STRATEGIC MANAGEMENT PRACTICES IN GOVERNMENT FUNDED YOUTH SMALL AND MEDIUM ENTERPRISES IN KISUMU TOWN EAST CONSTITUENCY, KENYA

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DECLARATION

I declare that this Research Project is my original work and has not been presented to any other University for academic credit.

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The Research Project has been submitted for examination with my approval as University Supervisor.

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To all who have contributed to my success in any way, I pray that the Almighty God will bless you.

DEDICATION

To my wonderful parents for their immense support accorded to me throughout this programme. To my sisters and brothers, for their personal sacrifices during my studies.

ABSTRACT

Coping with challenges from the external environment has called on firms to rethink their modes of operation, making organizations, small or large, adopt strategic management practices to enable them to survive. The purpose of this study was to establish strategic management practices adopted by the government funded youth SMEs in Kisumu Town East Constituency. The study adopted a descriptive research design on a target population of all the Government funded youth SMEs in the Constituency which was 70. Census approach was adopted in choosing the management staff from each SME. Semi-structured questionnaires were used in collecting data and descriptive analysis technique involving the use of frequencies, percentage, mean and standard deviation used to analyze the data. Inferential statistics through t-test was also used to test the significance of relationships between variables of interest. The study findings show that many SMEs had policy documents on mission and vision, had systematic communication and reward for strategy implementation, established strategy control mechanism and review of strategic plans though no corrective action plan was in place. The study concludes that the SMEs espoused strategic management practices although they applied the same in *ad hoc* manner; had well laid down strategy formulation process as opposed to strategy implementation and evaluation process. The study recommends that the Government should establish policies requiring the beneficiaries of its funds to have 10 year strategic plans. The study also recommends that all SMEs should adopt strategic management practices to stay competitive and come up with proper corrective mechanism to ensure that deviations from original plans are reigned-in and strategies or plans are responsive to changes in business environment.

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ACRONYMS AND ABBREVIATIONS

GOK: Government of Kenya

MDG: Millennium Development Goal

MFI: Micro Finance Institution

MOYAS: Ministry of Youth Affairs and Sports

SMEs: Small Medium Enterprises

YEDF: Youth Enterprise Development Fund

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The survival of an organization depends on how the organization relates to its environment. An organization needs to understand its environment more so when the environment is turbulent. The position that an organization will take in reaction to this turbulence is paramount. It requires a good sense of direction and involvement by the management and various employees in an organization. Strategic management thus, comes in to enable management to achieve its objectives. It seeks to coordinate and integrate the various functional areas in a business so as to achieve the desired goals (Hussey, 1990).

Strategic management is the process of formulation, implementation and evaluation of strategy in an organization. It relates to the position a firm takes in line with the environment it is in to ensure continuous success in operations. It is an ongoing process of ensuring a competitively superior fit between the organization and its ever changing environment (Teece, 1984). This process must be identified, communicated and documented in the organization so as to achieve goals set up by the stakeholders of an organization. Proper strategic management practices enable the organization to avoid a mismatch with the environment, it provides a link between an organization and its environment and must be consistent with the goals, values, the external environment, resources and organizational structures and systems (Ansoff and McDonnell, 1990).

Organizations, whether large or small need strategic management to enable them to align themselves to changes in the environment and come up with ways to ensure continuous survival and development in the environment. According to Porter (1980), Organizations are characterized by increasingly unstable politics and negative economic growth, stiff competition, customer tastes and preferences which constantly change and enhanced technological innovativeness that make planning in the traditional sense no longer possible. Through strategic management approach, an organization must be able to modify plans to fit in the turbulent environment in order to maintain or exceed performance (Rosen, 1995). In developing countries, strategic management is influenced by practice in developed nations. Hussey, (1990) was for the view that environmental differences across countries affect the way strategic management is practiced.

The small and micro enterprises (SMEs) play an important role in the Kenyan Economy. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). According to Amyx (2005), one of the most significant challenges is the lack of proper strategic management mechanisms.

1.1.1 Strategic Management Practices

Strategic management is one of the most effective management tools in strengthening performance in an organization since it acts as a guide to effective decision making (Mitchell, 2000). The rapid nature of change in the environment requires a set of perspectives different from what is needed during stable times. Organizations thus need to adapt strategic management practices to enable them develop and revise future strategies in order to achieve its objectives. This should be in consideration of its capabilities, constraints and the environment in which it operates.

Strategic management practices involve the strategic process which comprises diagnosis, formulation, implementation, evaluation and control (Andrews, 2010). These practices can be viewed as a series of steps covering the tasks of analyzing the opportunities and threats that exist in the external environment; analyzing the organizations strengths and weaknesses within the internal environment; identifying agency stakeholders; establishing organizations mission and goals; formulating strategies by matching the organization strengths and weaknesses with the environments opportunities and threats; implementing the strategies; and finally engaging in strategy control activities to measure the implementation progress and ensure achievement of the stated goals (Mitchell, 2000).

According to Coulter (2005), strategic management practices are a process of steps applied to holistically manage the firm in order to achieve competitive advantage. These practices ensure the enterprise as a whole is able to define its character and direction. It involves a pattern of decisions that defines what business a firm is in and defines thus, its image. Some aspects of such a pattern of decision may be in an established corporation unchanging over long periods of time while other aspects must change as or before the environmental changes (Andrews 2010). Strategic Management is also concerned with the current and future orientation of the firm by determining its purpose and framework of operation. Modern (2008), states that strategic management is concerned with planning and decision making for the medium to long term period of a firm. This involves vision and mission statements to ensure that a firm understands what is must do now and in the future.

1.1.2 Small and Medium Enterprises (SMEs) in Kenya

The definition of SMEs varies from country to country and the classification may be based on the economic background of the country. A study by Ernst and Young (2009), on SMEs in the East African region indicate that there is no common definition of SMEs in the region but the basis of measurement include capital, investment, turnover and number of employees. Kasende (2001) defines SMEs in terms of their characteristics which include size of capital investment, the number of employees, the turnover, the management style, the location and the market share. He argues that for developing nations small scale means enterprise with less than 50 workers while medium sized enterprises mean those with 50-99 workers. Tambunan (2009), argues that there is a difference of SMEs in the developing countries and in the established nations. He defines SME in developing countries as an enterprise that ranges from a part time business with no hired workers or it is a non-employing unincorporated business, often called self-employed unit. He argues that for developing countries whether or not a firm is really an SME is relative due to different economic situations in different countries, but the only true common characteristic is that they are not large. This definition was adopted for purposes of this research.

Abdullah and Bakar (2000), argue that governments in the world are increasing their SMEs support to ensure national development strategy. SMEs are important in an economy because they enhance employment and stimulate economic growth. They provide income and thus stimulate local activities, ensuring creation of wealth and employment (Walker and Webster, 2000). They compete with large firms in provision of services and ensure that there is a balance in the economy between small and large firms.

In Kenya, according to the Economic Survey (2010), SMEs created 458,800 new jobs constituting 94.3% of all new jobs that year. The importance of SMEs in the economy is not only for job creation but also improves the living conditions in the country. The International Development Research Centre (1993), carried out a study on small enterprise development and found out that SMEs have high employment creation capacity and warrant attention of development specialists and policy makers in the developing nations. The study further states that an economy with larger number of SMEs will contribute fairer to income distribution and will spread the available resources in the country.

According to International Labor Organization (1972), there is an urgent need to solve the unemployment problem in Kenya by focusing on the emerging informal sector. The Government Sessional paper No 2 of 1992 on Small Enterprise and Jua Kali Development in Kenya outlined the contribution of small enterprise as employment creation, enhancing development of entrepreneurial skills and encouraging the indigenous Kenyans to participate in enhancing growth in the country. It emphasized the need to create an enabling environment through appropriate legal and regulatory framework, putting in place support and facilitative measures to promote the growth of the sector.

1.1.3 Government Funded Youth SMEs in Kisumu Town East Constituency

The term youth include young people aged 15-35 years old who are approximately 14 million in Kenya (Ministry of Youth Affairs and Sports, MOYAS, 2011). According to MOYAS (2011), the youth comprise a large number of Kenya's population and attention must be given to them. The high level of unemployment has forced the youth to set up enterprises and avoid over reliance on the formal ways of employment. The youth enterprise development fund was developed by the government to help the youth fund and develop their small and medium enterprises which have been set up due to high unemployment rates. The fund was established by the government to ensure that that there is creation of wealth and reduction of poverty levels in the country in the long run. This economic empowerment program ensures that the various challenges facing the youth such as high crime rates, drug abuse are reduced. In 2007, the government enacted the youth enterprise development fund order in the State Corporations Act Cap 446. The fund provides loans to youth groups at the constituency level to start up and develop their SMEs. This is to increase employment, wealth creation and avoid over reliance on white collar jobs.

The government has so far funded SMEs in Kisumu Town East Constituency in three phases since the program began in 2006. This is in accordance with the needs provided by the youth in the area. The SMEs include both the ones owned by groups and the ones which are individually owned. They have a local significance in the area in which they operate. The products and services are simple consumer goods such as clothing, furniture, articles made from wood leather and household goods. This caters for the basic needs of the local middle to low income consumers in the region. The reason why the informal sector flourishes in Kenya is the operations of business without much restriction of regulation. The entrepreneurs' flexibility in meeting customer needs and the goods and services provided depend on demand as perceived by the entrepreneur. The informal sector will continue growing thereby providing income generating opportunities for those willing and able to take advantage (Government of Kenya, GoK, 1999). According to MOYAS (2011), most youth who form small business in Kisumu Town East Constituency begin their strategic planning when fulfilling the requirements to funding in line with writing of a business plan. Many youth start their business with very professional plans only to become frustrated when the business goes under in less than 2 years. Experts estimate that over 80% of small businesses do not survive beyond two years. This occurs to all business including those with the most comprehensive business plans (Bahramy, 2012).

1.2 Research Problem

Strategic management is important to all organizations, whether large or small. Coping with challenges from the external environment has called on firms to rethink their modes of operation. This has seen them adopt strategic management practices to enable them to survive. The need to adopt strategy is a consequence of serious challenges that exist in the market place; of the unstable balance of the business external forces and other influencing factors that can be identified in the actual economy (Steiner, 1997). To SMEs, strategic management issues include strategic entrepreneurship development, social capital, cluster development and innovation. Each of these strategic issues is centered towards competitive advantage, which implies that these issues help the firm acquire a position that cannot be duplicated or imitated by other firms (Porter, 1980). However, rarely do SMEs put in place efficient strategic management practices to improve their level of survival and growth.

The government funded youth SMEs in Kisumu Town East Constituency are concentrated in the informal, low growth, low profit areas, where competition is intense. These include food vending, tailoring, beauty salons, decorations, catering, basket making, and food processing among others. The main reasons are that these sectors require relatively small start-up capital and are thus easy to enter by young entrepreneurs. The funding of these SMEs is therefore in line with the government goals to ensure that it achieves its Millennium Development Goal (MDG) of reducing the social-economic challenges facing the youth in the Constituency. The youth, comprise two thirds of the potentially economically active population (GoK, 2002). They account for over 60 percent of the unemployed, majority of who, have formal education but no training. This means that unemployment is not just a lack of jobs, but also a lack of job skills due to inadequacy of the training infrastructure as well as the means to acquire skills due to poverty.

Despite the introduction of YEDF, many young people still lack entrepreneurial skills, are unable to access financial services owing to distances between their homes and the nearest financial institution, consequently leaving many youths poor and thereby perpetuating the cycle of unemployment which has had serious adverse socio-economic and potentially, political consequences. With the government trying to eradicate high unemployment rate among the youth through funding of these SMEs in the Constituency, this research is essential as it creates an understanding on the strategic management practices adopted by the government funded youth SMEs. According to MOYAS (2011), majority of the business (80%) become un-operational after two years of pilot. This study sought to explore the strategic management practices in the SMEs owned by the youth and funded by the government in Kisumu Town East Constituency.

Various studies have been carried out on strategic management practices in Kenya. Ochako (2008), studied strategic management at Safaricom and found that it does study external and internal environmental trend and also the performance trend. Masiga (2009), looking at strategic responses by telecommunication companies found that the company does differentiation of products and services, engage in intensive marketing, forming strategic alliance and acquisition with companies in the telecommunication industry. In SMEs, Ndambuki (2010), researched on strategic management practices and challenges among SMEs; Mathenge (2008), researched on strategic responses of SMEs to changes in their environment. However, no study has been done on the government funded youth SMEs in Kisumu Town East Constituency. This study, therefore, focused on strategic management practices in the government funded youth SMEs in Kisumu Town East Constituency with an attempt to bridge the existing gap from other studies by seeking to answer the following research question: What are the strategic management practices used by the government funded youth SMEs in Kisumu Town East Constituency?

1.3 Objective of the study

The objective of the study was to establish strategic management practices adopted by the government funded youth SMEs in Kisumu Town East constituency.

1.4 Value of the study

The results of this study generated and extended current knowledge on strategic management, in particular, in government funded SMEs projects. Furthermore, the findings and recommendations, there-to, provide deeper insights into what is needed in order for youth enterprises funded by the government to be profitable or sustainable. The findings of the study is invaluable to researchers as it contributes information and insight to theory development on strategic management practices in the government funded youth SMEs in Kisumu Town East Constituency. The study is, thus, invaluable for the management of these youths' SMEs.

Policymakers such as the government can find the study important as it provides information on the sustainability of these enterprises and thus inform policy. The study also yields data and information that can be useful for proper planning and decision making in various sectors. It informs the government on the various strategic practices and thus informs them on the sustainability of the programs.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents theoretical underpinning on strategic management practices and reviews literature on strategic management process as well as the various stages of strategic management practice which involves formulation, implementation and evaluation and control.

2.2 Theoretical Underpinnings

From the perspective of classical strategic management theory, strategy is considered a deliberate planning process (formal), initiated by top management (top-down), based on an elaborate industry analysis (rational) and aimed at designing a cohesive grand strategy for the corporation (consistency) (Volberda, 2004). As the environment is continually changing, it is also necessary for strategic management to continually change in order to maintain a "balance" or "fit" with the external environment.

Strategic management thus implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way. Strategic management focuses on the direction of the organization and actions necessary to improve its performance. It is the process by which firms derive a strategy to enable them to anticipate and respond to the changing dynamic environment in which they operate (Hewlett, 1999). According to Johnson and Scholes (1997), strategic management is the direction and scope of an organization over the long term; which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder expectations.

2.2.1 Resource Based View

Resource based view (RBV) is an approach for firms to determine their internal strategic resources. By focusing in their corporate strengths and weaknesses as source of competitive advantage, firms build their competitive advantage to increase efficiency and effectiveness (Penrose, 1959 and Wernerfelt, 1984). According to Barney (1986) and Grant (1995), in order to create value, these resources should hold important features of: distinctive, scarce and relevant to the establishment of competitive advantage; durable and hard to imitate so that they are sustainable; and, a firm should be able to appropriate the excess profits from these resources. Resources can be obtained from: intangible resources, e.g. patent, goodwill, trade name; tangible resources, e.g. plant, machinery, human capital; and, complementary resources, e.g. appropriate reporting structure, efficient management control system, compensation policies.

2.3 Strategic Management Practices

Just like businesses, the process of strategic management and its practices is an ongoing exercise, which means that all prior actions are subjected to modifications as conditions in the surrounding environment change and the need to improve and adjust emerge. The strategic management practices are therefore processes that are filled with constant motion changes in the organizations situations, either from the inside or outside or both (Modern 2008).

It involves the strategic process which includes analysis of environment, formulation of strategies, implementing and evaluation of the various strategies formulated so as to define a firms undertaking (Robinson and Pearson, 2010).

2.3.1 Strategy Formulation

Once a clear picture of the firm and its environment is in hand, specific strategic alternatives can be developed. While different firms have different alternatives depending on their situation, there also exist generic strategies that can be applied across a wide range of firms. Michael Porter identified cost leadership, differentiation, and focus as three generic strategies that may be considered when defining strategic alternatives. Porter (1980), advised against implementing a combination of these strategies for a given product; rather, he argued that only one of the generic strategy alternatives should be pursued.

A vision is an image of a better future and it is a state in which the organization aspires to be and therefore can at least logically be achieved. Clearly, a new vision needs to be adopted if the company is not to sink beneath the competitive waves of enthusiastically telling stories of past triumphs (Bowman and Faulkner, 1997). Simply it describes what the organization would like to become (Campbell, 1992). Strategic vision is where acquisition begins which is then shared with management, suppliers, customers, lenders and employees as a framework for planning, discussion, decisions and reactions to change. Sirower (1997), argues that the vision must be clear to large constituent groups and adaptable to many unknown circumstances. In addition the vision must be a continuous guide to the actual operating plans of the company. The vision is expressed as a unique way to compile competitive influences in a way that directs a firm to pursue a revolutionary strategy (Robinson and Pearson, 2010).

A company's mission is its motivation for being. The mission often is articulated in the form of a mission statement, which communicates a sense of purpose to employees and projects a company image to customers. In the strategy formulation process, the mission statement sets the disposition of where the company should go (Chandler, 1962). The mission offer value-added services to our chosen market segments with special emphasis on the co-operative movement through a highly effective network of service points, excellent customer service and a highly motivated team of qualified personnel while its vision is to be the leading and dominant with a strong countrywide presence, playing a central role in the co-operative movement and providing relevant and innovative financial services to our customers for the optimum benefit of all our stakeholders.

Objectives are concrete goals that the company seeks to reach, for example, an earnings increase target. The objectives should be demanding but achievable. They also should be measurable so that the organization can monitor its progress and make corrections as needed. On the whole business, objectives could be achieved in long, medium and short term periods. These include profitability, employee satisfaction, production efficiency, organization effectiveness, customer satisfaction, social responsibility and technology development (Lasher, 1999).

Once the firm has articulated its objectives, it begins with its current situation to work out a strategic plan to reach those objectives. Changes in the external environment often present new opportunities and new ways to reach the objectives. An environmental scan is performed to recognize the available opportunities. The firm also must know its own capabilities and limitations in order to select the opportunities that it can pursue with a higher probability of success. The situation analysis therefore involves an analysis of both the external and internal environment. The external environment has two aspects: the macro-environment that affects all firms and a micro-environment that affects only the firms in a particular industry. The macro-environmental analysis includes political, economic, social, and technological factors and sometimes is referred to as a PESTLE analysis (Johnson and Scholes, 2002).

An important aspect of the micro-environmental analysis is the industry in which the firm operates or is considering operating. A situation analysis can generate a large amount of information, much of which is not particularly relevant to strategy formulation. To make the information more manageable, it sometimes is useful to categorize the internal factors of the firm as strengths and weaknesses, and the external environmental factors as opportunities and threats. Such an analysis often is referred to as a SWOT analysis (Porter, 1980).

2.3.2 Strategy Implementation

For effective implementation, it needs to be translated into more detailed policies that can be understood at the functional level of the organization. The expression of the strategy in terms of functional policies also serves to highlight any practical issues that might not have been visible at a higher level. The strategy should be translated into specific policies for functional areas such as: marketing, research and development, procurement, production, human resources, and information systems (Volberda, 2004). In addition to developing functional policies, the implementation phase involves identifying the required resources and putting into place the necessary organizational changes.

The first concern in the implementation of business strategy is how to translate that strategy into action throughout the organization. Short term objectives are derived from long term objectives which are then translated into current actions and targets. They differ from long term objectives in time frame, specificity and measurements. To be effective in strategy implementation, they must be intergraded and coordinated. They also must be consistent, measurable and prioritized. Employee empowerment through policies provides another means for guiding behavior decisions and actions at the firms operating levels. In a manner consistent with its business and functional strategies, objectives, functional tactics, policies and compensation represent only the start of the strategy implementation. It has been argued that well formulated strategies only produce superior performance for the firm when they are successfully implemented (Noble, 1999). Strategy implementation is not easy as it involves working with people and the structures of the organization to make the visionary ideas developed earlier come true (Lasher, 1999).

Many scholars believe that strategy implementation generates conflict and is time consuming (Hale and Cragg, 1996). This is true as it may lead to conflict situations because implementation is accompanied by organizational change. There always are a few employees who are not in agreement with introduction of change within the organization. It is also time consuming because it deals with organizational policies, procedures, timetables and budgeting and it has to be done throughout the entire organization. Talking about the problems of implementation does not mean that it is not possible to implement strategies effectively. Solving the problems and preparing the possibilities of implementing business strategies are the manager's duty. In strategic implementation, there is an emphasis on leadership, organization structure, organization culture, and their relationship to functional policies and resource allocation decisions.

The purpose of an organizational structure is to enable managers to allocate the work, resources and administrative mechanisms that are necessary for the control and integration of the strategies in an organization (Galbraith and Kazanjian, 1986). The determination of basic long term goals and objectives of an enterprise and adoption of courses of action and allocation of resources necessary for carrying out the goals depends on organization structure through which the enterprise is administered. Adams (2000), argues that cross functional working in organizations is hindered by lack of in depth knowledge among the employees because most of the organizations have a relatively simple structure.

Leadership is the ability to influence people toward the attainment of goals (Wetley, 1990). Wickham (2001), contends that the main difference between a manager and a leader is the source of their power. Leaders are creative, flexible, innovative and visionary. It could be claimed that managers are persistent, analytical and rational. Leadership style is one of the most essential factors for successful strategy implementation in organizations. Chief executives play a variety of roles as commander, architect, coordinator and coach in implementing strategy in organizations. Recent researchers done by Have and Kovac (2000), concluded that it is the role of the top executives to ensure the smooth operation of the entire structure and to communicate effectively with that structure.

Probably the most important strategic resource in an organization is employees. Having the right people in the key organization positions is a crucial element in strategy implementation. Human resources are the strategic assets of the firm and they are considered to be part of the competitive advantage of the firm. The entrepreneur's most important duty is to assemble a team of superstar employees by hiring and training game better positions (Beer and Eisenstat, 2000).

Culture refers to the overall way the firm operates. Culture is the key component that gives any organization its elusive nature. Sustainable competitive advantage culture is important for an organization success because a firm culture is unique and its competitor cannot duplicate it. Key elements of culture in organization which mirror the entrepreneurs' personality are values, perception, awareness, sense of urgency, time, and accountability, follow up and conflict resolution (Lasher, 1999).

In order to ensure proper implementation in organizations, any business plan or strategy needs to be supported by adequate resources, particularly in financial terms. Budgets are plans as well as control tools and provide financial information about incomes and costs for CEOS. Budgeting is the most important tool for the allocation of organizations resources to support the strategy implementation. Budgeting shows how the organization is going to spread its money. The firms budget constraints the information on how money is allocated among the various departments and among difference kinds of resources (Lasher, 2009).

2.3.4 Monitoring, Evaluation and Control

Strategies are forward looking, designed to be accomplished over several years in the future and based on management assumptions about numerous events and factors that have not yet occurred. Strategic controls are intended to steer the company toward its long term objectives (Shirley and Wolf, 1994). In contrast to post action control, strategic control is concerned with guiding the action when that action is still taking place and when the end result is still several years off. This process of control and evaluation involves four steps: defining performance standards; performance evaluations; diagnosis of deviations; system development (Shirley and Wolf, 1994).

Strategic control is concerned with tracking a strategy as it is being implemented, detecting problems or changes in its underlying periods and making necessary adjustments. Managers responsible for the success of a strategy are concerned with whether the organization is moving in the proper direction and how well it is performing. It is important to note that undertaking the process of strategic evaluation and control is more than just reviewing the inventory of the processes and mechanism of control. The control of strategy can be characterized as a form of strong control (Pearce and Robinson, 2010). It includes premise control, strategic surveillance, special alert control, implementation control.

Premise control is a management process of systemically and continuously checking to determine whether premises upon which the strategy is based are still valid. The premise control is concerned with environmental and industry factors. It is type of control where strategists formulate strategies based on certain results of environmental analysis, SWOT analysis and their assumptions or predictions of the future. Environmental factors such as economic factors, technological changes and social and cultural factors play a significant role in the success of the firm's strategy. Basically premise control is concerned with monitoring environment and industry factors which involves continuous evaluation of the underlying strategy (Mark, 1994).

Strategic surveillance is the management effort to monitor a broad range of events inside and more often outside the firm that are likely to affect the course of its strategy over time. The basic idea behind strategic surveillance is that important yet unanticipated information may be uncovered by a general monitoring of multiple information sources. Is an unfocused strategic control which helps the strategist to manage and control the strategy overall. It is designed to monitor a broad range of events inside and outside the firms that likely to affect the course of its strategy, establish systematic environmental factors that consequently maintain a strategic surveillance over organizations activities (Schreyogy and Steinmann, 1987).

Special alert control involves management actions understand to thoroughly and often very rapidly reconsider a firm's strategy because of sudden unexpected event. It is used when unexpected events occur. If the firm suddenly faces a crucial factor that may significantly impact the firms' performance, the current strategy should be reconsidered. Rapidly special alert control enables managers to reassure the firms' strategy and its current situation (Mark, 1994).

Implementation control is the management effort designed to assess whether the overall strategy should be changed in light of results associated with incremental actions that implement the overall strategy. These are usually associated with specific strategic tests or projects and predetermined milestone reviews. The two types of implementation control are monitoring thrusts i.e. early steps in executing a header strategy and milestones reviews which comes after a completion of a strategy (Pearce and Robinson, 2010). It is designed to assess whether the overall strategy should be changed in light of the results associated with the incremental actions that implement the overall strategy. It usually involves some form of mile stones compared with previously defined short term indicators of the programs invented for long term success or failure (Mark, 2004).

2.4 Strategic Management in SMEs

To ensure sustained development of the sector, it is vital to understand why some SMEs are more successful than others. Comprehensive review of studies into SMEs by McMinn & Lucio (2002), suggests that, a key determinant of business success lies in the absence or presence of strategic management. With respect to performance, strategic planning is generally more common in better performing SMEs. For example, SMEs that engage in strategic planning compared to those that do not are more likely to be those that achieve higher sales growth, higher returns on assets, higher margins on profit and higher employee growth (Carland and Carland 2003 and Gibson and Casser, 2005).

Barry and Sebone (2003), examined relevance of current management trends with SMEs and found some interesting results. First and foremost, strategic management is becoming more and more important to SMEs. Then, they stressed that the characteristics of strategies in SMEs include: generally are more informal, unstructured, irregular, and incomprehensive; have very often a tacit character and are incorporated by the entrepreneur and are not documented in strategic plans.

Strategies in SMEs are also important to bring innovation to a company, which is needed in order for the company to become competitive. Dess and Eisner (2006), stated that many SMEs seem to fail to innovate in time, because they seem to be locked in a vicious circle of being fully occupied with solving short-term operational problems. Furthermore, they stated that SMEs often lack the necessary resources to invest in strategic development operations. Thus, SMEs need to strategize its concepts in order to be innovative.

On the other hand, Sato (2000), also related SMEs with knowledge management. Accordingly, in order for SMEs to be successful in managing the knowledge they learn and experience acquired along the way, they should have a sound strategic knowledge management practice. The study asserts that SMEs should manage knowledge intentionally and establish a formal knowledge system to respond to challenges posed by changing environments.

Wanjohi (2010), undertook a study on challenges facing SMEs in Kenya. He established the juakali informal sector as the sector that boost economic growth in Kenya. However, those who run the businesses in this sector lack adequate business skills mainly attributed to low levels of education. That is, though the owner might know how to produce a high quality product, he/she must also know how to sell it effectively and how to control the financial side of the business and in doing that the entrepreneur must be skilled in business. Lack of financial resource in the sector also affects technology choice by limiting the number of alternatives that can be considered. Many SME's may use inappropriate technology because it is the only one they can afford. In some cases, even where credit is available, the entrepreneur may lack freedom of choice because the lending conditions may force the purchase of heavy, immovable equipment that can serve as collateral for the loan.

Bowen and Mureithi (2009), studied how SMEs manage the challenges they face. The findings indicate that SMEs face the following challenges; competition among themselves and from large firms, lack of access to credit, cheap imports, insecurity and debt collection. Credit constraint seems to be easing up when compared to previous researches. They also found out that relevant training or education is positively related to business success. The SMEs have the following strategies to overcome the challenges; fair pricing, discounts and special offers, offering a variety of services and products, superior customer service and continuously improving quality of service delivery. The research concludes that business success is a consequence of embracing a mix of strategies.

2.5 Youth in Entrepreneurship

One of the deepest aspirations of any civilized society is the harmonious integration of young people into the mainstream of business and society as a whole. There is a growing recognition among governments and international bi- and multi-lateral organizations that as jobs become scarce, youth entrepreneurship becomes an important strategy for integrating youth into labour markets thereby addressing unemployment challenges. However, from a policy point of view, youth entrepreneurship has its own specific dimensions compared to entrepreneurship in general. The literature about young entrepreneurs suggests a number of characteristics that describe young entrepreneurs compared to their adult counterparts. While young people are more likely to have a positive attitude towards self-employment, reality impedes them. Due to limited resources, life and work experience, they face greater barriers than older age cohorts (Blanchflower and Oswald, 1999 and Schoof 2006).

Young peoples' aspirations, energy, enthusiasm, skills and knowledge are the greatest national asset. Young people are a major factor in determining the future, especially the entrepreneurial future, because they represent a force required to steer and manage the rapid changes and they represent the future capacity for economic growth and development. Youths are more creative, innovative and risk-taking and change is accepted as the norm (Kao, 1992).

Llisterri, Kantis, Angelelli and Tejerina (2006), suggest that a more conducive environment to entrepreneurship fosters the creation of young business people. However, Nasser (2003), points out that institutional and regulatory frameworks prevent entrepreneurial creativity among young people. Access to affordable financing is perceived as one of the biggest impediments for younger people to start their own business (Greene 2005).

Wanjohi (2010), recognized that SMEs and youths in business face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. These challenges include lack of managerial training and experience, inadequate education and skills, lack of credit, national policy and regulatory environment, technological change, poor infrastructure and scanty markets information. Some parts of Kenya such as in the slums are insecure. Many small businesses are faced with theft and burglary. Many small businesses do not have money to keep up security. Therefore, the business owners opt to carry the stock or live in their business to avoid theft.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods, techniques and strategies that were used to answer the research problem. It gives a description of the research design, population and data collection procedures that were used. It also describes the data analysis techniques to be used in the study.

3.2 Research Design

The study adopted a descriptive research design. Descriptive research design utilizes elements of both quantitative and qualitative research methodologies to offer description of the state of affairs as it exists at present. Descriptive research can be either quantitative or qualitative (Burns, 2000). The major emphasis of a descriptive study is to determine the frequency of occurrence or the extent to which variables are related (Kothari 2005). According to Mugenda (2008), a descriptive study is concerned with finding out the what, where and how of a phenomenon and as such will enable the study achieve its objectives.

In this study, descriptive design was suitable because the study required an accurate examination of the strategic management practices in the government funded youth SMEs in Kisumu Town East Constituency. Therefore, the descriptive research design was aimed at helping the study establish what strategic management practices are in place in government funded SMEs and how they are done among others.

3.3 Population of Study

Target population is the complete set of individual's cases or objects with some common characteristics to which the research wants to generate the results of the study (Kothari, 2004). According to Burns (2000), a research population is a well-defined collection of individuals or objects known to have similar characteristics and usually have a common, binding characteristic or trait.

The population of study consisted of all the Government funded youth SMEs in Kisumu Town East Constituency. Currently, a total of 70 youth SMEs have so far been funded by the government, according to the Ministry of Youth Affairs and Sports (2012). The purpose of a census survey is to cover all the items and obtain the highest level of accuracy (Kothari, 2005). The study picked one youth representative most responsible for the enterprise management from each SME.

3.4 Data Collection

The study used primary data sources. This was obtained through questionnaire. Questionnaires were preferred as their responses are gathered in a standardized way making them more objective than interviews, are relatively quick to collect information and potentially information can be collected from a large portion of a group (Burns, 2000). The questionnaires were semi-structured; had both open and close-ended questions for qualitative and quantitative data respectively. The questionnaire was divided into two sections namely; Section A was intended to collect background information on the SMEs and Section B sought to establish strategic management practices in the SMEs.

The questionnaires were administered through drop and pick method. To get a favourable response rate, the respondents were given two weeks to fill-in the questionnaires owing to their busy work schedule and the need to obtain objective and unhurried response. In addition, the researcher made phone calls and personal visits where possible to remind the respondents to fill-in and return the questionnaires.

3.5 Data Analysis

The data obtained from the structured questions in the questionnaire was coded, classified under different variables and entries made. Coding is a technical procedure where symbols, which are normally numerals, are given to the raw data in order to transform it into an easily tabulated and counted format (Churchill and Iacobucci, 2002). It assists a researcher in reducing the replies to a few categories containing information required for analysis. With data entry, the data collected was captured and stored. The dataset was then subjected to a verification process to verify if the captured data correlated with the data-captured.

Responses from unstructured questions on opinion on strategic management were written in a separate sheet and organized in themes and thematic content analysis used to answer research questions. Descriptive analysis was used to analyze the primary data of quantitative nature (structured questions). Descriptive statistics such as frequencies and percentages were augmented with measures of central tendency (means) and dispersion (standard deviation).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objective study was to establish strategic management practices adopted by the government funded youth SMEs in Kisumu Town East Constituency. Primary data was collected through questionnaires that were distributed to all managers and owners of the Government funded youth SMEs. Out of the 70 SMEs only 46 responded, giving a response rate of 65.7%. The response rate was adequate as it exceeds the recommended threshold of 60% (Mugenda and Mugenda, 2003). The data was analyzed in relation to the study objective and the findings are presented in the various categories below:

4.2 Organization and Demographic Profile

The study sought the general profile of the SMEs and staff responding to the questions. The information sought were: type of ownership of the SMEs, respondents' age, SMEs monthly turnover, type of activity, number of staff employed and academic qualification of the respondent. It forms the basis under which the study can rightfully ascertain the reliability of the information got. It also forms basis for strategic management practice in use with the SME profile.

Table 4.1: Type of Business Ownership

Ownership	Frequency	Percentage
Individual	14	30.4
Group of People	32	69.6
Total	**46**	**100.0**

Source: Author 2012

The study sought to establish the type of ownership of the Government funded youth SMEs. The findings in Table 4.1 shows that 69.6% of the SMEs were group-owned enterprises while 30.4% were individually-owned enterprises. This depicts that majority of the Government funded youth enterprises have group ownership. This is in line with the YEDF statute which requires the Fund beneficiaries (SMEs) to group-owned.

Table 4.2: Age Distribution of the Respondents

	Frequency	Percentage
15-19 years	2	4.3
20-25 years	22	47.8
26-30 years	18	39.1
31-35 years	4	8.7
Total	**46**	**100**

Source: Author 2012

The respondents were required to mention their age group in years. From the findings in Table 4.2, 47.8% of the respondents were between 20-30 years old; 39.1% were 20 - 25 years; while, 8.7% were 31-35 years old. This illustrates that most of the respondents were youths of 20 to 30 years. Being SMEs, most of the owners are in management explaining the age bracket of majority of the respondents. Besides, according to the YEDF Act, the beneficiary of the Fund should be youths of 15 to 35 years.

Table 4.3: Academic Qualifications

	Frequency	Percentage
Primary School	2	4.3
Secondary School	23	50
College Education	19	41.4
University Training	2	4.3

Total	**46**	**100**

Source: Author 2012

The respondents were asked to indicate their highest academic qualification. From the findings on Table 4.3, 50% of the respondents were secondary school graduates; 41.4% had college education (diplomas and certificates); 4.3% were primary school dropouts or had a university degree. Thus, majority of the respondents who benefitted from the Government funds were secondary dropouts. This illustrates that the SMEs owners or staff had at least secondary education and, thus, had some knowledge on business management.

Table 4.4: **Estimated Monthly Gross Turnover**

Amount	**Frequency**	**Percentage**
Kshl,000-5,000	0	0
Ksh6,000-10,000	22	47.8
Kshl 0,000-25,000	24	52.2
Above Ksh25,000	0	0
Total	**46**	**100**

Source: Author 2012

The study sought to establish the approximate monthly gross turnover of the SMEs. Findings in Table 4.4 reveal that 52.2% of the SMEs had a gross monthly turnover of between Kshl0,000 to 25,000, 47.8% had a gross turnover of between Ksh6,000 to 10,000. None of the SMEs gross monthly turnover was below Ksh5,000 nor above Ksh25,000. Thus, majority of the SMEs had gross monthly turnover of between Kshl0,000 and 25,000. This implies that the youth SMEs operate on lean income of at least Ksh5,000.

Table 4.5: Type of Activity

Activity	Frequency	Percentage
Construction	2	4.3
Trade	18	39.1
Services	18	39.1
Manufacturing	8	17.4
Total	**46**	**100**

Source: Author 2012

The researcher sought to determine the type of activities that the Government funded the youth SMEs engaged in. From Table 4.5, an equal proportion of 39.1% were in trade and services industries; 17.4% were in manufacturing business; while, 4.3% were in construction business. The finding, thus, depicts that majority of the YEDF funded SMEs were involved in trade or merchandize and services sectors. This implies that most of the Government funded SMEs engaged in low capital activities. A paltry percentage of the SMEs were in construction business, pointing to lack of capacity of SMEs to engage in capital intensive activities.

Table 4.6: Number of Employees

Number	Frequency	Percentage
None	3	6.5
1-9 Employees	32	69.6
10-49 Employees	11	23.9
50-100 Employees	0	0
Total	**46**	**100**

Source: Author 2012

The study inquired about the number of staff employed in the SMEs. Table 4.6 reveals that 69.6% had between 1-9 employees; 23.9% had 10-49 employees; while, 6.5% did not have any employees as they were fully run by the owner. Therefore, majority of the Government funded SMEs had a lean staff of 1 to 9 employees. This is justifiable by the fact that YEDF funded SMEs had a limited number of resources to employ people.

4.3 Strategic Management Practices Adopted at the SMEs

This section looks at strategic management practices adopted by the Government youth funded SMEs. It specifically looks at practices such as strategy formulation, environment scanning, strategy implementation and evaluation and control.

4.3.1 Strategy Formulation

This section looks at how the SMEs go about strategy formulation. It presents findings on the mission and vision statement of the SMEs, nature of strategic plans and the staff responsible for the same.

Table 4.7: Vision Statement

Response	Frequency	Percentage
Yes(written)	27	58.7
Yes(not written)	14	30.4
No	5	10.9
Total	**46**	**100**

Source: Author 2012

The study inquired whether the SME has a vision statement and the findings presented in Table 4.7. From the findings 58.7% of the SMEs had written vision statement, 30.4% had unwritten vision statement or policy while 10.9% did not have vision statement at all.

This shows that majority of the government funded youth SMEs had vision statements. Thus, most of the SMEs were guided by vision in the running of the business which could result in a considerable strategic management practice. The high number of SMEs with vision statements can be attributed to the requirements by the government for a well written business plan and various documents before funding of the SMEs.

Table 4.8: Mission Statement

Response	**Frequency**	**Percentage**
Yes(written)	27	58.7
Yes(not written)	19	41.3
Total	**46**	**100**

Source: Author 2012

The researcher sought to establish if the SMEs have written mission statements. Table 4.8 shows that 58.7% of the SMEs had written mission statements as compared to 41.3% whose mission statements were informal (unwritten). This indicates that majority of the SMEs had written mission statements. Thus, besides having well documented vision statement, the SMEs articulate how to go about realizing the vision through mission statement which positively impact on their strategic management.

Table 4.9: Strategic Plans

Response	**Frequency**	**Percentage**
No Strategic Planning	27	58.7
Formal Strategic Planning	14	30.4
Informal Strategic Planning	5	10.9
	46	**100.0**

Source: Author 2012

The study sought to establish the nature of the SMEs' strategic planning. Findings in Table 4.9% reveal that 58.7% of the SMEs had no strategic plans; 30.4% of the enterprises had formal strategic plans in place while 10.9% had informal strategic plans. This reveals that majority of the Government funded SMEs didn't have strategic planning mechanisms while a considerable percentage had. This depicts that while the SMEs had vision and mission statements, they did not have a sound strategic planning mechanism.

Table 4.10: Strategic Formulation

Staff	Frequency	Percentage
Management/Business Owner	29	63.1
Employees	3	6.5
Consultants	14	30.4
Total	**46**	**100**

Source: Author 2012

The researcher sought to identify the people responsible for strategic formulation at the SMEs. From the findings in Table 4.10, 63.1% of strategy is formulated by management and business owners; 30.4% of the response pointed to consultants; while, 6.5% stated that the same is done by employees. This depicts that strategy formulation is done by the management/business owner. They, however, also enlist the services of consultants who are competent in formulating strategies that would ensure business success.

4.3.2 Strategy Implementation

Table 4.11: Source of Finance

Source	Frequency	Percentage
Banks	6	13
Micro Finance Institutions	26	56.6
Own Capital	8	17.4
None	6	13
Total	**46**	**100**

Source: Author 2012

The study sought to establish other avenues of finance that the SMEs target apart from the YEDF. Table 4.11 indicates that 56.6% of the SMEs rely on Micro Finance Institutions; 17.4% uses owners' capital or equity financing; 13% of SMEs targets banks and the same percentage relied solely of the YEDF fund as they do not seek other sources of finance. This illustrates that majority of SMEs targets MFIs as a source of finances while a considerable number also seek equity finances. Most of the SMEs have sought micro lending for expansion of the enterprises and daily running owing to their size and the cost of finances which has driven quite a number into equity financing by introducing new shareholders or existing ones giving additional capital.

Table 4.12: Reward System

	Frequency	Percentage
Yes	25	54.3
No	21	45.7
Total	**46**	**100**

Source: Author 2012

The research sought to establish whether the SMEs have reward system. The findings in Table 4.12 show that 54.3% had a reward system in place while 45.7% did not. Thus, majority of the SMEs had reward system in place. This implies that the SMEs have put in place measures to ensure that implementation of formulated strategies is rewarded to foster implementation success.

Table 4.13: Effectiveness of the Implementation Strategies

	Frequency	Percentage
Very Effective	8	17.4
Effective	20	43.5
Fair	18	39.1
Total	46	**100**

Source: Author 2012

The respondents were required to rate the effectiveness of implementation of strategies developed by the SME. From Table 4.13, 43.5% of the respondents rated the effectiveness of strategy implementation as effective, 39.1% as fairly effective while 17.4% rated the same as very effective. This depicts that the implementation of strategies formulated were effective. This implies that the SMEs strove to implement most of the strategy they formulate which raises the effectiveness of the strategic management.

Table 4.14: Management Aspect and Strategy Implementation

Management Aspects	Poor	Below Average	Average	Good	Excellent	Mean	STDEV
Clear systems, programs and procedures	0.0%	4.3%	32.6%	54.3%	8.7%	3.67	0.693
Adequate budget	0.0%	26.1%	34.8%	17.4%	17.4%	3.13	1.227
Communication	4.3%	26.1%	34.8%	17.4%	17.4%	3.17	1.129

Source: Author 2012

The study sought to establish the extent to which the management aspects related to strategy implementation in the SMEs. The study used a 5-point Likert Scale in collecting the data so the factors could be ranked based on weighted mean. According to the scale, 1 point was accorded to poor; 2 point = below average; 3 points = average; 4 points = good; and, 5 points = excellent. The results are presented in Table 4.14.

On implementation of programmes and procedures, shows that 54.3% of the SMEs were good at implementing programmes and procedures and 32.6% were average. This had a mean of 3.67. On budget implementation (minimizing the difference between actual and planned outcome), 34.8% were average while the same proportion were either good or excellent. A weighted mean score of 3.13 was established. Communication systems in the enterprise as a strategy implementation mechanism had a mean of 3.17: 34.8% were average while the same proportion was either good or excellent. This depicts that the government funded youth SMEs performed better in implementation of programmes and procedures followed by budget implementation; and, communication systems to realize these.

4.3.3 Evaluation and Control

This section looks at the evaluation and control function of the SMEs within the strategic management process. It thus, comprises of findings on the key performance indicator use, corrective mechanism, and continuous improvement.

Table 4.15: Evaluation Process

	Frequency	**Percentage**
Yes	26	56.5
No	20	43.5
Total	**46**	**100**

Source: Author 2012

The study looked at whether the SMEs had developed key performance indicators or some other form of accountability to track the success of strategic initiatives. The findings in Table 4.15 shows that 56.5% of the SMEs had developed performance indicators to track the success of strategies developed while 43.5% had no indicators in place. Thus, majority of the SMEs had performance indicators they use to gauge the success of the strategy implemented. This illustrates that the SMEs had in place measures of control and evaluating whether there is deviation between strategies formulated and those implemented.

Table 4.16: Institutionalization of Corrective Measures

	Frequency	**Percentage**
Yes	10	21.5
No	36	78.5
Total	**46**	**100**

Source: Author 2012

The respondents were asked to state whether there are institutionalized corrective measures within the SMEs. Table 4.16 shows that 78.3% of the SMEs had not institutionalized corrective measures and procedures as compared to 21.7% who had. Thus, majority of the SMEs funded by the YEDF had not put in place corrective measure. This implies that while the SMEs have developed key performance indicators, they had not put in place corrective measures or procedures in case of deviations from plans.

Table 4.17: Review of Strategic Plan

	Frequency	Percentage
Yes	26	56.5
No	20	43.5
Total	**46**	**100**

Source: Author 2012

The respondents were asked to indicate whether the SME is involved in continuous review of its strategic plan. The findings in Table 4.17 show that 56.5% of the SMEs reviewed their business strategies in order to remain competitive in their respective environment while 43.5% do not review their strategic plans. Thus, majority of the SMEs review their strategic plans. This implies that the SMEs seek ways to continuously improve the business performance and survival within the dynamic environment by reviewing their strategic plans.

4.4 **Discussion**

The SMEs are engaged in strategic planning through strategy formulation and environmental scanning. The Government funded SMEs develop vision and mission statements. This concurs with Johnson and Scholes (2002), who state that strategy formulation involves creating organization's vision for the future and clear mission statement of how to achieve the vision. Chandler (1962), on the other hand established that in the strategy formulation process, the mission statement sets the disposition of where the company should go and should be clear, concise, measureable and objective.

The findings contradict Chandler (1962), postulation as it reveals that the vision and mission statement are unwritten for some of the SMEs. This could owe to the fact that the SMEs are owned by youths would do not have experience and knowledge on running business and if they do, they do not see the importance of strategic management, competence in doing so and cannot hire a consultant to do the same for them.

On strategy implementation, the SMEs have reward systems to motivate the implementation of strategy and have put in place implementation of programmes and procedures. The SMEs augmented this with proper communication mechanism to ensure that the implementation process and the staff entrusted with the same pull in one direction. In concurrence, Lasher (1999), established that strategy implementation is not easy as it involves working with people and the structures of the organization to make the visionary ideas developed earlier come true. Have and Kovac (2000), also established that the role of the top executives should ensure smooth operation of the entire organization structure by communicating effectively and with one voice on strategy implementation. Hale and Cragg (1996), was of the view that some employees might not be in agreement with introduction of change within the organization and rewarding implementation of strategic planning (one of the agents of change) should be encouraged.

On strategy evaluation and control, most of the SMEs had evaluation and control process aimed at taking stock of the implemented plans. They, however, had not institutionalized corrective measures and procedures of doing so in case of deviations. This is in contradiction to Pearce and Robinson (2010), advice that the essence of strategic control is to ensure that overall strategy is changed in light of the results associated with the incremental actions that implement the overall strategy.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECCOMMENDATIONS

5.1 Introduction

The chapter discusses the summary of the findings as presented in chapter four, conclusions and recommendations drawn from the findings on strategic management practices among the Government funded SMEs in Kisumu Town East Constituency.

5.2 Summary of Findings

The study findings in the previous chapter indicates that most of the SMEs who responded were group-owned, majority had turnover of between Kshl0,000 and 25,000, were engaged in trade and services business and had one to nine employees. The findings revealed that most of the SMEs had mission and vision statements which were either written or unwritten. Although majority did not have strategic plans, considerable proportion had formal strategic plans while a paltry few had informal ones. The findings, further, illustrates that strategic planning functions was a reserve for the management or SMEs' owners although a few contracted consultants for the same.

On strategic implementation, the findings reveal that majority of the SMEs sought additional funding to realize this which mostly came from Micro Finance Institutions or equity finances (owners' capital). From the findings, most SMEs had put in place implementation of programmes and procedures which enhanced strategy implementation as they rated the same as effective. One of the procedures was reward and communication system which most of the SMEs instituted to stimulate implementation. On strategy evaluation and control, the findings show that most of the SMEs had established strategy control mechanism and review of strategic plans. However, the SMEs had not institutionalized corrective measures to take care of the deviations.

5.3 Conclusion

The Government funded youth SMEs in Kisumu Town East Constituency have some semblance of strategic management practices although they apply the same in *ad hoc* manner as these practices are not streamlined. The study conclude that a good proportion of SMEs have well documented vision and mission statements with a good communication system within the enterprise. However, considerable proportion had unwritten or informal policies of the mission and vision of the SMEs. Johnson and Scholes (2002), established that strategy formulation involves creating organization's vision for the future and clear mission statement of how to achieve the vision. Most of the strategy formulation was being done by owners and managers owing to the Government requirements on the documentation before any funding is given out.

The SMEs practiced strategy implementation, however, there seems to be well laid down strategy formulation process as opposed to strategy implementation process. The SMES marshaled the resources especially financial resources from MFIs such as Kenya Women Finance Trust (KWFT) and equity financing to ensure smooth implementation of strategies. The SMEs had also established clear implementation procedure to realize this. They also had communication system to ensure that strategies formulated are articulated to the staff and implementation direction becomes one. Have and Kovac (2000), stated that top executives should foster proper communication so as to ensure that the entire organization direct its efforts to strategy implementation.

The SMEs fairly applied evaluation and control process. While they had strategy evaluation and control procedures, they seemed to lack corrective measures aimed at ensuring the deviations are corrected and plans or strategies changed in response to the changing business environment such as government regulation and policies, competitive pressure, political environment among others. This can be attributed to lack of adequate training especially for the SMEs with education level of owners as secondary. The lack of institutionalization of strategies is also a factor that leads to poor evaluation process.

5.4 Recommendations for Policy and Practice

Strategic management is a sure way of ensuring that business takes stock of its strengths and opportunities in the environment to be competitive and sustainable. However, the study established that not all SMEs funded by the Government practice strategic management. The study recommends that these SMEs should engage in strategic management in order to stay competitive. At the moment, it is a requisite that the SMEs produce business plans as eligibility criteria for funding. Besides, most of these SMEs collapse within its first five years in existence. The study recommends that the Govermnent should make it a requirement that SMEs come up with a 10 year strategic plans of how they would ensure sustainability of the business to mitigate this.

While the SMEs were engaged in strategy formulation, implementation and evaluation, they lack the mechanism of taking the corrective measures. The study suggests that the SMEs' management and owners should take concerted efforts to establish corrective mechanisms to ensure that strategies or plans are changed in line with the business environment changes.

5.4 Limitations of the Study

The study looked at the entire strategic management practices: strategy formulation, implementation and control/evaluation. The study did not, however, owing to constraints go into details of strategy formulation such as SWOT, PESTEL analysis among others. Neither did it go into details of how strategy implementation nor evaluations are carried out owing to time constraint.

Another limitation of the study was that the study was restricted to only Government funded SMEs in the area and may not be representative of all the SMEs in the area. Findings of this study are, thus, limited to the, afore-mentioned population and might not be not generalized to all constituencies in Kenya and Non-Government funded SMEs.

Some respondents viewed the information sought as confidential thus declined to divulge any information out of fear due to government involvement in the funding of SMEs. The time allocated for data collection may also not have been sufficient to enable respondents to complete the questionnaire as accurate as possible considering that they were at the same time carrying out their respective daily duties.

5.5 Suggestions for Further Research

Based on the findings of the study, further studies should narrow down the conceptual scope of the study by looking into individual practices. This would capture the nitty gritty of strategic management such as details of strategy formulation including environmental analysis (SWOT, PESTEL among others), implementation and evaluation. These studies can also look at the strategies adapted by these SMEs to in response to environmental turbulence.

The study also suggests that further studies should be done in other areas or constituencies so as to capture what practices are done in these areas. Besides, studies can also be done on non-government funded SMEs. This owes to the fact that different geographical areas or markets and different enterprises adopt different strategic management practices. The findings will, thus, ensure holistic findings of the strategic management practices adopted by SMEs. Finally, further research should be carried out to investigate the challenges faced by these SMEs in implementation of strategic plans. This will help account for the discrepancies between strategy formulation and implementation.

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APPENDICES

Appendix I: Questionnaire

Instructions:

The aim of this questionnaire is to establish the strategic management practices your enterprise pursues. This is part of a study am doing at the University of Nairobi for the award of the degree of Master in Business Administration. Please respond to the questions honestly by ticking the most appropriate responses. For structured questions, use the spaces provided.

SECTION A: Background Information

1. What type of ownership is your business?

- Individual
- Group of people

2. Please indicate your age group.

15 - 19 yrs

20 - 25 yrs

26-30 yrs |

31 -35 yrs 1

3. Indicate approximate monthly gross turnover of your business?

- 1000-5000
- 6000- 10000
- 10000-25000
- 25000 and above

4. What major activity are you engaged in? (Tick one)

- Construction
- Trade

- Services
- Manufacturing

5. How many employees are employed in the organization? (Tick one)
    - None
    - 1 - 9 employees
    - 10-49 employees
    - 50 - 100 employees
6. Kindly indicate your highest academic qualification

    (a) Primary School

    (b) Secondary School

    (c) College Education |____|

    University training [j

SECTION B: Strategic Management Practices

Strategy Formulation

7. Does the SME have a Vision?
    - Yes (Written)
    - Yes (Not Written)
    - No

b) If yes, what is the vision?

8. Do you have a Mission statement?
    - Yes (Written)
    - Yes (Not Written)
9. What is the nature of your organizations strategic planning?

- No Strategic Planning
- Formal Strategic Planning
- Informal Strategic Planning

b) If yes, how have the strategic plans been successfully implemented within the organization?

10. Who is responsible for the Strategic Planning in the SME?

- Management/Business Owner
- Employees
- Consultants
- Others

Environmental Scanning

11. Which factors in the Internal Environment has had an impact on Strategy Formulation in the SME?

12. Which factors in the External Environment has had an impact on Strategy Formulation in the SME?

13. What challenges do you face as you respond to the environmental issues?

14. What response strategies have you put in place to respond to these challenges?

Strategy Implementation

15. What other avenues of finance does the SME target?

- Banks
- Micro Finance Institutions
- Own Capital
- Other

16. What challenges do you face towards expansion of your financial base?

17. Do you have a reward system in the SME?

- Yes
- No

18. How would you rate the effectiveness of implementation of strategies developed by the SME? (Please tick)

- Very Effective
- Effective
- Fair
- Poor
- Very Poor

19. Please indicate the extent to which the following management aspects relate to implementation in your enterprise:-

1-Poor 2- below average 3-average 4-good 5-exellent

	1	2	3	4	5
Clear systems, programs and procedures					
Adequate budget					
Communication					

20. Please explain issues within the organization that have affected the implementation of strategic management practices?

Evaluation and Control

21. Has your organization developed a set of key performance indicators or set some other form of accountability to track the success of strategic initiatives?

•Yes DNo

22. Are corrective measures and procedures institutionalised?

•Yes DNo

b) If yes, which measures are in place?

23. Is the SME involved in a continuous review of its strategic plan?

•Yes DNo

24. What is the management doing to improve on the strategic management practices within the organization?

THANK YOU

Appendix II: LIST OF YOUTH GROUPS AND INDIVIDUAL SMEs FUNDED BY THE GOVERNMENT IN KISUMU TOWN EAST CONSTITUENCY

S/N	NAME OF SUCCESSFUL APPLICANT
1.	OKIRO YOUTH GROUP
2.	CHIGA 4K CLUB YOUTH
3.	SHUSEMO YOUTH GROUP
4.	KIKAPU WOMEN YOUTH GROUP
5.	MSABIBU YOUTH GROUP
6.	POLYVIEW BODABODA YOUTH GROUP
7.	MANYATTA SOLID WASTE MANAGEMENT
8.	BARAKA ZA MOLA YOUTH GROUP
9.	KONYA GERO THURDIBUORO YOUTH GROUP
10.	BUOYE QUARRY YOUTH GROUP
11.	MUGUYWA YOUTH GROUP
12.	ZEBRA SELF HELP GROUP
13.	KOLWA YOUTH GROUP
14.	RIWO CHRISTIAN YOUTH GROUP
15.	MAMBOLEO FLAYERS Y/G
16.	SIMBA YOUTH GROUP
17.	SPRING WATER WOMEN GROUP
18.	HIPPO POINT FOCUS SELF HELP GROUP
19.	NYALENDA HAWKWER SELF HELP
20.	KATUK NGWARE YOUTH GROUP
21.	PANDY FRIENDS Y/G

22.	KISUMU DISABLED SELF HELF GROUP
23.	MALOKA VISION YOUTH GROUP
24.	TEK WOMEN GROUP
25.	LOLWE YOUNG TASK YOUTH GROUP
26.	JITIHADA YOUTH GROUP
27.	MORO RATENG' YOUTH GROUP
28.	KOTUNGA YOUTH GROUP
29.	BUKNA FRIENDS M. GROUP
30.	BUSY BEE YOUTH GROUP
31.	KOFUOLWA YOUTH GROUP
32.	ROSAKI YOUTH GROUP FOR CHANGE
33.	DAGO NETWORK YOUTH GROUP
34.	DAGO VISION YOUTH GROUP
35.	LAKESIDE YOUTH GROUP
36.	ST. CAMILLUS YOUTH GROUPS
37.	NYAMASARIA JAMII SELF H. GROUP
38.	BOTOH YOUTH GROUP
39.	UNITY IS STREGNTH YOUTH GROUP
40.	MULIKA YOUTH GROUP
41.	MOBATOKASU YOUTH DEV. GROUP
42.	JOTHIM KISUMU YOUTH GROUP
43.	WYCLIFF MBOGA CHOTERO
44.	REHEMA AKINYI RAJAB
45.	LUCY AWUOR SUMBA

46.	OTOTO MOTISI ONDITI
47.	MILLICENT AKWIRI
48.	MOSES ONYANGO OBWOR
49.	EVANS OCHIENG AWILI
50.	FESTO OLOO ONUNGA
51.	MARY LIHEMO
52.	ROSE AKINYI OWINO
53.	NANCY AKOTH OPIYO
54.	CHRISTINE ANYANGO SIDIGU
55.	MILDRED ATIENO OMULLO
56.	GEORGE OTIENO ONGARO
57.	AZAEL KOLIN WIGWA
58.	JUDITH ATIENO OKOMBO
59.	FREDRICK ODHIAMBO OMONDI
60.	FREDRICK ODHIAMBO OCHIENG
61.	JOSHIA OGALO MBOWO
62.	KENNEDY OKORO OCHIENG
63.	NAOMI BIKOYI OIRERE
64.	HYLINE NYANYCHOKA
65.	PHEOBE ADHIAMBO ANDA
66.	EMILY AKINYI OMONDI
67.	CAROLINE AKINYI OKOTH
68.	CHRISTINE AWUOR OKELLO
69.	MARTINE OTIENO OGWANG

70. JUDITH ATIENO OCHIENG

SOURCE: MINISTRY OF YOUTH AFFAIRS AND SPORTS