STRATEGIC PLANNING AMONG SMALL AND MEDIUM ENTERPRISES IN NAIROBI COUNTY

BY

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NOVEMBER 2014
DECLARATION

This is my original work and has not been submitted in any other university for examination.

Leon Kiptum Kidombo
D61/75993/2012
Sign: ………………………… Date: ………………………………..

This project report has been submitted with my approval as the university supervisor.

Sign: ………………………… Date: ………………………………..

Prof. Evans Aosa

Department of Business Administration
DEDICATION

This project is dedicated to all innovative and resilient men and women driving the Kenyan economy through small and medium enterprises.
ACKNOWLEDGEMENTS

In a vast undertaking of this nature, it is not possible to acknowledge the contribution of all. However, the temptation to acknowledge the role of the following is irresistible.

First, it is God who provided guidance, love and grace towards the writing as well as the publication – making it a successful venture. Secondly, my immediate family, where I have received overwhelming support and encouragement to see this through. I wish to recognize the role played by my lecturers. Special tribute goes to Professor Evans Aosa - my supervisor for his tireless efforts in guiding and correcting my work.

I also thank the respondents who took their time to respond to the questionnaire.

Lastly I thank my fellow students, colleagues, relatives and friends who assisted me in one way or the other to make this work a success. God bless you all.
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<td>Central Business District</td>
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<td>CBK</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>Ksh</td>
<td>Kenya Shillings</td>
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<td>MBO</td>
<td>Management by Objectives</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>RBV</td>
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<td>Small and Medium Enterprise</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>Strengths, Weaknesses, Opportunities, Threats</td>
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ABSTRACT

Strategic frameworks and tools of analysis have been the subject of much academic debate over the last three decades. Strategic planning is one of these frameworks and tool which is a step-by-step process, ongoing and results-oriented roadmap that enables an organisation to achieve its mission and vision. Numerous articles in academic publications as well as practitioner-oriented journals have emphasized the importance of strategic planning, not only for large firms but for small businesses as well. Despite the importance of strategic planning in enabling businesses to handle challenges arising from their environment and thus enhancing competitiveness, the reasons why some Small and Medium Enterprises (SMEs) engage in strategic planning while others do not is generally not well understood yet SMEs play a major role in economic development in almost all world economies including Kenya. The purpose of the study was to investigate strategic planning practices and the factors that influence strategic planning in SMEs in Kenya. The study was a cross-sectional survey which used both qualitative and quantitative data where primary was used. Primary data was gathered by way of questionnaires. The population of the study were owners and key employees drawn from SMEs operating in Nairobi County. The study sample was 387 SMEs where the owner or key employee was administered with a questionnaire. Descriptive statistics was used to analyse the data and the results presented in form of figures and tables. The study has found that majority of the SMEs surveyed had adopted components of strategic planning to a great extent. The study found that SMEs had in place visions, missions, goals and targets, and undertook business performance evaluation. The study also found that specialised expertise (education, business training and management expertise), size of firms (number of employees and annual turnover) facilitated strategic planning. On the other hand lack of financial and time resource were found to be barriers towards strategic planning in the SMEs surveyed. The study recommends identification and categorisation of the factors influencing strategic planning to enable enhancement of those that facilitate them and mitigation on the influence of the barriers. The study also recommends increased investment into the SME sector in form of technical and financial support.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The academic field of strategic planning has a relatively long history with origins dating back to the 1960s (Furrer, Thomas & Goussevskaia, 2008; Grant, 2007). The term strategic planning originated in the 1950s, gained popularity from mid 1960s to 1970s and was widely believed to be the answer for all organizational and public management problems. However, it was cast aside during the 1980s as various planning models did not yield higher returns. The 1990s brought the revival of strategic planning as a process with particular benefits in particular contexts (Mintzberg, 1994).

Strategic planning is a disciplined effort to produce fundamental decisions shaping the nature and direction of organization activities within constitutional bonds (Olsen & Eadie, 1982). According to Bryson (2011), these fundamental decisions and actions shape and guide what an organization is, what it does and why it does it with a focus on the future. Moreover, it is a combination of ideas between time-frames and important matters in an organization.

It has often been stated that conventional strategic planning is rather uncommon in SMEs (Lerchster & Ukowski, 2009; Deimel & Kraus, 2007; Schon & Foschiani, 2007). Okpara and Wynn (2007) carried out an exploratory study to examine the reasons for business failure in Nigeria which revealed major obstacles as: lack of financial support, lack of management experience, corruption, lack of training and inadequate book-keeping. The argument going by their findings is that SMEs use fewer planning tools, strategic analysis methods, evaluation practices and control systems. According to Torres (2004) and Wang et al. (2007) SME leaders mostly act on vague visions and intuition for decision-making as opposed to strategic plans. Conventional strategic planning is uncommon in SMEs and is attributed to factors influencing its adoption such as insufficient time and/or financial resources (Okpara & Wynn, 2007; McAdam, 2002), knowledge gaps in the field of strategic planning (King & McGrath, 2002), lack of awareness and experience (Gibb &
Scott, 1985; Mazzarol, 2003), managerial knowledge (Macpherson & Holt, 2007) and perception it is dependent on company size and hence a preserve for large corporate organizations where formalization is the most common dimension of strategic planning and increases based on results, differentiation and enterprise growth (Matthews & Scott, 1995).

Estimations are that there are 7.5 million SMEs in Kenya, providing employment and income generation opportunities to low income sectors of the economy and the number is steadily rising. Various studies have highlighted the role of strategic planning as critical in the survival of such business enterprises. In fact, recent scientific developments show that attention towards individual actions in strategic processes has increased even though a lack of strategic planning in SMEs is regularly reported (Wang et al., 2007).

1.1.1 The Concept of Strategic Planning

Strategic planning according to Mintzberg (1994) is a process of conception – the use of basic ideas to design strategy where the most essential aspect is the fit between external and organizational factors. He further argues that external factors are analysed in the form of threats and opportunities facing an organization while internally appraising the strengths and weaknesses of the organization itself.

Scholars and practitioners have argued that strategic planning is instrumental in helping management to set priorities, focus energy and resources, strengthen operations, ensure stakeholders including employees are aligned towards common goals to enable the organization respond well to its changing environment. It is concerned with the setting of long-term organizational goals, the development and implementation of plans to achieve these goals, and the allocation or diversion of resources necessary for realizing these goals (Stonehouse & Pemberton, 2002). This has been known to generate positive outcomes for firms of all sizes. Ohmae (1982) and O’Rhegan and Ghobadian (2002) stated that the purpose of strategic planning is to enable a business gain as efficiently as possible, a sustainable edge over its competitors.
While some will take a short term view, others describe strategic planning from a long-term perspective. Lorange and Vancil (1976) suggest that, conceptually the strategic planning process is simple: managers at every level of a hierarchy must ultimately agree on a detailed, integrated plan of action for their coming year. Naylor (1979) on the other hand defines strategic planning as “long range planning with a time horizon of three to five years” while Saunders and Tuggle (1977) describe it as organization planning which covers all major functions, which is inclusive of all goals as well as means and which is long-range in nature.

While some researchers have focused their understanding of the concept on longevity of the application process in an organization, other authors argue that strategic planning should deal with certain important issues. From a broad and all-encompassing view, strategic planning is concerned with the development of a viable match between an organization’s capabilities and the risks present in its environment (Hofer, 1976). Litschert and Nicholson (1974) suggest that strategic planning is the highest level of decision-making concerning a company’s basic direction and purpose in order to assure long-term health and vitality to the organization. Such decisions tend to be enduring i.e. not easily reversible – broad in scope, and concerned with goals and means of attainment.

According to Fox (1975), the term strategic planning connotes identification and action on important matters, matters that are important in the longer term. This view of the concept combines the ideas of time (is it a long-term or a short term ride?) and matters of importance to an organization. These and other previous studies suggest that the concept of strategic planning is a combination of ideas between time-frames and important matters in an organization (Mintzberg, 1994; Mintzberg & Quinn, 1996).

While strategic planning has been widely adopted by large organizations in the private sector and more recently in the public sector (Bryson, 2011); it appears not to have found much popularity in the Small and Medium Enterprises (SME) sector. Research has consistently shown that most SMEs do not engage in strategic planning (Robinson & Pearce, 1984; Sexton and van Auken, 1985; Beaver, 2003). Gaskill, van Auken and
Manning (1993) and Perry (2001) argue that SMEs that engage in strategic planning are less likely to be those that fail.

1.1.2 SMEs in Kenya

SMEs which have been described as establishments with between one and two hundred employees and sales turn-over of three million to as high as one hundred million (Garikai, 2011; OECD, 2004) are considered to be key economic development driving forces in nearly all economies. Past research clearly documents the importance of SMEs to world economies (Birch, 1989; Storey, 1994) since they make up the largest business sector in most countries (Culkin & Smith, 2000). According to Abdullah and bin Bakar (2000), governments around the globe are increasingly promoting and supporting SME growth as part of their overall national development strategy. The Kenya government in keeping with global trends has identified SMEs as key economic drivers towards meeting its Vision 2030 aspirations of converting the country into a middle income economy by the year 2030.

Small and Medium Enterprises (SMEs) play a major role in economic development in Kenya. Statistics from the Central Bank of Kenya (CBK) indicate that the informal sector represents over 90% of private businesses, contributes to more than 50% of GDP and accounts for about 63% of employment in most East African economies. The sector employs 74% of the labour force and contributes over 18% of Kenya’s GDP (Republic of Kenya, 2005) and immensely to key economic agendas which include employment creation, investment distribution, social welfare and poverty eradication. In fact the sector’s contribution to the Gross Domestic Product (GDP) increased from 13.8 per cent in 1993 to about 40 per cent in 2008 and provided approximately 80% of total employment contributing over 92% of the new jobs created in 2008 according to the Economic Survey (Republic of Kenya, 2009). The Small Enterprise Sector and/or Informal Sector therefore, is paramount for the country’s industrialization in the near future. According to the Economic Survey (Republic of Kenya, 2009), the contribution of the SME sector to new job creation in Kenya in the same year was 79.8%.
Despite this great contribution to the economy, SMEs in Nairobi County continue to encounter a series of challenges and constraints that inhibit growth. Gerber (2001) noted that the survival rate of most of these institutions is five years on average and approximately 80% of SMEs will be non-existent within this period.

1.2 Research Problem

There have been numerous studies done about strategic planning in the global business environment with several authors having supported the planning process based on their past research. According to Kargar and Parnel (1996), strategic planning leads to better ability to cope with the challenges in the globalized, regionalized and liberalized world order and enables long term survival of both large and small enterprises. Pearce and Robinson (2011) assert that strategic planning can result in strategic change that may increase strategy-environmental fit and hence become a source of sustainable competitive advantage. Strategic planning therefore consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance (Tapinos et al., 2005).

According to the Economic Survey (Republic of Kenya, 2012), the SME sector contributed 79.8% of new jobs created in the year 2011 in Kenya. Consequently, Kenya’s development plans for the 1989-1993; 1994-1996 and 1997-2001 periods put special emphasis on the contribution of SMEs in the creation of employment in the country (Republic of Kenya, 2012). In fact, job creation in this sector went up by 5.1 percent in 2011. In spite of their importance to economic development, SMEs are plagued by high failure rates and levels of poor performance (Jocumsen, 2004), yet they not only dominate in absolute numbers but remain key drivers of employment and economic growth forming crucial links in the supply chain for large scale capital intensive manufacturing industries (Robinson & Pearce, 1984; Abdullah, 2000; Wang, Rowe & Cripps, 2006). Sessional Paper No. 2 (Republic of Kenya, 2005) and Ministry of Economic planning report on SMEs (Republic of Kenya, 2007) show that three out of five SMEs fail within their first three years of operation. Comprehensive reviews of previous studies into SMEs suggest that a key determinant of business success lies in the absence or presence of strategic planning (Lurie, 1987; Shwenck & Shrader, 1993; Miller & Cardinal 1994; Hormozi et al., 2002).
Aosa (1992) carried out a study to investigate the aspects of strategy formulation and implementation within large, private manufacturing companies in Kenya and found out that formal strategic planning was practiced in Kenya’s large manufacturing companies. His findings asserted that formal strategic plans are drawn and implemented by local Kenyan companies and in other indigenous companies in the developing world. However, Bowen, Morara and Mureithi (2009) observed that as with many developing countries, there are few scholarly studies about the SME sector in Kenya, which supports suggestions that not as much is known of strategic planning in developing countries; in particular the effect on small and medium sized businesses (Berry, 1998; Aldehayyat & Twaissi, 2011). In this regard, a gap in knowledge of strategic planning among SMEs in Kenya was identified thus providing an opportunity for further study.

Despite the importance of strategic planning in enabling businesses to handle challenges arising from their environment and thus enhancing competitiveness (Shwenck & Shrader, 1993), the reasons why some SMEs engage in strategic planning while others do not is generally not well understood (O’Reagan & Ghobadian, 2002). The purpose of this research was to investigate and analyse strategic planning among SMEs licensed and operating in Nairobi County. Do SMEs in Nairobi County engage in strategic planning? What are the factors that influence strategic planning among the SMEs?

**1.3 Research Objectives**

The study was guided by the following objectives:

(i) To investigate strategic planning practices in SMEs in Nairobi County.

(ii) To examine factors influencing strategic planning by SMEs in Nairobi County.

**1.4 Value of the Study**

The findings of this study will have significant value to the body of knowledge by creating better understanding of strategic planning as a field of study, factors influencing its adoption among SMEs as well as the small and medium business landscape in Kenya.
It will be of use to students of strategic planning, consultants in the field, government bodies concerned with growth and development of SMEs in Nairobi County and Kenya in general as outlined in Vision 2030, as well as owners and managers of small and medium sized businesses. The study will therefore contribute to strategic planning theory, practice, policy and research.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

In this chapter, previous literature on the concept of strategic planning, the nature and history, and the strategic planning process is reviewed in order to establish the current state of knowledge. The chapter begins by highlighting the theoretical underpinnings of the study.

2.2 Theoretical Foundations of the Study

An analysis of previous research reveals a rather wide variation on the schools of thought published on the concept of strategic planning with several theories such as the resource-based view, dynamic capability approach, institutional theory and the organizational routines theory contributing to the foundations.

The resource-based view of a firm (RBV) has experienced a rapid diffusion throughout strategic planning literature (Priem & Butler, 2001). While Wernerfelt (1984) coined the term in 1984, and despite writings in the late 1950s (Penrose, 1959) that argued that a firm is a combination of productive resources, many see Barney (1991) as the father of RBV. The latter states that RBV examines the link between a firm’s internal characteristics and performance. A firm’s aim must be to achieve competitive advantage over its competitors, which it ideally derives from valuable resources that are superior in use, hard to imitate and difficult to substitute. According to Barney (1991) resources can be classified into three categories: physical capital resources (Williamson, 1975) such as plant and equipment, human capital resources (Becker, 1964) such as training relationships and experience, and organizational capital resources (Tomer, 1987), for example, reporting structure, formal/informal planning and controlling.

More recently, the debate has moved on to a dynamic capability approach. It has been claimed that dynamic capabilities enable firms to alter their resource base, which in turn
would be the source of competitive advantage (Eisenhardt & Martin, 2000). This conceptual approach focuses on firm competitiveness in changing environments. Teece, et al. (1997) state that ‘dynamic’ refers to a rapidly-changing environment while ‘capabilities’ include internal and external organizational skills and processes, functional competencies and learning paths. The authors set out and define dynamic capabilities in terms of reconfiguring resources to meet changing competitive conditions. In relation to strategic planning it is evident that the characteristics of the process have changed and adapted over time to suit environmental influences.

Another theoretical lens that can shed light on strategic planning systems is institutional theory which recognizes the embedment of institutional actors in an environment of formal and informal rules (North, 1990). Institutional theorists (DiMaggio and Powell, 1983; Scott, 2001) suggest that organizational actions and processes are driven by their actors in order to justify and plausibly explain their actions. According to this perspective, strategic planning processes are rationally accounted for by organizational actors and rooted in the normative and social context that motivates actors to seek legitimacy (Dacin et al., 2007). Fundamentally, the suggestion is that the literature should reconcile the legitimacy of strategic planning instead of its efficiency. Through various cognitive, normative and regulative forces organizations adopt a standardized set of practices (Scott, 2001). In other words, an organization is composed of three pillars; the cultural-cognitive, normative, and regulative elements that together with associated activities and resources provide stability to social life.

The organizational routines theory implies that organizational routines can be seen as people within an organization producing some type of regular work. Early studies dating back to 1958 found that organizational routines are a way of coordinating an organization (March & Simon, 1958). Today, organizational routines are still investigated; however, not all researchers have a common understanding of what these routines are and what they actually do. By discussing the meaning and impact of this aspect in the field’s literature it will become clear why and how routines can help to understand the process of strategic planning in organizations. In the past, the concept of organizational routines was theorized in ways best described by three metaphors: programs, habits and genes (Feldman &
Pentland, 2003). First, individual habits dictated an automatic response; they required no thought. Secondly, a stream of research emerged over the years establishing the concept firmly in their thinking about evolutionary economics and change (Nelson & Winter, 1982). Here, organizational routines were seen as a process comparable to computer programs or heuristics. Evolutionary theories tried to explain the inertial quality of organizational structure with routines (Nelson & Winter, 1982; Hannan & Freeman, 1984) by describing them as skills and capabilities of an organization.

2.3 The Concept of Strategy

Until the 1940s, strategy was seen primarily as a matter for the military. Military history is filled with stories about strategy. According to James’ 1810 Military Dictionary, it differs from tactics, which are immediate measures in face of an enemy. Strategy concerns something “done out of sight of an enemy.” Its origins can be traced back to Sun Tzu’s The Art of War from 500 BC. Strategic planning as a concept finds its origin in the 1950s and 1960s with numerous influential early contributors (Chandler, 1962; Selznick, 1957; Ansoff, 1965; Drucker, 1954; Porter, 1985) developing the discipline from earlier thinking and texts on strategy dating back thousands of years.

Chandler (1962) recognized the importance of coordinating management activity under an all-encompassing strategy. He stressed the importance of taking a long term perspective when looking to the future. In his 1962 ground breaking work Strategy and Structure, Chandler showed that a long-term coordinated strategy was necessary to give a company structure, direction and focus. Selznick (1957) formalized the idea of matching the organization's internal factors with external environmental circumstances. This core idea was developed into what we now call SWOT analysis. Ansoff (1965) built on Chandler's work by developing a grid that compared strategies for market penetration, product development, market development and horizontal and vertical integration and diversification. He felt that management could use the grid to systematically prepare for the future.

According to Drucker (1954), the procedure of setting objectives and monitoring progress towards them should permeate the entire organization. He stressed the value of managing
by targeting well-defined objectives. This evolved into his theory of management by objectives (MBO). Porter (1985) argued that strategy targets cost leadership, differentiation or focus. These are known as Porter’s three generic strategies and can be applied to any size or form of business. Kim and Mauborgne (2005) countered that an organization can achieve high growth and profits by creating a Blue Ocean Strategy that breaks the trade off by pursuing both differentiation and low cost.

Chaffee (1985) concluded that there are three models of strategy based on aspects that previous authors in the field appear to agree. She suggests that the three strategy models i.e. linear, adaptive and interpretive are implicit in previous work and asserts that no controversy surrounds the existence of strategy and no debate has arisen regarding the nature of its anchoring concept. Its application remains multidimensional, situational and varies depending on industry asserting that strategy implementation follows sound formulation. Aosa (1992) emphasizes that strategies are not valuable if they are developed and not implemented.

2.4 The Strategic Planning Process

According to Mintzberg and Quinn (2002) steps in the strategic planning process include, vision and mission statements formulation that describe the purpose of the business, goal setting spelling out the overall directions that are desired to be achieved by the plan, setting of objectives that articulate specific outcomes that will achieve the goals and the criteria that will be used to measure outcomes, description of activities that will be engaged in to achieve objectives, an evaluation plan that describes how the strategies will be assessed to ensure they have achieved the stated criteria, and a dissemination criteria that describes how the plan will be shared with all stakeholders. Since strategic planning should contribute to performance (Tapinos et al., 2005), previous studies have pitched the process involved as multidimensional and consists of goals and objectives set for at least three years into the future, its relationship with the environment, formalization in writing of plans, monitoring, evaluation and modification criteria and unanticipated environmental and firm characteristics (Philips & Peterson, 1999; Kraus et al., 2006).
According to Bradford et al. (2000), Strategic planning processes can vary. However, many processes use similar elements to collect and organize information. Some of the elements often seen in strategic plans include: vision, guiding principles/shared values, mission, organizational structure, situational analysis, goals and objectives, project work plans (actions plans), financial plan, communications and evaluation plans. The process is strategic because it involves preparing the best way to respond to the circumstances of the organization’s environment and awareness of available resources to do so, it is about planning because it involves intentional setting of goals, and it is disciplined as a key prerequisite to success is order and pattern for the purpose of focus and productivity. Finally, it is about fundamental decisions and actions that need to be made at every stage of implementation (Bradford et al., 2000; Olsen & Eadie, 1982, Bryson, 2011).

Holloway and King (1979) define strategic planning as the process of positioning an organization so that it can prosper in the future. There are several implications that flow from this definition that describe steps in the strategic planning process. First, it is about decision making. Secondly, there are long-range connotations. Next, it has to do with the inevitable obsolescence of existing products or processes and the provision for new ones to take their places in order to rightfully position the organization at every point in its life cycle. Finally, it deals with choices related to the organization itself as opposed to personal choices. Hall (1974) seems to have nearly the same view by defining strategic planning as long-range anticipatory decision making which is undertaken to affect the direction of the entire organization.

However, explicit emphasis on environmental change is made in defining long-range strategic planning as a process which allows organizational members to assess the future and make provision for it (Carlson, 1978). The process entails clear definition of the business; its vision, goals and objectives, clear market segmentation, identification of value propositions for competitive advantage, development of sales and service models supported by an organization structure and generation of sound business processes for long-term results (Hall, 1974; Mintzberg, 1994).
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research design and methodology that was employed to gather data for the study which includes the research design, sources and type of data, sampling design including sample size selection and sampling procedure, and data collection techniques and instruments as well as data collection procedures and data analysis.

3.2 Research Design

Research design is the general plan of how one goes about answering the research questions. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems.

This study was a cross-sectional survey. This is because it was undertaken at a particular point in time and the same variables were measured across all respondents. The study took a descriptive approach in which both qualitative and quantitative data was utilised. According to Mugenda and Mugenda (1999), the purpose of descriptive research is to identify possible behaviour, attitudes, values and characteristics with emphasis on frequency of occurrence.

3.3 Population of the Study

Population in statistics is the specific population about which information is desired. According to Sekaran (2004), a population is a well-defined or set of people, services, elements, events and group of things or households that are being investigated. A population means the complete census of the sampling frames. According to Mugenda and Mugenda (2003), population studies also referred to as census are more representative because everyone has an equal chance to be included in the final sample that is drawn.
The population of interest in this study constituted registered SMEs in the Central Business District (CBD) of Nairobi County. According to Nairobi County, by December 2013 there were 30,252 registered SMEs in Nairobi County (Nairobi City Council, 2013). Out of these, 11,753 SMEs are found in Nairobi’s CBD.

3.4 Sample Design

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample will be selected (Cooper & Schindler, 2003). Subjecting the whole target population to investigation is difficult due to prohibitive costs and temporal requirements. Nachmias and Nachmias (1996) emphasize the need for a sample which is a subject of the target population through which the requisite information can be obtained at reasonable costs. Samples should be as representative as possible because too small a sample is likely to yield under estimated information that may not reflect the actual population characteristics or perception (Brewer & Collins, 1981).

Cooper and Schindler (2000) define a sampling frame as the list of elements from which the sample is drawn. The population of this study comprised of all types of businesses that fit in the definition of SMEs as described in earlier chapters of this proposal. Simple random sampling was used to select a representative sample from the Central Business District of Nairobi County. Yamane (1967) suggests that sample size should be computed based on the following formula;

\[ n = \frac{N}{1 + Ne^2} \]

Where \( N = \) Target Population = 11,753.

\( e = \) significance level =5%

\[ n = \frac{11,753}{1 + 11,753e^2} \]

\[ = \frac{11,753}{30.36} \]

\[ = 387 \]

Based on this and taking into account the possibility of non-response from some respondents the data was collected from the entire sample population of 387.
3.5 Data Collection

Data collection involves the use of primary and secondary sources of data in order to elicit information, facts, evidence, proofs or truth regarding the research problem. The study used a semi-structured questionnaire to collect the relevant data. The questionnaire consisted of a list of structured questions, un-structured questions and Likert rating scales relating to the field of inquiry with space provided for selection of choices and explanatory answers.

Close ended questions have the advantage of collecting viable quantitative data while open-ended questions allow the respondents freedom of answering questions and the chance to provide in-depth responses. Questionnaire was preferred because it is efficient, cheap and easy to be administered. The questionnaires were administered through drop and pick to enable proper profiling of respondents as well as provide a brief explanation on the purpose and importance of the study.

3.6 Data Analysis

The data collected was both qualitative and quantitative. Throughout the period of collection, the data was checked for consistencies and completeness and cleaned. The cleaned data from the questionnaires was coded and entered into Statistical Package for Social Sciences (SPSS) to assist in generating the results for ease of presentation and interpretation.

The analysis of quantitative data was done in terms of descriptive statistics such as frequencies, percentages; mean and other descriptive statistics such as standard deviations were run to improve the analysis of data. Quantitative data was presented by use of tables and figures. The presentation was enhanced by narrative explanation of the tables, charts and graphs. Qualitative data gathered was analysed based on the themes through a thematic and content analysis. The analysis was based on the main themes (research questions and hypothesis) of the study focusing on issues and patterns emerging from the responses. The emerging salient patterns were then discussed in line with the quantitative data results. The qualitative data was presented in narrative form.
4.1 Introduction

This chapter presents the results and findings as analysed from the data collected. The main objective of this study was to analyse strategic planning practices in SMEs and the barriers encountered by the SMEs in their strategic planning practices. Three hundred and eighty seven (387) questionnaires were administered to owners and key employees of SMEs operating in Nairobi’s CBD. Three hundred and one (301) questionnaires were satisfactorily filled and used in the study. This represents a 77.7% response rate. The responses were analysed using descriptive statistics and results were presented in tables and figures (pie charts and bar graphs).

4.2 General Information

The researcher found it important to establish the general information of the respondents since it forms the basis under which the study can rightfully access the relevant information. The general information presented respondents issues such as gender, country of origin, nature of business and business registration in Kenya. This information was deemed relevant to enable the study get a profile of the respondents and thus the SMEs.

4.2.1 Gender of the Respondents

This section sought to find out the gender of the respondents. The results are presented in Figure 4.1.
Results in Figure 4.1 show that majority of the respondents (64.5%) were male while 35.5% were female. The results show that the respondents were fairly distributed across the genders and the results thus have no gender bias.

4.2.2 Age of the Respondents

The study also sought to know the age distribution of the respondents. This was meant to find out whether there are any age biases and whether the findings were representative of varied age groups. This is shown in Figure 4.2.
Results in Figure 4.2 show that 29.6% of the respondents were between 26-35 years of age, 24.9% were between 40-50 years of age while 20.6% revealed that they were between 36-40 years of age. On the other hand, 14.6% of the respondents indicated that they were between 21-25 years of age while 9.6% were above 50 years of age. Indicatively, 65.5% were 40 years and below.

### 4.2.3 Country of Origin

The study also sought information on the country of origin of the respondents with results illustrated in Table 4.1.

<table>
<thead>
<tr>
<th>Origin</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>7</td>
<td>2.3</td>
</tr>
<tr>
<td>Kenya</td>
<td>289</td>
<td>96.0</td>
</tr>
<tr>
<td>Somalia</td>
<td>5</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>
The results in table 4.1 above show that majority of the respondents (96%) were Kenyans, 2.3% were of Indian origin while 1.7% of the respondents were of Somali origin. The results show that majority of SMEs in Nairobi CBD are owned or operated by Kenyans.

4.2.4 Registration of the Business

The study also sought to find out whether the SMEs were registered with results presented in Figure 4.3.

![Figure 4.3: Whether Business is registered](image)

On the registration of the business, an overwhelming 95.7% of the respondents indicated that they had registered their business. However, 4.3% of the respondents indicated that they had not registered their business. This shows that majority of the SMEs operating in Nairobi CBD are registered with the relevant authorities.

4.3 Strategic Planning Practices in SMEs

In this section the study sought insights into the strategic planning practices in the SMEs. A number of questions were posed seeking understanding on various aspects and components of strategic planning among the SMEs sampled. The results obtained are discussed in the following subsections.
4.3.1 Business Vision and Mission

The respondents were asked to indicate whether their business had a documented vision and mission statement. The findings are presented in Table 4.2 below.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>235</td>
<td>78.1</td>
</tr>
<tr>
<td>No</td>
<td>66</td>
<td>21.9</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The study results shows that majority of the respondents (78.1%) indicated that they had a documented vision and mission statement for their business. However, 21.9% of the respondents revealed that they did not have a documented vision and mission statement. The results paint an interesting picture showing that SMEs have in place business vision and missions to guide their operations.

4.3.2 Extent the Business is Aligned to the Vision

In this sub-section, the study sought to establish the extent to which the business was currently aligned to the vision for the business. The results are shown in Table 4.3.

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Great Extent</td>
<td>49</td>
<td>16.3</td>
</tr>
<tr>
<td>Great Extent</td>
<td>128</td>
<td>42.5</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>96</td>
<td>31.9</td>
</tr>
<tr>
<td>Little Extent</td>
<td>28</td>
<td>9.3</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>
On the extent to which the business was aligned to the vision, the study shows that 42.5% agreed to a great extent while 16.3% agreed to a very great extent that their businesses were aligned to the vision. However, 31.9% revealed that their businesses were aligned to the vision to a moderate extent while 9.3% agreed to a little extent.

4.3.3 Setting Goals and Targets for the Business

The respondents were asked to indicate whether they set goals and targets for their business. The results are presented in Figure 4.4 below.

The study shows that an overwhelming 92.7% of the respondents revealed that they did set goals and targets for their business. However, 7.3% of the respondents revealed that they did not set any goals or targets for their business.

4.3.4 Frequency of Setting Goals/Targets for the Business

The respondents were asked to indicate how often they set goals or targets for their business. The findings are presented in Figure 4.5 below.
The study shows that 41.5% of the respondents revealed that they set their goals/targets monthly while 26.2% revealed that they set their goals quarterly. On the other hand, 12.3% revealed that they reviewed they set their goals/targets annually, while 10% indicated that they reviewed them daily and weekly respectively.

4.3.5 Evaluating the performance of the Business

In this sub-section the study sought to know whether the SMEs evaluated their business performance. The results are shown in Table 4.4.

<table>
<thead>
<tr>
<th>Table 4.4: Whether SMEs Undertake Business Performance Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
The results show that an overwhelming 96.3% of the respondents revealed that they evaluated the performance of their business. Only 3.7% of the respondents revealed that they had not evaluated the performance of their business.

4.3.6 Frequency of Evaluating the Performance of the Business

In this sub-section the study sought to understand the frequency of evaluating business performance among the SMEs. The results are illustrated in Figure 4.6 below.

![Figure 4.6: Frequency of Evaluating Business Performance](image)

Figure 4.6 shows that 45.5% of the respondents revealed that they evaluated the performance of their business monthly while 21.9% revealed that they evaluated the performance quarterly. On the other hand, 13.6% revealed that they evaluated the performance of their business daily, 11.6% revealed weekly while 7.3% evaluated the performance annually.

4.3.7 Extent Performance Evaluation influences Future Plans

In this sub-section the study sought to find out the extent to which business performance evaluation among the SMEs influence their future plans. The results are shown in Table 4.5.
Table 4.5: Influence of Performance Evaluation on Future Plan

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Great Extent</td>
<td>44</td>
<td>14.6</td>
</tr>
<tr>
<td>Great Extent</td>
<td>177</td>
<td>58.8</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>65</td>
<td>21.6</td>
</tr>
<tr>
<td>Little Extent</td>
<td>14</td>
<td>4.7</td>
</tr>
<tr>
<td>No Extent</td>
<td>1</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The study shows that 58.8% of the respondents revealed that performance evaluation influenced the plan for the future to a great extent while 14.6% revealed that it influenced to a very great extent. However, 21.6% agreed to a moderate extent while 4.7% indicated that the performance evaluation influenced the plan for the future to a little extent.

4.4 Factors Influencing Strategic Planning by SMEs

The second objective of the study sought to examine how five identified factors (specialised expertise, management experience, resources, size of business and perception towards planning) influence strategic planning among SMEs. The results are discussed in the following subsections.

4.4.1 Specialized Expertise and Strategic Planning

In this section the study sought to assess specialised expertise among the owners and employees of the SMEs and its link to strategic planning practices. The study began by seeking insight into the education levels of the respondents as a gauge to the academic qualification of owners or key employees in the SMEs. The results are illustrated in Table 4.6.
Table 4.6: Level of Education

<table>
<thead>
<tr>
<th>Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>10</td>
<td>3.3</td>
</tr>
<tr>
<td>Secondary</td>
<td>58</td>
<td>19.3</td>
</tr>
<tr>
<td>College Diploma</td>
<td>138</td>
<td>45.8</td>
</tr>
<tr>
<td>University Degree</td>
<td>95</td>
<td>31.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The results show that 45.8% of the respondents had college diplomas and 31.6% had attained university degrees. Majority of the respondents fell in these two levels which implies that majority of the respondents were highly educated. On the other hand, 19.3% of the respondents revealed that they had reached secondary school level while 3.3% had reached primary level.

Furthermore, the respondents were asked to indicate whether they had attended any form of training on business management. The findings are presented in Table 4.7.

Table 4.7: Training on Business Management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>190</td>
<td>63.1</td>
</tr>
<tr>
<td>No</td>
<td>111</td>
<td>36.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Results in Table 4.7 show that 63.1% of the respondents indicated that they had attended training on business management. However, 36.9% of the respondents revealed that they had not attended any training on business management. This implies that majority of the respondents had relevant training to enable them run their businesses.
In this section, the study also sought to establish the extent to which education and training influenced the SMEs to plan strategically. The findings are presented in Table 4.8.

<table>
<thead>
<tr>
<th>Extent</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Great Extent</td>
<td>54</td>
<td>17.9</td>
</tr>
<tr>
<td>Great Extent</td>
<td>141</td>
<td>46.8</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>84</td>
<td>27.9</td>
</tr>
<tr>
<td>Little Extent</td>
<td>19</td>
<td>6.3</td>
</tr>
<tr>
<td>No Extent</td>
<td>3</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The results show that 46.8% indicated that education and training influences SMEs strategic planning to a great extent and 17.9% indicated that education and training influences SMEs strategic planning to a very great extent that. However, 27.9% of the respondents revealed that education and training influenced SMEs strategic planning to a moderate extent while 6.3% indicated the influence was only to a little extent. This shows that training and education facilitate strategic planning and thus were not barriers to strategic planning in SMEs.

### 4.4.2 Management Experience and Strategic Planning

In this section the study sought to assess management experience among the owners and key employees of the SMEs and its relation to the strategic planning practices. The study sought information on the duration which the key employees and owners involved in the study had run the SMEs. The results are shown in Figure 4.7.
The results show that 35.5% of the respondents revealed that they had been running a business for 6-10 years, 34.2% indicated that they had been running a business for 1-5 years. On the other hand, 23.9% indicated that they had been running a business for 11-15 years while 3% indicated they had run a business for more than 15 years.

On previous management experience, the study sought to establish whether the respondents had management experience before starting the business. The results are presented in Table 4.9.

### Table 4.9: Management Experience Prior to Starting SMEs

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>160</td>
<td>53.2</td>
</tr>
<tr>
<td>No</td>
<td>141</td>
<td>46.8</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The results show that 53.2% revealed that they had management experience before starting their businesses. However, 46.8% of the respondents indicated that they did not have any management experience before starting their businesses.

The study further sought to understand the nature of management experience of the owners or key employees who were the respondents.

**Table 4.10: Number of Years with Management Experience**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below One</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>1-5</td>
<td>107</td>
<td>35.5</td>
</tr>
<tr>
<td>6-10</td>
<td>44</td>
<td>14.6</td>
</tr>
<tr>
<td>10-15</td>
<td>12</td>
<td>4.0</td>
</tr>
<tr>
<td>Above 15</td>
<td>3</td>
<td>1.0</td>
</tr>
<tr>
<td>None</td>
<td>131</td>
<td>43.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>301</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The findings in table 4.10 shows that 43.5% of the respondents had no management experience prior to starting their businesses, 35.5% of the respondents revealed that they had management experience of 1-5 years before starting their businesses; 14.66% had experience of 6-10 years while 4% had management experience of 10-15 years. Only 1.3% had experience of below one year while 1% of the respondents revealed that they had management experience of above 15 years.

The respondents were then asked to indicate whether the SMEs had employed an experienced manager for their business. The results are presented in Table 4.11.
Table 4.11: Experienced Manager for the Business

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>123</td>
<td>40.9</td>
</tr>
<tr>
<td>No</td>
<td>178</td>
<td>59.1</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.10 shows that majority of the respondents (59.1%) revealed that they had not employed an experienced manager for their business. However, 40.9% of the respondents indicated that they had employed an experienced manager for their business.

To conclude this section, the study sought to establish the extent to which the management experience influenced businesses to plan strategically. The findings are presented in Table 4.12.

Table 4.12: Management Experience and Planning Strategically

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Great Extent</td>
<td>46</td>
<td>15.3</td>
</tr>
<tr>
<td>Great Extent</td>
<td>123</td>
<td>40.9</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>89</td>
<td>29.6</td>
</tr>
<tr>
<td>Little Extent</td>
<td>39</td>
<td>13.0</td>
</tr>
<tr>
<td>No Extent</td>
<td>4</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The results show that 40.9% of the respondents agreed to a great extent while 15.3% agreed to a very great extent that management experience influenced businesses to plan strategically. However, 29.6% of the respondents agreed to a moderate extent while 13% revealed that management experience only influenced businesses to plan strategically to a little extent.
4.4.3 Availability of Resources and Strategic Planning

Under this section the study sought to understand the link between resources and strategic planning in the SMEs. First, the study sought to determine the extent to which limitation of financial resources affected the planning. The findings are presented in Table 4.1 below.

<table>
<thead>
<tr>
<th>Table 4.13: Limitation of Financial Resources Affect Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>Very Great Extent</td>
</tr>
<tr>
<td>Great Extent</td>
</tr>
<tr>
<td>Moderate Extent</td>
</tr>
<tr>
<td>Little Extent</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

The results show that 47.2% of the respondents agreed to a great extent while 22.6% agreed to a very great extent that limitation of financial resources affect the planning. On the other hand, 24.3% indicated that limitation of financial resources affect the planning to a moderate extent while 6% revealed that it affects to a little extent.

The study then sought to find out the extent to which time as a resource influenced strategic planning among the SMEs. The results are shown in Table 4.14.

<table>
<thead>
<tr>
<th>Table 4.14: Limitation of Time as a Resource Influence on Strategic Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Frequency</strong></td>
</tr>
<tr>
<td>Very Great Extent</td>
</tr>
<tr>
<td>Great Extent</td>
</tr>
<tr>
<td>Moderate Extent</td>
</tr>
<tr>
<td>Little Extent</td>
</tr>
<tr>
<td>No Extent</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
The results show that 39.9% of the respondents agreed to a great extent while 19.9% agreed to a very great extent that limitation of time as a resource affected the planning in their business. However, 22.3% of the respondents revealed that it affected to a moderate extent while 17.6% indicated that limitation of time affected the planning to a little extent.

4.4.4 Size of the Business and Strategic Planning

In this section the study sought insight on the size of the SMEs and the link to strategic planning.

Here, the study sought to understand the number of employees in the SMEs surveyed and the results are shown in Figure 4.8.

Figure 4.8: Total number of Employees in the Business

The study shows that majority (70.8%) of the respondents reported that they had less than 20 employees in their business; 18.9% indicated that they had 21-50 employees while 8.3% indicated that they had 51-100 employees. Only 2% had more than 100 employees.
To get insight on the size of SMEs surveyed the study sought the annual turnover figures from the respondents and the results are shown in Figure 4.9.

![Figure 4.9: Annual Turnover](image)

On the annual sales turnover of the business, 41.5% of the respondents indicated that their business had an annual turnover of Ksh. less than 3 million; 34.9% had a turnover of Ksh. 3-20 Million; 20.3% had an annual turnover of Ksh. 20-50 million while 3.3% of the respondents revealed that their business had an annual turnover of above 50 million. The results show that majority of the SMEs sampled fell within the range of small enterprises.

Under this section, the study sought to understand the extent to which size of business influences strategic planning among the SMEs. The responses are illustrated in Table 4.15.

| Table 4.15: Extent to Which Size of Business influence Strategic Planning |
|-----------------------------|-----------------|-----------------|
|                             | Frequency | Percent  |
| Very Great Extent           | 60        | 19.9      |
| Great Extent                | 129       | 42.9      |
| Moderate Extent             | 88        | 29.2      |
| Little Extent               | 23        | 7.6       |
| No Extent                   | 1         | 0.3       |
| Total                       | 301       | 100.0     |
On the extent size of the business influence business to plan strategically, 42.9% of the respondents revealed that it influenced to a great extent while 19.9% revealed that size influenced to a very great extent. On the other hand, 29.2% of the respondents revealed that size of the business influence business to plan strategically to a moderate extent while 7.6% reported to a little extent. The results show that size of business influence strategic planning among the SMEs.

**4.4.5 Perception towards Planning Influence on Strategic Planning**

In this section the study sought to assess the perception towards planning among the SMEs. The study sought to find whether SMEs in Kenya undertake long term planning and the results are shown in Figure 4.10.

![Figure 4.10: Whether SME's in Kenya Undertake Long-Term Planning](image)

The results in Figure 4.10 show that 78.7% of the respondents agreed that SME's in Kenya undertake long-term planning while 21.3% of the respondents indicated that SMEs do not undertake long-term planning.
To understand adoption of long-term planning, the study sought to determine the extent to which the following factors have influenced the adoption of long-term planning in the businesses. The results are presented in Table 4.16 below.

Table 4.16: Adoption of Long-Term Planning

<table>
<thead>
<tr>
<th>Factors</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialized expertise through training</td>
<td>3.3223</td>
<td>1.25929</td>
</tr>
<tr>
<td>Past experience in management</td>
<td>3.4153</td>
<td>1.24243</td>
</tr>
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<td>1.13854</td>
</tr>
<tr>
<td>Size of the business</td>
<td>3.3654</td>
<td>1.17729</td>
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The study results show that the respondents reported that specialized expertise through training; past experience in management; availability of resources (time/financial); and size of the business influenced the adoption of long-term planning in the businesses to a moderate extent. This is shown by mean scores of 3.3223, 3.4153, 3.5349 and 3.3654 respectively on the likert scale.

4.5 Discussion

The finding that most of the SMEs surveyed undertake strategic planning is in agreement with a study by Aldehayyat and Twaisi (2011) who found that a majority of SMEs plan formally. It is also in agreement with Aosa (1992) who asserted that formal strategic plans are drawn and implemented by local Kenyan companies and in other indigenous companies in the developing world. This finding is however contrary to Robinson and Pearce (1984) and Beaver (2003) researches which have found that most SMEs do not engage in strategic planning. The study finding that the SMEs do have in place missions and vision as well as conduct performance evaluation is contrary to the findings by Torres (2004) and Wang et al. (2007) who found that planning in smaller enterprises is rarely supported by planning instruments given that they planned intuitively and did not use strategic planning instruments.
The finding that factors such as management expertise, size of business and time limitation as a resource influence strategic planning is in agreement with Okpara and Wynn (2007), McAdam (2002), Macpherson and Holt (2007) as well as Matthews and Scott (1995) who confirmed that a host of factors influence strategic planning practices among SMEs. As noted by Perry (2001) the study finds that these factors may facilitate or act as a barrier to strategic planning among the SMEs.

The study has made some critical findings which can be used to shape the policy agenda regarding SMEs in Kenya as the country strives to achieve its Vision 2030 aspirations. For instance, the relationship between education and success as well as growth of small scale business is a cause of concern and which needs to be understood by the policy makers. The finding that only a few graduates own or operate SMEs operating in the CBD could be a pointer of the nation-wide situation and needs to be noted by policymakers. Despite the shunning of graduates in owning and running SMEs, the study found a commendable adoption of strategic planning practices in SMEs which could explain the innovativeness, adaptability, resilience and success of the small and medium enterprises in Kenya. This asserts the sector as one of the most important pillars of the Kenyan society and economy.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of findings, conclusions and recommendations based on the objectives of the study. It entails a synthesis of key issues of the objectives of the study as deduced from the entire research.

5.2 Summary of Findings

The study was guided by two key objectives and therefore sought to investigate strategic planning among SMEs as well as examine factors that influence strategic planning among SMEs in Nairobi County.

On the application of strategic planning, the study found that majority of the respondents indicated that they had a documented vision and mission statement for their business. On the extent to which the business was aligned to the vision, the study shows that majority agreed to a great extent that their businesses were aligned to the vision. The study also shows that majority of the respondents revealed that they did set goals and targets for their business. The study shows that most of the respondents revealed that they set their business goals and targets monthly while a significant number revealed that they set their goals quarterly. Only a few set their goals and targets annually, daily and/or weekly. Most of the respondents also revealed that they evaluated the performance of their business monthly. Overall, the respondents revealed that performance evaluation influenced the plan for the future to a great extent.

Upon examining factors influencing strategic planning, the study found that key among the factors were specialized expertise, management experience, availability of resources and size of the business. On specialised expertise, majority of the respondents revealed that they had attained either college diplomas which imply that majority of the respondents were fairly educated. Majority of the respondents indicated that they had attended training on business management. Overall, the respondents agreed to a great extent that education and training influenced SME owners and managers to plan strategically. On management experience, most
of the respondents revealed that they had been running a business for 6-10 years, while a significant number revealed that they had been running a business for 1-5 years. The results show that majority revealed that they had management experience before starting their businesses. However, majority of the respondents revealed that they had not employed an experienced manager for their business. Majority of the respondents agreed to a great extent that management experience influenced businesses to plan strategically.

On the availability of resources, majority of the respondents agreed to a great extent that limitation of financial resources affects planning. Majority also agreed to a great extent that limitation of time as a resource affected planning in their business. On size of the business, majority of the respondents reported that they had less than 20 employees in their business; while a few indicated that they had 21-50 employees. The study also found out that majority of the businesses had an annual sales turnover of Ksh. less than 3 million; Ksh. 3-20 Million. On the extent size of the business influences businesses to plan strategically, majority of the respondents revealed that it influenced to a great extent.

Finally, majority of the respondents agreed SMEs in Kenya plan for the long-term. The study results show that the respondents reported that specialized expertise through training; past experience in management; availability of resources (time/financial); and size of the business influenced the adoption of long-term planning in the businesses to a moderate extent.

5.3 Conclusion

This study has been built around the perspectives and the views of small and medium sized business owners and their management employees. It has emerged that the factors studied can and do influence strategic planning either positively or negatively. The direction in which the factors affect business growth depends on both business itself and the operating environment. How the business relates to certain factors determines whether it will facilitate or hinder strategic planning practices. The study concludes that majority of the businesses had a documented vision and mission statement for their business. The business also did set goals and targets for their business and also evaluated the performance of their business regularly.
The study also concludes majority of the business owners had attained higher education levels and a good number had also attended training on business management. However, majority of the business owners had not employed an experienced manager for their business. This highly affects planning in businesses as education and training greatly influence businesses to plan strategically.

The study also concludes that availability or lack of financial resources affects planning in businesses. It has emerged that limitation of time as a resource as well as size of the business influences businesses to plan strategically.

5.4 Recommendations

There are multiple recommendations that arise from this study. Firstly, there is need for the owners and management teams of SMEs to sort the factors affecting strategic planning in their business into two; factors facilitating strategic planning and factors hindering strategic planning. After identifying the factors facilitating strategic planning the owner/managers should strive to ensure that maximum benefits are reaped from such factors and that they are enhanced. The owners/managers should also work towards mitigating the effects of any factor seen to be acting as barriers to strategic planning.

Secondly, owners and employees small and medium sized businesses need to undergo professional training and encourage their employees to do the same. Institutions of higher learning and tertiary colleges should introduce business courses for this group which can even be conducted in local languages.

The government in conjunction with other players needs to intensify technical and financial support to the SMEs. This will include access to credit, grants, trainings and information provision to the SMEs to enable them identify and exploit opportunities. This is particularly important for the long-term sustainability of the sector taking into consideration the fact that majority of SMEs are run by young up-coming entrepreneurs largely under the age of forty.

Finally, there is need for a wide strategic campaign to change the attitudes of highly educated Kenyans especially young graduates towards starting, running and operating their own
businesses. The sensitization should aim at emphasizing the importance of self-reliance and self-employment. This will greatly contribute to reduction in the unemployment rates.

5.5 Limitations of the Study

The study findings suffer two limitations. First, 301 out of over 10,000 SMEs operating in the Nairobi CBD were surveyed for this study. Even though in terms of research this sample was obtained through credible sampling methods, the study argues that it could be difficult to generalize the result to cover all the SMEs in Nairobi and further in Kenya.

Secondly, the use of quantitative and qualitative measures which was based on the views of the owners and key employees of the SMEs makes some of the findings subjective. The owners and the key employees’ perspectives could also have been influenced by biases among the respondents.

5.6 Suggestions for Further Research

The study suggests a number of areas for further research starting with the need to conduct a wider study into other small and medium enterprises other than the ones operating in the CBD, as well as look into their strategic planning practices.

The study also suggests that further research needs to be undertaken to look into each one of the identified factors and how they affect strategic planning. Thirdly, further research also needs to be conducted to look into whether the SMEs who have integrated strategic planning are reaping benefits in terms of growth and performance from adopting the practices.

Finally, further research should also be conducted using secondary data on customer numbers, turnover and profits.
REFERENCES


Wang, C., Rowe, M & Cripps, H. (2006) Collaborative Commerce for SMEs: Field data relating to commerce adoption- A report to industry partners as part of the research project ‘Collaborative commerce for SMEs in regional knowledge networks’. Edith Cowan University, Perth, WA


APPENDICES

Appendix I: Research Questionnaire

Section A: General Information

1. Gender

Male [ ] Female [ ]

2. Age (Years)

Below 20 [ ] 21-25 [ ] 26-35 [ ] 36-40 [ ] 40-50 [ ]
Above 50 [ ]

3. What is your Country of Origin? ________________________________________

4. What is the nature of your business? ________________________________________

5. Is your business a registered business in Kenya?

   Yes [ ] No [ ]

Section B: Application of Strategic Planning

6. Do you have a documented vision and mission statement for your business?

   Yes [ ] No [ ]

7. To what extent is your business currently aligned to your vision for the business? (Please tick one)

   Very Great Extent [ ]
   Great Extent [ ]
   Moderate Extent [ ]
   Little Extent [ ]
   No Extent [ ]
8. Do you set goals/targets for your business?
   Yes [ ]      No [ ]

9. How often do you set goals/targets for your business?
   Daily [ ]   Weekly [ ]   Monthly [ ]   Quarterly [ ]   Annually [ ]
   Other____________________

10. To what extent is your business currently aligned to your vision for the business? (Please tick one)
    Very Great Extent [ ]
    Great Extent [ ]
    Moderate Extent [ ]
    Little Extent [ ]
    No Extent [ ]

11. Do you evaluate the performance of your business?
    Yes [ ]      No [ ]

12. How often do you evaluate the performance of your business?
    Daily [ ]   Weekly [ ]   Monthly [ ]   Quarterly [ ]   Annually [ ]
    Other____________________

13. To what extent has performance evaluation influenced you to plan for the future? (Please tick one)
    Very Great Extent [ ]
    Great Extent [ ]
    Moderate Extent [ ]
    Little Extent [ ]
    No Extent [ ]
Section C: Specialized Expertise

14. What is your level of education?

- None [ ]
- Primary [ ]
- Secondary [ ]
- College Diploma [ ]
- University Degree [ ]

15. Have you attended any form of training on Business Management?

- Yes [ ]
- No [ ]

16. To what extent has education and training influence you to plan strategically? (Please tick one)

- Very Great Extent [ ]
- Great Extent [ ]
- Moderate Extent [ ]
- Little Extent [ ]
- No Extent [ ]

Section D: Management Experience

17. How many years have you been running your business?

- Below One [ ]
- 1 - 5 [ ]
- 6 - 10 [ ]
- 10 - 15 [ ]
- Above 15 [ ]

18. Did you have management experience before starting your business?

- Yes [ ]
- No [ ]

19. If yes, how many years?

- Below One [ ]
- 1 - 5 [ ]
- 6 - 10 [ ]
- 10 - 15 [ ]
- Above 15 [ ]

20. Have you employed an experienced manager for your business?

- Yes [ ]
- No [ ]
21. To what extent has management experience influenced you to plan strategically? (Please tick one)
   Very Great Extent [ ]
   Great Extent [ ]
   Moderate Extent [ ]
   Little Extent [ ]
   No Extent [ ]

Section E: Availability of Resources
22. To what extent has limitation of financial resources affected your planning? (Please tick one)
   Very Great Extent [ ]
   Great Extent [ ]
   Moderate Extent [ ]
   Little Extent [ ]
   No Extent [ ]

22. To what extent has limitation of time as a resource affected your need to plan? (Please tick one)
   Very Great Extent [ ]
   Great Extent [ ]
   Moderate Extent [ ]
   Little Extent [ ]
   No Extent [ ]

Section F: Size of the Business
24. What is the total number of employees in your business: (Please tick one)

    Less than 20 [ ]      21-50 [ ]      51 - 100 [ ]      Above 100 [ ]

25. What is your annual sales turn-over (Ksh)?
    Less than 3,000,000 [ ] 3,000,000 – 20,000,000 [ ]
20,000,001 – 50,000,000 [ ] Above 50,000,000 [ ]

26. To what extent has the size of your business influenced you to plan strategically? (Please tick one)

- Very Great Extent [ ]
- Great Extent [ ]
- Moderate Extent [ ]
- Little Extent [ ]
- No Extent [ ]

Section G: Perception towards Planning

27. Do you think SMEs in Kenya plan for the long-term?

- Yes [ ]
- No [ ]

28. To what extent would you say each of the following factors have influenced the adoption of long-term planning in your business?

Use a scale of 5. Where 1=No Extent, 2=Little Extent, 3=Moderate Extent, 4=Great Extent, 5=Very Great Extent

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<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
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