charts. The study targeted 50 small and medium enterprises but, only 30 firms responded representing a response rate of 60 percent. The response was considered adequate for data analysis.

4.2 Demographic Profile of Respondents

The section presents results on gender, age, and level of education of the respondents. Demographic characteristics were assessed by asking closed ended questions. For instance, respondents were asked to indicate the range within which their age lies. Similarly, respondents were asked to indicate the highest level of education. Findings of demographic characteristics are presented in the following sub-sections.

4.2.1 Respondent's Gender

Gender was analysed to distribution of males and females within the small and medium enterprise sub-sector. Table 4.1 presents results of the distribution of respondents on the basis of gender.

Table 4.1: Gender

Sex	Frequency	Percent
Male	19	63.3
Female	11	36.7
Total	**30**	**100.0**

Source: Primary Data

The results shown in Table 4.1 indicates that more than half (63.3%) of the respondents were males. On the other hand, females were represented by 36.7%. The results imply that the number of males outnumber females engaged in running small and medium enterprises within Nairobi City's Central Business District.

4.2.2 Respondent's Age

Age is an important indicator of a person's willingness to accept changes that contribute to implementation of strategy. The current study sought to assess the distribution of age of respondents. Table 4.2 presents results of age distribution of respondents.

Table 4.2: Respondent's age

Age	Frequency	Percent
21 - 30	10	33.3
31 - 40	9	30.0
41 - 50	11	36.7
Total	**30**	**100.0**

Source: Primary Data

The results presented in Table 4.2 show that majority of the respondents (36.7%) were aged between 41 and 50 years. In addition, 33.3% of the respondents were aged between 21 and 30. It was further noted that 30% of the respondents were aged between 31 and 40. The results suggest balanced distribution of people of different age ranges within the small and medium enterprise sub-sector in Nairobi City.

4.2.3Respondent's Education Level

Education provides knowledge that enables people to understand their environment and run businesses. Therefore, knowledge about respondent's education level was important in explaining strategy implementation challenges faced by firms. Table 4.3 shows results of respondent's education profile.

Table 4.3: Highest level of education

Education level	Frequency	Percent
Primary	1	3.3
Secondary	6	20.0
Diploma	13	43.3
Degree	10	33.3
Total	**30**	**100.0**

Source: Primary Data

Table 4.3 shows that 43.3% of the respondents had diploma. Unlike expectation, 33.3% of respondents had university degree while those educated up to secondary level were represented by 20%. As was expected, relatively few people (3.3%) with only primary level of education were employed in the sub-sector. The results demonstrate that 76% of respondents had a minimum of diploma qualification. Therefore, it is expected that majority of people within the SME sub-sector have intellectual ability to operate business enterprises.

4.3 Respondent Organization Profile

This section presents results of respondent organization's profile. Specifically, it provides data on type of business, age of the enterprise and nature of ownership. Respondents were asked closed ended questions regarding organization profile data. For instance, respondents were asked to indicate the number of years that the organization has been in business. Besides, respondents were asked to indicate the nature of ownership of their organization. Results of the organization profile are presented in the following sub-sections.

4.3.1 Type of Business

Small and medium enterprises are of several kinds. The study assessed the type of business to demonstrate distribution of the various categories in SME sub-sector. Table 4.4 presents data on the categories of business enterprises.

Table 4.4: Type of business

Business type	Frequency	Percent
Electronics	9	30.0
Clothes and apparel	7	23.3
Assorted household goods	4	13.3
Telecommunications	5	16.7
Pharmaceuticals	2	6.7
Money transfer	3	10.0
Total	**30**	**100.0**

Source: Primary Data

The results presented in Table 4.4 shows that 30% of the firms were in electronics business category. Clothes and apparel constitute 23% of the firms while 16.7% of the firms were in the telecommunications business category. Thirteen percent of the firms traded in assorted household goods while 10% of the firms were in the money transfer business. The numbers of firms in the pharmaceutical product category were few as was demonstrated by 6.7%.Based on the results, it appears that electronics is more attractive to majority of the investors. On the other hand, pharmaceutical firms attract relatively few numbers of investors. This kind of representation may be attributed to legal requirements and set up costs that different kinds of enterprises attract. For instance, setting up a pharmaceutical firm require certificate of practice by those employed to run the enterprise. In addition, such a business requires large sum of capital.

4.3.2Age of the Enterprise

The study sought to assess age of the firm in the industry in order to determine business survival in the SME sub-sector. Several studies suggest that many small enterprises die within the first three years of inception. Age is also an indicator of experience in managing the strategic planning process. Table 4.5 presents results of the age distribution of small and medium enterprises within Nairobi City CBD.

Table 4.5: Age of the enterprise

Age of the firm	Frequency	Percent
Below 5 years	2	6.7
5 - 9	8	26.7
10 - 14	13	43.3
15 and above	7	23.3
Total	**30**	**100.0**

Source: Primary Data

Table 4.5 shows that 43.3% of the enterprises were aged between 10 and 14 years. Firms aged 5 and 9 were 26.7% while another 23.3% had been in business for at least 15 years. On the other hand, 6.7% of the firms had been in business for not more than 5 years. The results suggest that majority of the firms (66.6%) had been in business for a minimum of 10 years.

4.3.3 Nature of Enterprise Ownership

Nature of ownership is a factor that is essential for understanding decision making process including those associated with strategy implementation. In sole proprietorship, decision making is fast since minimal consultation is required. On the other hand, decision making drags in the case of partnership and limited liability companies since formal consultations are necessary before decisions are made. Table 4.6 presents results on nature of enterprise ownership.

Table 4.6: Nature of Ownership

Ownership type	Frequency	Percent
Sole proprietorship	6	20
Partnership	12	40
Limited liability	12	40
Total	**30**	**100**

Source: Primary Data

Table 4.6 shows that 40 percent of the firms were registered as partnership. Another 40% of the firms operate as limited liability companies while 20% of the firms were sole proprietors. The results demonstrate that majority of the firms shield themselves from the risks associated with sole proprietorship by adopting more stable and structured forms of businesses.

4.4 Challenges to Strategy Implementation

Challenges to strategy implementation were analysed by a variety of techniques including mean scores, standard deviations, cross tabulations, Chi-square test and correlation analysis. Thirteen items were used to assess challenges to strategy implementation. The items captured both internal and external factors that influence strategy implementation. The items were measured using a 5-point rating scale. The scale ranged from 1 to 5 with anchors 1 representing ‘not at all’ and 5 signifying ‘very large extent’. The scales were interpreted in the following manner: 1 – 1.4 = not at all; 1.5 – 2.4 = little extent; 2.5 – 3.4 = moderate extent; 3.5 – 4.4 = large extent; and above 4.5 = very large extent. Composite scores of internal factors and external factors were used to carry out Chi-square tests and correlation analysis. Results of descriptive analysis are presented in Table 4.7.

Table 4.7: Descriptive Statistics

Strategy Implementation Challenges	N	Mean	Std. Deviation
Internal Challenges			
Resistance to change	30	3.70	1.179
Lack of Management support and understanding	30	2.57	0.935
Lack of Sufficient Training	30	3.03	0.850
Lack of Finances	30	4.33	7.110
Ineffective Leadership	30	3.13	1.252
Organization Culture	30	2.47	1.008
Organization Structure	30	3.90	0.923
Lack of Clear Communication Strategy	30	2.63	1.351
Sub Grand Mean		**2.86**	
External Challenges			
Government Regulations	30	4.23	0.728
Changing Customer Needs and demands	30	2.93	1.230
Stiff Competition	30	4.00	0.910
Economic Conditions- Recession/ Inflation rate	30	3.63	1.273
Sub Grand Mean		**3.69**	
Grand Mean		**3.28**	

Source: Primary Data

Table 4.7 reveals that external challenges affect Small and Medium Enterprises' efforts to strategy implementation the most. The results further show that lack of finances (mean = 4.33), government regulation (mean = 4.23) and competition (mean = 4.0) in that order are the most important challenges to strategy implementation. Organizational structure (mean = 3.9), resistance to change (mean = 3.7) and economic conditions (mean = 3.63) were identified as significant impediments to strategy implementation. Organizational culture (mean = 2.47), lack of management support (mean = 2.57), and lack of clear communication strategy (mean = 2.63) were identified as the least impediment to strategy implementation. The results demonstrate that both internal and external factors are important challenges to implementation of strategy. With exception of lack of finances and organization structure, majority of challenges to implementation of strategy are external to the firm. The results imply that relatively few internal factors affect strategy implementation.

4.4.1 Strategy Implementation Challenges and Age of business

Table 4.8 shows that strategy implementation challenges were more felt in organizations that had been in business for more that fifteen years with a mean score of 3.8 while organizations that had been in business for less than five years felt these challenges the least at a mean score of 3.4. It is evident from the same table that the older the age of the enterprise the more likely it is to be affected by strategy implementation challenges. This however was not the case for internal challenges as enterprises which had been in business between five to nine years felt the most challenges from internal environment.

The most felt internal challenges for organizations with less than five years were organization culture, lack of sufficient training and resistance to change whereas the most felt external challenges by the same organizations were economic conditions that were not favourable and government regulations. On the other hand, the most felt internal challenges for organizations older than fifteen years were resistance to change, lack of sufficient training, and lack of finances while the most felt external challenges were stiff competition and tough economic conditions.

Table 4.8: Strategy Implementation Challenges and Age of business

Strategy Implementation Challenges and age of business	Mean sores			
	Less than 5 years	**5-9 years**	**10-14 years**	**15 and above**
Internal Challenges				
Resistance to change	3.7	3.3	3.9	4.0
Lack of Management support and	2.2	2.6	2.9	3.0
understanding	3.1	3.0	2.8	4.0
Lack of Sufficient Training	4.3	4.6	4.3	4.0
Lack of Finances	4.3	3.7	4.0	3.5
Ineffective Leadership	2.5	2.6	2.6	1.5
Organization Culture	4.0	4.1	3.7	3.5
Organization Structure	3.1	3.3	2.9	4.0
Lack of Clear Communication Strategy	2.8	3.0	2.5	1.0
Sub Grand Mean	**3.3**	**3.4**	**3.3**	**3.2**
External Challenges				
Government Regulations	3.5	3.3	3.6	3.5
Changing Customer Needs and demands	2.9	3.0	2.7	4.0
Stiff Competition	3.3	3.7	3.8	4.5
Economic Conditions- Recession/ Inflation rate	4.2	3.7	4.5	5.0
Sub Grand Mean	**3.5**	**3.4**	**3.7**	**4.3**
Grand Mean	**3.4**	**3.4**	**3.5**	**3.8**

Source: Primary Data

Theoretically, it is expected that external environmental factors may be influence internal organizational factors. For instance, stringent regulatory environment may limit access to finance by a firm relying on external sources.

Therefore, the study attempted to assess the link between external and internal factors. Composite scores for external and internal factors were computed. Pearson correlation analysis was done to assess the relationship among age, internal and external environmental factors. Results of correlation analysis are provided in Table 4.9.

Table 4.9: Correlation Analysis of Age, Internal and External Factors

		Age of the enterprise	Internal factors	External factors
Age of the enterprise	Pearson Correlation	1	.260	-.305
	Sig. (2-tailed)		.165	.101
	N	30	30	30
Internal factors	Pearson Correlation	.260	1	.296
	Sig. (2-tailed)	.165		.112
	N	30	30	30
External factors	Pearson Correlation	-.305	.296	1
	Sig. (2-tailed)	.101	.112	
	N	30	30	30

Source: Primary Data

Unlike expectation, the results in Table 4.9 show that there are no relationships among age of the firm, internal and external environmental factors. This means that external environmental factors have no influence on internal environmental factors within SME sub-sector in Nairobi City County. To further assess the links among internal factors, cross tabulations were computed. Results of cross tabulations are presented in the following sub-sections.

4.4.2 Strategy Implementation Challenges and Nature of Business

Table 4.10 below shows that implementation challenges were felt most by Pharmaceuticals at 4.1 means score, followed by Telecommunications at 3.7, and Electronics and Money Transfer at 3.6 and 3.5 respectively. Internal challenges were most felt by Telecommunications whereas external challenges were most felt by Pharmaceuticals. Telecommunications cited lack of finances and sufficient training as their most felt internal challenges. Electronics on the other hand cited organization structure and lack of sufficient training as their major internal challenge to strategy implementation.

From the external environment, pharmaceuticals telecommunications and electronics are the most affected by external challenges with a mean score of 4.3, 3.9 and 3.9 respectively. Pharmaceuticals cited stiff competition and unfavourable government regulations as their main external challenge to strategy implementation whereas electronics cited stiff competition and economic conditions as their major challenge. Assorted household were the least affected by external challenges with a mean score of 3.3 and cited economic condition as their main challenge and changing customer needs as their least felt external challenge to strategy implementation.

Table 4.10: Implementation Challenges and Nature of Business

Strategy Implementation Challenges	Mean Scores					
	A	**B**	**C**	**D**	**E**	**F**
Internal Challenges						
Resistance to change	3.3	3.7	3.6	4.0	5.0	3.6
Lack of Management support	2.3	2.4	2.8	3.0	2.0	2.6
and understanding	2.3	2.7	3.4	2.7	4.0	3.2
Lack of Sufficient Training	4.3	4.7	4.1	4.7	4.0	4.2
Lack of Finances	4.0	3.4	4.1	4.7	4.5	4.0
Ineffective Leadership	2.8	3.0	2.2	2.0	2.5	2.2
Organization Culture	3.8	3.9	4.0	3.7	4.0	4.0
Organization Structure	4.3	2.9	2.2	3.3	4.5	3.6
Lack of Clear Communication Strategy	2.0	2.9	3.1	3.0	3.5	1.4
Sub Grand Mean	**3.2**	**3.3**	**3.3**	**3.4**	**3.8**	**3.2**
External Challenges						
Government Regulations	3.5	3.1	3.3	4.0	5.0	3.4
Changing Customer Needs and demands	3.8	2.9	2.4	2.0	3.5	3.6
Stiff Competition	4.0	4.0	2.7	4.3	5.0	3.6
Economic Conditions-Recession/ Inflation rate	4.0	3.9	4.4	5.0	3.5	4.4
Sub Grand Mean	**3.9**	**3.4**	**3.3**	**3.9**	**4.3**	**3.8**
Grand Mean	**3.6**	**3.4**	**3.3**	**3.7**	**4.1**	**3.5**

Source: Primary Data

KEY:

A= Electronics B= Clothes & Apparels C= Assorted House Holds

D= Telecommunication E= Pharmaceuticals F= Money Transfer

The results in Table 4.10 show that organization structure and lack of sufficient training were the major internal challenges for electronics while stiff competition and economic conditions were their major external challenges to strategy implementation. In contrast, clothes and apparels' main internal challenges were resistance to change and organization culture whereas stiff competition and tough economic conditions were their main external challenges.

Assorted household goods and Telecommunications on the other hand were most affected by lack of finances and sufficient training as their major internal challenges while economic conditions and government regulations were their major strategy implementation challenges from the external environment. Pharmaceuticals cited lack of finances and organization structure as their major internal challenges to strategy implementation while Government regulations and economic conditions remained their external challenges.

Money transfer sector's main internal challenges were lack of sufficient training and organization culture while economic conditions, competition and changing customer needs affected their strategy implementation efforts from the external environment.

External challenges most affected pharmaceuticals, electronics, and telecommunications at a mean score of 4.3 and 3.9 respectively. Assorted households were the least affected by external challenges.

Pharmaceuticals and Telecommunications were the most affected by internal challenges of strategy implementation with the major challenge being lack of finances and sufficient training. Telecommunication industry being technical in nature needs well elaborated structures to support growth of this industry. Money transfer and Electronics on the other hand were the least affected by internal challenges to strategy implementation.

4.4.3: Implementation Challenges and Type of Ownership

Table 4.11 shows that Limited liability firms were the most affected by strategy implementation challenges compared to sole proprietorships and partnerships with a mean score of 3.7, 3.5 and 3.4 respectively. Internal challenges were the main challenges affecting the type of ownership of firms which were contacted.

Sole proprietorships cited lack of finances, and sufficient training as their main internal challenge and tough economic conditions and government regulation as their major impediment to strategy implementation from the external environment. Partnerships on the other hand cited sufficient training and resistance to change as their major internal challenges and stiff completion together with tough economic conditions as their major external challenges.

Limited liability firms were most affected by lack of fiancés and sufficient training as their internal challenges and government regulations and economic conditions as their external challenges. It was revealed that tough economic conditions were the main external challenges of strategy implementation affecting the three categories of firms under investigation. Sole proprietorships were affected by external challenges at 3.4, whereas partnership and Limited Liability firms were affected at 3.7 and 3.9 respectively.

Internal challenges most affected Limited liability firms and least affected sole proprietorships.

Table 4.11: Implementation Challenges and Type of Ownership

Strategy Implementation Challenges and age of business	Mean scores		
	Sole Proprietorship	Partnership	Limited Liability
Internal Challenges			
Resistance to change	3.4	4.1	3.8
Lack of Management support and	2.2	2.8	3.0
understanding	2.8	3.3	3.0
Lack of Sufficient Training	4.4	4.4	4.0
Lack of Finances	4.1	3.8	4.3
Ineffective Leadership	2.7	2.2	2.5
Organization Culture	3.9	3.8	4.3
Organization Structure	3.1	3.5	2.0
Lack of Clear Communication Strategy	2.8	2.1	3.8
Sub Grand Mean	**3.3**	**3.3**	**3.4**
External Challenges			
Government Regulations	3.4	3.4	4.0
Changing Customer Needs and demands	2.9	3.0	3.0
Stiff Competition	3.1	4.2	3.8
Economic Conditions- Recession/ Inflation rate	4.1	4.3	4.8
Sub Grand Mean	**3.4**	**3.7**	**3.9**
Grand Mean	**3.4**	**3.5**	**3.7**

Source: Primary Data

Table 4.12: Cross tabulation of Age of the enterprise and Access to finances

The results in Table 4.12 show unanimous indication of the influence of age on organizational access to finance. Over 80% of the respondents indicated that age of the enterprise had largely influenced organizational access to finance.

Age of the enterprise	Access to finances		
	Sole Proprietorship	Partnership	Limited Liability
Below 5 years	2.6	3.2	2.3
5 – 9	3.3	3.7	2.9
10 – 14	3.7	4.4	2.0
15 and above	3.3	3.3	4.7
Grand Mean	**3.3**	**3.7**	**3.0**

Source: Primary Data

Table 4.13: Cross Tabulation of Enterprise Age and Organizational Structure

Age of the enterprise	Sole proprietorship	Partnership	Limited Liability
Below 5 years	3.3	3.3	3.9
5 – 9	2.0	4.7	3.3
10 – 14	3.0	3.3	3.2
15 and above	3.3	3.3	2.3
Grand Mean	**2.9**	**3.7**	**3.3**

Source: Primary Data

Consistent with expectation, results in Table 4.13 demonstrate that majority of the firms (66.7%) believed that age of the firm largely influence organizational structure. This implies that as organizations age, changes are made in the organizational structure. Surprisingly however, limited liability companies were less affected by organization structure as an internal challenge to strategy implementation compared to partnership. Theoretically, it is expected that limited liability firms would have serious effect on organization structure compared to partnership and sole proprietorship. This seems not to be the case as per the study for limited liability firms had a grand mean score of 3.3 against 3.7 for partnership.

Table 4.14: Cross Tabulation of Nature of Ownership and Access to Finances

The study sought to assess the link between ownership type and access to finances. While nature of ownership was assessed through categorical data, access to finances was measured through a five point rating scale. Results of cross tabulation are presented in Table 4.14 below.

Nature of ownership	**Access to finances**		
	Below 5 Years	5-9 years	10-14 years
Sole proprietorship	3.3	2.9	3.6
Partnership	1.7	2.0	3.3
Limited liability	1.0	2.7	4.0
Grand Mean	**2.0**	**2.5**	**3.6**

Source: Primary Data

Table 4.14 shows that majority of the firms (87%) believed that nature of ownership largely influenced access to finances. The results imply that nature of ownership determines the power of a firm to access funds from varied sources. For example, enterprises organized as Limited Liability Company has more clout to borrow funds than would be the case for sole proprietorship and partnership. Firms who have been in business for more than ten years had hire chances of accessing funds at a mean score of 3.6 compared to firms below the age of five with a mean score of 2.0.

4.4.4 Cross Tabulation of Nature of Ownership and Ineffective Leadership

Ineffective leadership was measured using a five point rating scale ranging between 1 and 5 where 1 signified 'not at all' and 5 implied 'very large extent'. Results of cross tabulation are presented in Table 4.15.

Nature of ownership	**Below 5yrs**	**5-9 years**	**10-14 years**	**Above 15 years**
Sole proprietorship	2.2	3.3	2.7	3.3
Partnership	3.5	3.7	3.3	3.3
Limited liability	3.3	4.3	3.3	4.7
Grand Mean	**3.0**	**3.8**	**3.1**	**3.8**

Source: Primary Data

Table 4.15 shows mixed results on the link between nature of ownership on ineffective leadership. On the one hand, 33.3% of the firms believed that nature of ownership does not influence effectiveness of leadership. On the other hand, 40% of the firms were of the view that nature of ownership influenced effectiveness of leadership. The results imply that effectiveness of leadership has got more to do with personal attributes of the leaders themselves than enterprise ownership type.

4.4.5 Chi-square test for Organizational Characteristics and Environmental Factors

In order to assess goodness of fit of organizational characteristics and environmental factors, a Chi-square test was done. Organizational characteristics comprised nature of business, age of the enterprise and type of enterprise ownership. Environmental factors consisted of internal and external factors. Environmental factors were measured by computing composite scores. Results of Chi-square are presented in Table 4.16.

Table 4.16: Chi-square test for organizational characteristics and environmental factors

	Nature of business	Age of the enterprise	Nature of ownership	Internal factors	External factors
Chi-Square	6.800[a]	8.133[b]	11.067[b]	8.933[c]	5.400[d]
df	5	3	3	7	8
Asymp. Sig.	.236	.043	.011	.257	.714

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 5.0.

b. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.5.

c. 8 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 3.8.

d. 9 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 3.3.

Results in Table 4.13 show that age of the enterprise and nature of ownership were significant. On the other hand, nature of business, internal factors and external factors were insignificant.

4.4.6 Analysis of Variance for Environmental Factors

Analysis of variance was carried out to determine the differences in sample means between internal environmental factors and external environmental factors. Results of ANOVA are presented in Table 4.17.

Table 4.17: Analysis of Variance for Environmental Factors

Environmental factors	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Internal factors	67.343	29	.000	3.22083	3.1230	3.3187
External factors	36.041	29	.000	3.66000	3.4523	3.8677

Source: Primary Data

The results in Table 4.16 show that there is significant difference between sample means between internal environmental factors and external environmental factors. This suggests that internal environmental challenges are significantly different from external challenges to strategy implementation.

4.5 Discussion of Findings

The study established that electronics and textile comprised the key types of business enterprises run by small and medium enterprises. The finding is not surprising considering the minimal set-up requirements for these types of business. The dominance of the sub-sector by electronics and textile can also be explained by the high returns obtained in these categories of business. High returns redirect resource allocation by investors to business enterprises with high profit margins. Therefore, it can be argued that high turnover which subsequently leads to increased profits encourage business people to concentrate on electronics and textile. The study found out that majority of the firms had been operating for a minimum of ten years. This suggests that more than half of the firms do not suffer from the liability of newness.

Based on several years of existence in the sub-sector, one would expect more stable enterprises and cumulative experience in strategy implementation. The results of the study appear to suggest that majority of the firms are formally registered and run as either partnership or limited liability company. Consistent with theory, sole proprietorship has several limitation associated with accessing opportunities in the business environment. Therefore, Limited Liability Company provides the flexibility to exploit wide array of opportunities in the marketing environment.

Business enterprises face myriad of challenges in the implementation of strategies. The study established that lack of finance; government regulation; competition and organizational structure in that order are the major obstacles to strategy implementation. The findings are consistent with previous findings by Alexander (1985) who established that competition affected strategy implementation by distracting firms from the process. The findings also support results obtained by Reed and Buckley (1988) who found out that inadequate financial resources hampered strategy implementation process. Furthermore, results of the current study are consistent with findings obtained by Beer and Eisenstat (2000) who maintained that poor communication was an impediment to the strategy implementation process. Strategy implementation is an expensive exercise that requires adequate financial resources. Insufficient financial resources frustrate strategy implementation by constraining access to critical resources for strategy implementation. Government regulation affects strategy implementation in various ways. First, taxation by government can limit organizational access to financial resources thereby reducing implementation success. Secondly, regulations and government policies may place insurmountable hurdles towards implementation of organizational strategy. Thirdly, regulation may make it difficult for some firms to continue implementation and hence lead to partial or complete reversal of the implementation process.

Distractive activities by competitors can hamper strategy implementation by forcing firms to adopt reactive strategies in order to protect their market share. The influence of competition on strategy implementation process can be more adverse especially where the industry is experiencing intense competition and rapid changes in technology as well as market trends. Organizational structure follows strategy. Therefore structural inertia can frustrate strategy implementation process. Structural rigidities make it difficult for managers to align resources and structure to new strategic options and directions.

CHAPER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents summary, conclusion and recommendations of the study. The study is an attempt to understand strategy implementation challenges faced by Small and Medium Enterprises in Nairobi City County. The study was motivated by the growing concern over the growth and performance of Small and Medium Enterprises in Kenya. This has led to various stakeholders calling on experts to look into what is ailing Small and Medium Enterprises' growth and come up with effective way of helping them implement their strategies.

This chapter serves to demonstrate the achievement of the objective set out at the initiation of the study and presents in brief the results of these efforts. The conclusion have been arrived at based on the findings of the study and recommendations suggested for reducing strategy implementation challenges faced by Small and Medium Enterprises. In addition, it outlines the implication of the study on theory, policy and practice and recommendations for further research in the area of strategy implementation have been suggested.

5.2 Summary

The purpose of the study was to establish strategy implementation challenges faced by Small and Medium Enterprises in Nairobi City County. A survey of small and medium enterprises within Central Business District (CBD) of Nairobi City County was undertaken. Fifty respondent firms were sampled but only 30 responded. Data was collected through questionnaires. Results were analyzed through descriptive statistics, cross tabulations, Pearson Correlation and analysis of variance.

It was revealed that majority of the firms dealt with electronics and textile products. The pharmaceutical business category attracted few enterprises. It was revealed that more than half (66.6%) of the enterprises had been in business for at least 10 years within the Central Business District. Majority of the enterprises were organized as either partnership or Limited Liability Company. Although strategy implementation process was derailed by many challenges, the most serious challenges comprised inadequate financial resources, government regulation, competition and organizational structure in that order. In contrast, organizational culture, lack of management support and lack of clear communication strategy affected strategy implementation process to a small extent. It was established that age of the enterprise largely influenced resistance to change. This implies that organizational age can be a liability to the strategy implementation process. Age of the organization was also a key determinant of access to funds. Older organizations were more likely to attract financial resources as compared to relatively younger firms. It was also established that age of the firm influenced the shape and size of organization structure.

Majority of the firms were of the view that the nature of enterprise ownership is associated with a firm’s ability to access financial resources. Although nature of ownership was an important aspect in organizational management, it was found that it affected effectiveness of leadership to a small extent. The study established that external environment factors largely affected strategy implementation process that internally based factors.

5.3 Conclusion

The strategy implementation process is affected by both internal and external environmental factors. However, external factors impeded strategy implementation process more than internal factors. Inadequate access to finances, excessive regulation by government, competition and rigidities in organization structure were the greatest impediment to strategy implementation process. Based on findings, it is evident that successful implementation of strategy require addressing access to funds, gathering market intelligence and monitoring the regulatory environment. The success of strategy implementation depends on ability of the firm to review and redesign its structure to support new and existing strategies. Although organizational culture appear to pose little challenge to strategy implementation process, it may either facilitate or impede the process depending on the type and strength of culture in place.

5.4 Limitations of the Study

The study focused on investigating challenges to strategy implementation process. Although the study succeeded in this area, the findings are limited as they do not apply across the strategy management process. The scope of the study was also narrow. It focused on SMEs that operate within Nairobi City's Central Business District. Findings would have been different if a wider geographic scope was adopted. The study used a cross sectional survey design. Therefore, findings cannot be used to imply causation.

Additionally, there was difficulty in distributing questionnaires. Self reporting documents like questionnaires may lead to bias. This may have led to biased results on issues like employees training back ground, and the extent to which strategy implementation challenges affect their enterprise because they are subject to reporting inaccuracies. Furthermore, the study was limited in depth of analysis. It relied more on descriptive statistics and non parametric tests. The study was also limited due to method of data collection. Data were collected through questionnaires. This method of data collection constrained probing and gathering qualitative data. Despite these limitations, the quality of the findings, their interpretation, and reporting were not affected.

5.5 Recommendations

This study has brought out some important findings that would have an impact on theory, policy and practices. Some of these implications are presented in this section and recommendations on findings of the study were suggested specifically covering recommendations for future research, implication of the study on theory, implication of the study on managerial policy and finally ends with recommendation for managerial policy and practice.

5.5.1 Implications of the Study on Theory

The Dynamic Capability View seems assured of a place on the table of powerful strategy implementation theories. However the convergence of various theories of strategy is seen to continue occurring. Of importance is the relationship between processes, reconfiguration, transformation and recombination of assets and resources. The results indicate strong component for consideration in the journey of implementing strategies and the achievement of competitive advantage. On its part, dynamic capability is very important for sustained competitive advantage.

To that end, dynamic Capability should be considered during strategy implementation to determine the focus the organization should take. During SWOT analysis, the level of strategic quality implementation will can either be high or low. If the SWOT indicates that the level of strategy implementation is low, then the organization should embrace the search for operations effectiveness. If the level of implementation is high then the focus should be on fine tuning the various parameters of company strategy that are not well implemented to enhance the expected level of competitive advantage. These alternative theoretical approaches will depend on the guidance from the leadership of the organization, the external environment and top management team's belief that firm evolution plays an important role in developing dynamic capabilities.

5.5.2 Implications of the Study on Policy

The study bears significant implication for policy makers. A study by ILO (2000) argued that small scale enterprises were not synonymous to poverty. This argument may not suffice in Kenya where majority of micro and small enterprises are trapped in poverty and the owners have difficulty in raising adequate capital. In addition, Bowen, Morara and Mureithi (2009) pointed out that poor financing was one of the causes of small enterprise failure in Kenya. There is clear confirmation that a number of SMEs are run by poor people who lack the sufficient training and resources required to implement various strategies they could be having.

The Kenyan Government, aware of the role Small and Medium Sized Enterprises (SMEs) play in the economy, has taken steps to develop a legal and regulatory framework aimed at guiding and accelerating the growth of this sector. Due to Kenya's per capita income structure, most businesses would fall into the SME strata and as such any attempts by the Government to grow the economy would logically include development and sustenance of the SME sector. An SME operating in Kenya may be registered as a sole proprietorship, partnership or limited liability company.

In this context, most SMEs thrive on innovative ideas to build goodwill and grow their market share and as such they invariably generate valuable intellectual property (IP).

Looking outward, it is worth noting that countries that have made great strides in achieving their national development goals recognize the value of IP to SMEs and as such have clear policies relating to SMEs and IP. This study therefore can be used by policy makers in restructuring vision 2030 to address strategy implementation challenges facing Small and Medium Enterprises in Kenya.

5.5.3 Implications of the Study on Practice

The practices that have come out clearly include need to fully address challenges to strategy implementation. Managing under an environment characterized by changing technologies continue to frustrate adaptability by small enterprises whose resource resources limit the scope and speed of response to emerging changes. Change of technology has posed a great challenge to small businesses. Since the mid-1990s there has been a growing concern about the impact of technological change on the work of micro and small enterprises. Even with change in technology, many small business entrepreneurs appear to be unfamiliar with new technologies.

Those who seem to be well positioned, they are most often unaware of this technology and if they know, it is not either locally available or not affordable or not situated to local conditions. Foreign firms still remain in the forefront in accessing the new technologies. In most of the African nations, Kenya inclusive, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists. It should be noted that small enterprises are equally concerned with long term issues. This is manifested by the desire for growth and customer satisfaction.

Arguing that small enterprises lack strategies may be misleading because strategies do not necessarily have to written on paper. Many small enterprise owners have a vision, mission and clear objectives broken down to operational levels such as inventory sourcing. Albeit not written, small enterprises identify opportunities in the market and use strategies to take advantage of such opportunities. Managers of various institutions can use the results of this study to arm themselves better when dealing with strategy implementation challenges in the ever changing environment they operate in.

The study provided clear indications of key areas that need to be addressed to enhance success of strategy implementation. Consequently, the following recommendations were made. Preparation of strategy should be accompanied with realistic financing plan. It is important for managers to secure funds ahead or on course of the strategy implementation process, since competition is important to strategy implementation, it is necessary for organizations to continuously gather, process and disseminate market intelligence to people concerned with strategy implementation and need to monitor policy and regulatory environment as well as developments in the wider macro environment to ensure that organizations adapt to emerging changes. Implementation of strategy requires a review of organization structure with the intention of aligning it to new and existing strategies.

5.6. Recommendations for Future Research

Although the current study was successful in accomplishing its objectives, there is greater potential in addressing the limitations by pursuing the following areas of study.

There is need for investigating challenges to strategy implementation process. This will give a broader picture as opposed to a single stage that was addressed by the current study, Future studies need to adopt longitudinal research design to investigate challenges to strategy implementation, there are needs for modelling factors that contribute to success of strategy implementation process. Therefore, future studies need to use logit and probit model to describe factors that contribute to success or failure of strategy implementation and also need for widening the geographic scope of the study to include the entire Nairobi City County and beyond. This concern need to be addressed by future studies.

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APPENDICES

Appendix 1: Letter of Introduction

Dear Respondent, --

<u>RE: THE CHALLENGES OF STRATEGY IMPLEMENTATION FACED BY SMALL AND MEDIUM ENTERPRISES IN NAIROBI</u>

I am an MBA Candidate in the Department of Business Administration, School of Business, University of Nairobi. I am in my research year of my postgraduate studies focusing on "**The Challenges of Strategy Implementation faced by Small and Medium Enterprises in Kenya**". The objective of the survey component of the research is to establish the challenges facing SMEs in Strategy Implementation in Kenya.

Please be assured that this information is sought for research purposes only and your responses will be strictly confidential. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone.

All information will be used for academic purposes only. Please assist me in gathering enough information to present a representative finding on the current status of the challenges facing SMEs in Strategy Implementation in Kenya Your participation is entirely voluntary and the interview is completely confidential.

Thank you very much for helping with this important study.

Sincerely,

<u>Jacqueline O. Aseka</u>

+254724577226

Appendix 2: Questionnaire

(The information provided will be treated with utmost confidentiality)

RESEARCH TOPIC: THE CHALLENGES OF STRATEGY IMPLEMENTATION FACED BY SMALL AND MEDIUM ENTERPRISES IN KENYA

(A SURVEY OF SMALL AND MEDIUM ENTPRISES)

PART ONE: PERSONAL DATA

Please tick the option in the box provided that represents your response to the followings questions:

1. Indicate your gender

Female ☐ Male ☐

2. How old are you

a) 21 - 30 ☐ (b) 31-40 ☐ (c) 41 – 50☐ (d) Over 50 ☐

3. What is your highest level of education?

Education level	**Tick (✓)**
Primary	
Secondary	
Diploma	
Degree	

PART B: BUSINESS INFORMATION

4. What is the nature of your business?

Nature of business	**Tick (✓)**
Electronics	
Clothes and apparel	
Assorted housed-hold goods	
Telecommunications	
Pharmaceutical	
Money transfer (Mpesa/Zap)	
Other (specify)	

6. What is your training background?

Training background	**Tick (✓)**
Teaching	
Business management	
Accounting	
Engineering	
Agriculture	
Science	
Other (specify)	

7. How many years has your business been in operation?

Years	**Tick (✓)**
Less than 5	
5-9	
10-14	
15 and above	

8. What is the type of ownership?

Sole Proprietorship ☐

Partnership ☐

Limited Liability ☐

9. To what extent does your firm face each of the following challenges of strategy implementation?

Rate **Tick (✓)**
1= Not at all
2= Little extent
3=Moderate
4=Great
5=Very Great extent

	Strategy Implementation Challenges	**1**	**2**	**3**	**4**	**5**
	Internal Challenges					
a	Resistance to change					
b	Lack of management support and understanding					
c	Lack of sufficient training					
d	Lack of finances					
e	Ineffective Leadership					
f	Organization culture					
g	Organization structure					
h	Lack of clear communication strategy					
	External Challenges					
i	Government regulations					
j	Changing customer needs and demands					
k	Stiff competition					
l	Economic conditions- Recession/ Inflation rate					

Appendix 3: Additional Data on Challenges to Strategy Implementation

Table 4 a: Resistance to change

	Frequency	Percent
Not at all	1	3.3
Little extent	4	13.3
Moderate extent	8	26.7
Large extent	7	23.3
Very large extent	10	33.3
Total	30	100.0

Source: Primary Data

Table 4 b: Lack of management support and understanding

	Frequency	Percent
Not at all	3	10.0
Little extent	12	40.0
Moderate extent	11	36.7
Large extent	3	10.0
Very large extent	1	3.3
Total	30	100.0

Source: Primary Data

Table 4 c: Lack of sufficient training

	Frequency	Percent
Little extent	9	30.0
Moderate extent	12	40.0
Large extent	8	26.7
Very large extent	1	3.3
Total	30	100.0

Source: Primary Data

Table 4 d: Lack of finances

	Frequency	Percent
Moderate extent	4	13.3
Large extent	12	40.0
Very large extent	14	46.7
Total	30	100.0

Source: Primary Data

Table 4 e: Competition

	Frequency	Percent
Little extent	2	6.7
Moderate extent	6	20.0
Large extent	12	40.0
Very large extent	10	33.3
Total	30	100.0

Source: Primary Data

Table 4 f: Organizational culture

	Frequency	Percent
Not at all	6	20.0
Little extent	9	30.0
Moderate extent	10	33.3
Large extent	5	16.7
Total	30	100.0

Table 4 g: Organizational structure

	Frequency	Percent
Little extent	2	6.7
Moderate extent	8	26.7
Large extent	11	36.7
Very large extent	9	30.0
Total	30	100.0

Source: Primary Data

Table 4 h: Ineffective leadership

	Frequency	Percent
Not at all	3	10.0
Little extent	7	23.3
Moderate extent	8	26.7
Large extent	7	23.3
Very large extent	5	16.7
Total	30	100.0

Source: Primary Data

Table 4 i: Lack of clear communication strategy

	Frequency	Percent
Not at all	8	26.7
Little extent	7	23.3
Moderate extent	6	20.0
Large extent	6	20.0
Very large extent	3	10.0
Total	30	100.0

Source: Primary Data

Table 4 j: Technology

	Frequency	Percent
Not at all	1	3.3
Little extent	5	16.7
Moderate extent	10	33.3
Large extent	6	20.0
Very large extent	8	26.7
Total	30	100.0

Source: Primary Data

Table 4 k: Changing customer needs and demands

	Frequency	Percent
Not at all	4	13.3
Little extent	7	23.3
Moderate extent	10	33.3
Large extent	5	16.7
Very large extent	4	13.3
Total	30	100.0

Source: Primary Data

Table 4 l: Economic conditions

	Frequency	Percent
Not at all	2	6.7
Little extent	4	13.3
Moderate extent	7	23.3
Large extent	7	23.3
Very large extent	10	33.3
Total	30	100.0

Source: Primary Data

Table 4 m: Government regulation

	Frequency	Percent
Moderate extent	5	16.7
Large extent	13	43.3
Very large extent	12	40.0
Total	30	100.0

Source: Primary Data