

**CHALLENGES FACED IN MANAGING STRATEGIC CHANGE AMONG
SMALL MICRO ENTERPRISES (SME's) IN NAIROBI CITY COUNTY,
KENYA**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF THE MASTER OF
BUSINESS ADMINISTRATION**

DECEMBER, 2015

DECLARATION

I declare that this research project is my original work and has not been presented for any academic award in any university.

Signed

Date

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D61/70804/2009

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

Sign.....

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DEDICATION

I dedicate this thesis project to God, my family and friends who have been with me all the way. I especially dedicate this final project to my dear son AJ Ngure, my mum Catherine, my sister Evelyn my brother Dan and not forgetting Wambui my ever faithful partner for their very special support and prayers.

ACKNOWLEDGEMENT

I thank the almighty God for the gift of life and strength given to me for the development of this project. I appreciate the efforts made by my supervisor Professor Justus Munyoki during the proposal development stage; his tireless efforts and time were a critical part of the completion of this project. I also appreciate the effort of my family, classmates and friends for both emotional and economic stability. I would also like to especially thank my peer and friend Dorcas Kyalo for her positive and constructive criticism which has made it possible for the project to reach this final stage. Finally, to all those un-named individuals who have played an important part in my academic development throughout the many years of study; I thank you all.

ABSTRACT

The main objective of this study was to discover which strategies SMEs in Nairobi use so to overcome the challenges of global turbulence with specific objectives being: To determine the challenges faced in managing strategic change within SMEs in Nairobi County and then establish which strategic change management practices are adopted by the SME's to overcome said challenges. The study adopted a descriptive research design and the use of questionnaires as a method of data collection since the study is descriptive in nature. The researcher chose a target of 2245 SME entrepreneurs in Nairobi CBD. The researcher used the simple stratified random sampling technique, and delivered 300 questionnaires aiming to attain 225 complete responses which would represent 10 percent of the target population under study. Due to issues of non-responses and other field research challenges; in terms of, unwillingness to disclose private company material made it difficult. Therefore the research had to deliver additional questionnaires in order to achieve the same goals: Thus, having to increase the 225 questionnaires to 300 to ensure a threshold of as close to 225 (10%) as possible of target population of 2245. However, the study finally obtained at least 177 respondents. The data collection method which was used in this study included primary data which was collected using questionnaires. Data analysis was carried out separately for a quantitative (primary research) and qualitative assessment (secondary research) to understand the relationship between the given variables. The study employed the use of SPSS software to analyse data, where it was found that, lack of skilled management, poor leadership and lack of strategic planning are the major challenges facing SMEs in adopting strategic change management. The research recommends that SME leaders and managers should invest in training and development of their staff in strategic management practices, so that they are better prepared to handle the 21st century of global complexity and environmental turbulence. For instance, the European Union enacted legislation to the support, fund and develop its SME's (EU, 2005), in the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises; clearly proving the importance and significance of the SME sector in the world economy. More specifically, The Kenyan government policies should support the growth and development of SMEs by enacting legislation conducive to the needs of these companies to ensure they are just as successful as the ones in developed countries.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Companies come in different sizes, provide a vast array of products and services; and face a multitude of changes. As Burns, (2009) puts it, that change is perhaps the only factor that is common to all organizations. SME's are firms varying widely in size and characteristics, namely from very small start-up firms to larger sized SME's (Boyd, 2002). Micro, small and medium-sized enterprises (SMEs) play a central role in all economies, including developing economies like Kenya. They are a major source of entrepreneurial skills, innovation and employment. For instance, according to the European Union (EU, 2005), in the enlarged European Union of 25 countries, some 23 million SMEs provide around 75 million jobs and represent 99% of all enterprises. However, they are often confronted with market imperfections. SMEs frequently have difficulties in obtaining capital or credit, particularly in the early start-up phase. Their restricted resources may also reduce access to new technologies or innovation. Therefore, support for SME's is one of the European Commission's priorities for economic growth, job creation and economic and social cohesion.

The challenges faced by most SME's have included a variety of operational and procedural areas. Businesses need to be redefined or redesigned and adapted to specific geographical and cultural settings. The workforce needs to be retrained to be ready for changes in how the work is done, what skills and knowledge are needed, and how to relate to global collaborators and customers. The very culture of an organization needs to be reshaped to properly support the new processes introduced. Structures, rewards systems, appraisal measurements and the roles need redefinition (Barney, 1991). Leadership styles and management procedures must shift and adapt, and ways of relating with customers, suppliers, and other stakeholders need refining. Employee resistance to change has been identified as a critical contributor to the failure of many well-intended and well-conceived efforts to initiate change within the organization or the SME (Dent, 2011). Individuals naturally rush to defend the status quo if they feel their security or status is threatened. Folger & Skarlicki, (1999) also point out that organisational change can generate scepticism and resistance in employees, making it sometimes difficult or impossible to implement organisational change.

The challenges faced in managing strategic change among SME's in this study will be explained by the theory of change. According to Weiss, (2009) theory of change represent beliefs about what is needed by the target population and what strategies will enable them to meet those needs. Organization development theory is applicable in this study in that it is critical to the performance of any organization as it brings key skills and perspectives that effectively facilitate changes in culture and shifts in strategy to address the complex challenges facing organization (Clark, 2012).Organizational transformational theory will be used in this study, this is because it promotes paradigmatic change that helps the organization better fit or create desirable future environments. It is directed at creating a new vision for the organization (Porras, 2004).Strategic management theory which deals with the process and approach of specifying an organization's objectives, developing policies and plans to achieve the objectives is also applied in this study. Strategic management theory is a combination of strategy formulation, implementation and evaluation (Adrian, 2005).

With the key focus being the challenges of managing strategic change within SMEs in Nairobi, there could be a general neglect on the dynamics of personal and organizational change that will determine the outcome of any change effort (Tyge, 2004). As a result there is a failure to address the management need to coach the employees through the transition process of change. Subsequently, there will be failure to acknowledge the fact that the management itself, needs to acquire skills on change management before they can effectively implement change within the organization or the SME .According to Moyi, (2005) Channels of communication need to be improved and presented to all the employees to be aware of how to access and relay information. Change champions should have been created or appointed to lead this process, and finally the employees input and the reaction to this program should have been sought for, in an all-inclusive process to follow and for them to own it.

1.1.1 Concept of Strategy

The need for a strategy arises because an organization must take account of thousands of external variables which affect it, and it must make choices over thousands of decision variables. These decisions are taken by many people under conditions of uncertainty and incomplete information. Only through the existence of a commonly understood strategy can an organization achieve consistency in the decisions it takes across different organizational members and across time. Graig, (2000) to this extent a strategy may be viewed as a

heuristic, a set of guidelines or rules which assist day-to-day decision making strategy as a form of discipline on management.

According to Steiner, (2003) majority of business management revolves around dealing with immediate matters short term fire-fighting in the form of controlling unexpected disruptions in the smooth running of the organizations. Under these stressful conditions, maintaining a perspective with regard to long-term goals and the means by which the organization will be guided towards these goals is essential (Thomson, 2010). The existence of a strategy, whether explicitly articulated or implicit within the minds of managers, can provide a reference point for the organization. Such a reference point is also a discipline over the unbridled pursuit of entrepreneurial opportunities. In a decentralized company with a strongly entrepreneurial culture, there is always a danger that by 'letting a thousand flowers bloom' the organization will collapse into chaos. The existence of a strategy can thus provide boundaries around business activities which are legitimate. Without a strategy, a manager has no thought-out course to follow, no roadmap to manage by, no unified action program to produce the intended results (Keith, 2003). They went further to link the value of management capability to strategic planning by saying: Powerful execution of a powerful strategy is not only a proven recipe for business success but also the best test of excellent management.

1.1.2 Concept of Strategic Change

Strategic change is the actions, processes and decisions that are executed by the members of an organization to realize their strategic intentions (Handy, 2011). It involves managing the unfolding non-linear dynamic processes during strategic implementation. Strategic change is long term by nature and affects the entire organization, and is aimed at achieving efficiency. As the external and internal environment changes, organizations need also to change their strategies in order to achieve a strategic fit (Thomson, 2010). Neither strategy nor change management would be of any special consideration if products and markets were stable and organizational change was rare (Burnes, 2009).

That change is feature that cannot be avoided due to its continued presence in all its ramifications is something that cannot be overemphasized. Anderson, (2004) adds that the way in which such changes are managed and the appropriateness of the approach adopted, have crucial implications for the way people experience change and perception of the eventual result. Organizations or SMEs are faced with an unrelenting stream of pressure from

global competition, social and demographic trends, shifts in government policy, legal and political events and streams of new inventions in the technological world. It is worth therefore appreciating that Small and Micro Enterprises can, and do experience severe challenges in managing change. Change management has been defined as ‘the process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customer (Amyx, 2005). According to Burnes (2009) change is an ever-present feature of organizational life, both at operational and strategic level. Therefore there should be no doubt regarding its importance to any organization, and its ability to identify where it needs to be in the future, and how to manage the changes required getting there. Consequently organizational change cannot be separated from organizational strategy, or vice versa. Due to the importance of organization change, its management is becoming a highly required managerial skill (Senior, 2002). Graetz (2000) goes as far as suggesting ‘Against a backdrop of increasing globalization, deregulation, the rapid pace of technological innovation, growing knowledge workforce, and shifting social and demographic trends, few would dispute that the primary task for management today is the leadership of organizational change.

The challenge faced by SME is that of strategic change management implementation. Change management is a functional area of management that is hardly known or appreciated by most managers. It follows that skills required to effectively manage change within the SMEs are lacking (Bhalla, 2000). However, very little is on record highlighting challenges faced in managing strategic change within SMEs .This therefore constitutes a research gap that this study seeks to fill.

1.1.3 Small and Micro Enterprises in Kenya

Small and micro enterprises are defined variously. Some of the criteria employed in defining these enterprises include: number of workers, value of assets or annual turnover, nature of premises/space, status of registration or legality of business and sustainability (CBS, 1999). The definition for SME does also defer, within different economic blocks in the world where there is no single internationally accepted definition for SME’s. In the United States for example, the upper limit size for SME’s is set at 500 employees for most manufacturing and mining industries (US Small Business Administration, 2009). In the European Union, (2003) SME’s are defined as; the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual

turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. In china, the definition of SME's is quite complex and does include relatively large firms. For example, an industrial SME is defined as having up to 2,000 employees and a small business has less than 300 workers. Therefore, what is regarded as a SME in China or the US may be quite large relative to an SME in another smaller economy; say Kenya.

In Kenya, there are different definitions of SMEs which are yet to be consolidated. For example, a national baseline survey of SMEs carried out in 1999 defines a small enterprise as one which employs 6-10 people while a medium one is expected to have 11-100 employees (CBS et al, 1999). However, there is a Micro and Small Enterprise bill that has been in process for 10 years, but has not yet been enacted into law. This bill takes a different approach by combining employment with other measures of size. For example, it defines a micro enterprise as a business activity whose annual turnover does not exceed Ksh. 500,000 and/or employs less than 10 people with total assets and financial investment subject to determination by the minister from time to time. Operational and administrative management usually lies in the hands of one to three persons who usually make major decisions. According to the National Micro and Small Enterprise Baseline Survey (1999), not only are almost all the SMEs of the micro sub-group (i.e. those with total employment of ten people or less) but about two-thirds of them are found in the rural areas. In-fact about 70 percent of SME's are, one person owned enterprises i.e. there is only one person working in the enterprise. Hence about 70 percent of total employment in SMEs is accounted for by owners working in the enterprises. The average size is about 18 an average is consistent with many other regional studies of SME activities.

SMEs comprises of firms varying widely in size & characteristics, namely from very small start-up firms to established SMEs. In Kenya is characterized by the employment of between 50 to 200 employees and capital assets of a substantial amount of about KES 2 million (excluding property). The size and credit demand of SMEs have outgrown the capacity of micro finance institutions, which offer small, short loans via group-lending methodologies, while the opacity of the SME risk profile combined with the lenders lack of sophisticated risk assessment techniques makes many of them appear undesirable as credit customers for business banking.

SMEs are defined as firms varying widely in size and characteristics, namely from very small start-up firms to larger sized SMEs. SMEs contribute to output and to the creation of “decent” jobs; on the dynamic front they are a nursery for the larger firms of the future, are the next step up for expanding micro enterprises, they contribute directly and often significantly to aggregate savings and investment, and they are involved in the development of appropriate technology (United Nation Industrial Development organization (UNIDO), (2002). The SME sector also a make a significant contribution to Kenya’s economy; the Small and Medium Enterprises (SME) segment is a key segment that fuels economic growth, create employment, improve productivity and thereby contribute immensely to the GDP growth. According a survey on SME market done in 2007 by the IFC (International Financial Corporation), it was established that majority of SMEs have immensely contributed jobs to the country.

The Nairobi SME sector is a mixture of self-employment outlets and dynamic enterprises involved in an array of activities that concentrate in the Central Business District (CBD). These enterprises cut across all the sectors of the Nairobi City County economy and provide one of the most prolific sources of employment creation, income generation, and poverty reduction (Baldwin, 2003). Majority of SMEs in Nairobi are informal in nature with majority not regularizing their operations beyond the licensing requirements by local authorities. However, they play an important role in the economy by creating employment at low levels of investment per job, promoting local creativity and innovation and creating skills training at a low cost to society (Were, 2002).

1.2 Research Problem

The challenge faced by SME is that of strategic change management implementation. Change management is a functional area of management that is hardly known or appreciated by most managers. It follows therefore that skills required to effectively manage change within the SMEs are lacking. Some of the notable studies that have been conducted on SMEs both locally and internationally include Sorooshian, Norzima, Yusof, and Rosna, (2009) examined the structural relationships between strategy implementation and performance within the small and medium manufacturing firms in Malaysia. They identified three fundamental factors in strategy implementation namely the structure, leadership style and resources. Sorooshian et al. (2009) then came up with a structural equation model on the relationship among drivers of strategy implementation and organization performance and also sensitivity analysis on the drivers. The main focus of this study is in private sector and small as well as

medium manufacturing firms in particular. Sorooshian et al., (2009) did not include organizational culture as one of the fundamental factors in the strategy implementation process. All of these studies did not touch on the challenges faced in strategic change management within SMEs. Amyx, (2005) did a study on the challenges facing SMEs and found that negative perception towards SMEs is one of the challenges. He stated that potential clients perceive small businesses as lacking the ability to provide quality services and are unable to satisfy more than one critical project simultaneously. However, Amyx did not investigate the challenges faced in managing strategic change; therefore this study will try to fill this gap by finding the challenges faced in managing strategic change among SMEs in Nairobi. Mead, (1998) observes that health of the economy as a whole has a strong relationship with the health and nature of micro and small enterprises sector. A gap is seen as Mead did not establish the strategic change management challenges faced in SMEs which this study seeks to find.

In Kenya, few studies have been conducted on challenges faced in managing strategic change. For instance Otiso, (2008) did case study of Africa Merchant Assurance Company (AMACO), Otiso established the challenges faced in managing strategic change in the AMACO but he did not touch on SMEs, which as a result leaves a gap to be filled by this study. Bwibo, (2000) studied the challenges faced by non-governmental organizations in managing strategic change in Kenya, he found out that improper financing and poor management were the major challenges facing NGO's in managing strategic change. While Sikasa, (2004) carried out a study on challenges facing change management practices at Housing Finance Corporation in Kenya, he found out that customer perception is one of the challenges facing change management practices at Housing Finance Corporation of Kenya (HFCK). None of these Kenyan studies touched on the challenges facing the SMES in strategic change management, therefore there exists a gap which this study seeks to fill.

As a result of inexistence of a similar study, very little is on record highlighting challenges faced in managing strategic change within SMEs. This therefore constitutes a research gap that this study seeks to fill. The study will try to answer the following research question; what are the challenges faced in managing strategic change among SMEs in Nairobi County, Kenya?

1.3 Research Objectives

The study was guided by the following objectives:

- i. To determine the challenges faced in managing strategic change within SMEs in Nairobi County.
- ii. To establish the strategic change management practices adopted by SMEs in Nairobi County.

1.4 Value of the Study

Information from this study will be useful to both potential and practising entrepreneurs to realize their weaknesses/shortcomings and rectify them to maximize beneficial effects for their businesses. The findings will be of great assistance to the government of Kenya as it will give guidance to develop suitable policies and engage competent business development agencies to help SMEs improve their technological capabilities and become innovative to improve the quality of their products to survive. This will enable the SMEs to move to the next level in industry and assist in achievement of Kenya's vision 2030. The study will add to the existing body of knowledge in the field of challenges faced in strategic change management within SMEs and form a basis for further research on this topic. This will help in refining and validating findings especially when a significant number of experiences are collected and studied.

Findings from this research study will provide new and significant knowledge and insights with regards to the relatively new and evolving subject of strategic change management. The study will also break new ground by addressing the subject of change management in light of increased leadership, communication, training and workforce challenges. The study will also seek to establish a new link, with regard to the use of change management concepts as a vital tool that can be used for reduction of SME failures during start-up and as a key component of ensuring survival, growth and commercial success of the same.

This study will also be helpful in achieving the Kenyan vision 2030 which aims at transforming Kenya into a newly industrialized, medium income country. The SME sector is crucial component of the economic pillar and is central in national strategies for stimulating economic activity and reducing unemployment and poverty. The findings of this study will help the government to hinge several developments on the sector so as to attain the vision 2030.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter focused on a review of literature documented on various studies about challenges faced in managing strategic change within organisations, including SMEs in Nairobi. In line with the objectives of this study, the researcher has reviewed literature on four theories which are organization development theory, organization transformational theory, strategic management theory and theory of change management. The researcher also reviewed literature on challenges faced in managing strategic change and strategic management practices adopted by SMEs.

2.2 Theoretical Foundation

Theoretical literature review started by discussing the various theories that tend to shape the thinking of the societies towards particular needs and events in the near future. The theories that were discussed in this study included; organizational development theory, organizational transformational theory, strategic management theory and theory of change management.

2.2.1 Organizational Development Theory

Organizational Development (OD) is defined as a field of research, theory, and practice dedicated to expanding the knowledge and effectiveness of people to accomplish more successful organizational change and performance. OD is critical to the performance of any organization because it brings key skills and perspectives that effectively facilitate changes in culture and shifts in strategy to address the complex challenges facing organizations (Clark, 2012). Unfortunately, OD theory has not been sufficiently connected to performance.

In contrast, the second category of theories, namely change process theories, explain the variables, outcomes, and causal relationships related to the process of change itself that is, how change happens (Bennis, 2008). These two categories of theory together form an essential knowledge base for successful OD intervention and provide a theoretical foundation for the practice of organization development (Brest, 2010). Together, these two categories of theory guide and inform the OD practitioner as to both how the change process works (change process theory) and how to implement change successfully (implementation theory).

It is important to note that to effectively influence change in an organization and to understand the impact of OD on performance improvement, both theoretical perspectives need to be employed in a mutually informing manner by the OD practitioner (Brest, 2010).

OD helps organization identify problems that may interfere with its effectiveness and assess the underlying causes. Usually done by OD enlisting the help of an outside specialist to help identify problems by examining its mission, goals, policies, structures and technologies; climate and culture; environmental factors; desired outcomes and readiness to take action. More Recently, Work on OD Has Expanded To Focus On Aligning Organizations with Their Rapidly Changing and Complex Environments through Organizational Learning, Knowledge Management and Transformation of Organizational Norms and Values.

2.2.2 Organizational Transformation Theory

Organizational transformation (OT) is defined as the work of facilitating fundamental change in organizations (Porras, 2004). OT can be clearly distinguished from OD and this helps to bind the field of guided organizational change that is the focus of this article. OT is advancement over OD owing to its focus on precipitating more profound change in organizations. This occurs because the variables targeted by OT approaches (organizational beliefs, purpose, and mission, the components of organizational vision) affect a 'deeper' level in the organization than those traditionally targeted for change by OD, like work setting variables(Stone, 1992).

Organizational development is the work of facilitating fundamental change in organizations, (Amyx, 2005) represents a strategic way for researchers in organizational learning and knowledge creation to gain insight into these processes. This is a version of the action science argument: to understand systems try to change it. OT promotes paradigmatic change that helps the organization better fit or creates desirable future environments. OT is directed at creating a new vision for the organization. Vision change occurs most effectively when an organization develops the capability for continuous self-diagnosis and change; a learning organization' evolves to one that is constantly changing to more appropriately fit the present organizational state and better anticipate desired futures(Bennis, 2008).

2.2.3 Strategic Management Theory

Strategic management deals with the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and

allocating resources so as to implement the policies and plans. In other words, strategic management theory can be seen as a combination of strategy formulation, implementation and evaluation (Adrian, 2005). In light of this background, following Adrian, (2005) and Anderson, (2004), among the common strategic management theories noted and applicable are the profit-maximizing and competition-based theory, the resource-based theory, the survival-based theory, the human resource-based theory, the agency theory and the contingency theory. Alternatively, examining organizational competitive advantage from the RBV (Resource Based Value) which focuses on the relationship between an organization's resources and its performance is indeed crucial as it can be used as a conceptual guideline for business organization in particular to enhance their competitive advantage position and performance via application and manipulation of identified internal organizational resources, capabilities and systems. Such a research can contribute to the body of knowledge by lending empirical support and further extending the RBV of competitive advantage by examining the relative magnitude of importance placed upon organizational internal attributes towards attaining competitive advantage and enhancing firm performance. In short, the RBV of the firm is not only an alternative to the I/O perspective on competitive advantage of organizations but also they complement each other towards illustrating the overall greater picture of the firm's performance (Longenecker, 2006).

2.2.4 Theory of Change Management

A theory of change is the articulation of the underlying beliefs and assumptions that guide a service delivery strategy and are believed to be critical for producing change and improvement. Theory of change represent beliefs about what is needed by the target population and what strategies will enable them to meet those needs. It establishes a context for considering the connection between a system's mission, strategies and actual outcomes, while creating links between who is being served, the strategies or activities that are being implemented, and the desired outcomes (Weiss, 1972).

O'Connor, (1995) emphasized that one element that must also be incorporated into the theory of change is the external environment. Careful consideration of context helps the designer and evaluator gain clarity about factors that may have a significant bearing on chances for achieving its intended outcomes but that the initiative itself is not initially able to influence. This should help ensure that activities are strategically implemented and that the evaluation yields sharp and compelling tests of its hypotheses. In the hypothetical for example, the local

school task forces need to be aware of upcoming board elections at the local level, regulations for allocation of state education funds, and federal timelines for phasing out court-ordered bussing.

Richard Pascale, (1990) wrote that relentless change requires that businesses continuously reinvent themselves. His famous maxim is “Nothing fails like success” by which he means that what was a strength yesterday becomes the root of weakness today, We tend to depend on what worked yesterday and refuse to let go of what worked so well for us in the past. Prevailing strategies become self-confirming. In order to avoid this trap, businesses must stimulate a spirit of inquiry and healthy debate. They must encourage a creative process of self-renewal based on constructive conflict. Art Kleiner, (1996) claimed that to foster a corporate culture that embraces change, you have to hire the right people; heretics, heroes, outlaws, and visionaries. The conservative bureaucrat that made such a good middle manager in yesterday’s hierarchical organizations is of little use today. A decade earlier Peters and Austin, (1985) had stressed the importance of nurturing champions and heroes. They said we have a tendency to dismiss new ideas, so to overcome this, we should support those few people in the organization that have the courage to put their career and reputation on the line for an unproven idea.

Adrian Slywotsky, (1996) showed how changes in the business environment are reflected in value migrations between industries, between companies, and within companies. He claimed that recognizing the patterns behind these value migrations is necessary if we wish to understand the world of chaotic change. Theories of change are an essential element of programme logic and rationale for why we propose to work with a given group, at a given time, using a certain approach (related to the business case). Making a theory of change explicit allows us to reveal our assumptions about how change works, and why the chosen programmatic priorities or project framework functions better than others. Revealing these assumptions also helps identify gaps and unmet needs, including additional necessary activities or actors that should be engaged. It may also detect activities that are extraneous, weak or fail to contribute to achieving the overall goal a theory of change can contribute to the development, among diverse stakeholders of a common understanding regarding what will be accomplished and support more informed decision making. Work with theories of change ensures strong programme design, which will lead to more robust strategies for change by forcing a focus on results (changes) instead of activities or favourite

approaches. Theories of change helps with monitoring and evaluation, as the intended changes and the actions to achieve them are specified at the start of the project. This supports on-going analysis of the effectiveness of programming, as well as a final evaluation.

Change management theory stresses the need for effective planning to ensure that organizational goals are obtained. Management theory provides a sound basis for supporting the emergence of emergency management theory utilizing the management process from planning, organizing, leading and controlling (Boyd, 2002). Chandra, (2007) considered management a process and one that “if approached scientifically” would lead to success. His principles of scientific management.

The theory of management has grown over the past one-hundred years evolving from the time and motion studies of engineers to contributions from social scientists, the Hawthorne studies and a behavioural approach to more quantitative approaches that look for the best or optimum functioning of an organization or total quality management (TQM) (Amyx, 2005). Emergency management has been influenced by the same developments in management theory in utilizing engineering to design the most efficient emergency operations centre or emergency response routing for emergency services. The contribution of organizational culture theory and the impact of environmental constraints is an important part of the growth of management theory over the past fifty years (Keith, 2003).

In today’s dynamic business environment, organizational changes and methods of addressing them are prevalent as we seek to stabilize and sustain transformation across locations. The way businesses manage change and how successful they are at it, depends largely on the nature of business, the change and the people involved. It is also dependent on how well the organization and people understand the need for the change and the process involved. Applying change management activities can be instrumental in realizing goals for planned and unplanned changes both internally and externally. It also helps diagnose problems associated with the transition before they become a crisis. Therefore, it is essential to first understand some of the theories and methodologies pertaining to change management, as well as the contextual situational variables before engaging in any change process. As Kantes et al, (1992) states, a long march is more effective than a bold stroke for building competitive organizations.

2.3 Challenges in Managing Strategic Change

In spite of the exposure on the virtues of strategic management, it has become clear that most SMEs suffer economic setbacks due to problems internal rather than external to them (Anderson, 2004). One of these problems which are almost endemic is that of introducing, developing and implementing strategic management. Some of the problems include the following: In the first place, there is suspicion and fear by managers that strategic management might expose their weaknesses as a result they refuse to cooperate by withholding vital planning information. This conservative attitude and resistance to change exacerbates the already difficult task of planning managers. The intra-organizational politics in the workplace, particularly common in business, is another problem. They tend to be strife within various sections of an SME, and in such a situation of organizational politics, the planner must be seen to be neutral, for if he/she is identified with a group, he/she may be creating antagonism in other areas, and that will naturally make his/her job very difficult when navigating through the SME in the humble discharge of his/her duties (Harry, 2001). Un-availability of reliable statistical information from both within the company or from elsewhere frustrates planning efforts. This includes inconsistency, in government policies more so in developing countries (Longenecker, 2006).

The poor management of the political economy especially in developing countries seems to deal with its various economic crises through short-term measures, as can be seen in the recent economic reforms. This, often occur without adequate warning to the organizations. This creates problems of planning. Most SMEs see such economic measures as a threat; rather than an opportunity for improving corporate performance through a change in strategy. Finally, the poor state of social infrastructure and political instability is another problem to the SMEs strategic management. In most cases, they are quickly rendered obsolete and force the organizations to get back to the drawing board with high losses and risks (Keith, 2003).

2.4 Strategic Management Practices Adopted by SMEs

Competition is often intense for SMEs. Many are small suppliers in near perfectly competitive markets and are unable to influence price or quantity. The contingent, and standard view, of competitiveness (Carrier, 2008) where firms compete on cost or differentiation is problematic for SMEs. They are unlikely to be able to lock in customers and suppliers, build barriers to entry, or significantly lower costs. However, such SMEs do often have processes and products that are difficult to imitate. Thus, a resource-based view of

strategy may be helpful in enabling SMEs to compete effectively. The RBV argues that competitive advantage can arise when firms 'accumulate resources that are rare, valuable, non-substitutable and difficult to imitate' (Clark, 2012).

Strategies in information systems have also been developed by SMEs primarily to achieve competitive advantage. SMEs focus on the role of information in supporting strategic objectives (Bhalla, 2000). Technology plays a key role in providing cutting edge for development with acquisition and technology adaptation to suit the local conditions (Delbridge, 2005). Effective and efficient technology management practices are especially important for small and medium-sized enterprises (SMEs) during all life-stages of an enterprise due to the critical role of technology in entrepreneurial activities (Graig, 2000).

SMEs operate in a macro, micro and market environment that is affected by numerous internal and external influences which continuously change. These change factors enable SMEs to identify opportunities and threats (Bennis, 2008). It is therefore essential that SMEs has the capability to evaluate decisions to determine the enterprise's future strategy (Ansoff, 1984). Ansoff, (2004) emphasizes that owner-managers should develop a risk strategy to avoid, reduce or respond to potential risks. It is therefore essential that owner-managers are equipped with the necessary skills to compare risks and to identify appropriate risk strategies in adequately addressing these risks. Depending on the specific circumstances, owner-managers should engage in actions limiting the probability of risk occurrence, or if need be, to plan strategies that maximise the probability of recovery (Bokea, 2009).

Chin, (1969) examined the applicability of Porter's typology of generic strategies to small manufacturing firms and investigated the relationship between the strategy adopted and the management of technology and innovation. They found that firms that were more technologically sophisticated tend to be more competitive. Brest, (2010) did study leadership strategies for sustainable SME operation. The study concluded that SMEs should develop strategies that incorporate sustainable development, and that the resulting skills would guide them to act in a sustainable way. In these studies, none examined the different strategies adopted by SMEs in Nairobi; therefore this study will fill this gap by studying the SMEs in Nairobi.

2.5 Conceptual Framework

The conceptual framework in this study is made up of the independent variables which affect the dependent variable as presented in Figure 2.1. The independent variables are, challenges faced in managing strategic change and strategic management practices adopted by SMEs. The challenges faced in managing strategic change include; leadership challenge, financial problems, strategic planning problems and inadequate basic infrastructure. The strategic management practices adopted by SMEs to address the above challenges are; adoption of strategic leadership, working capital financing, strategic planning and infrastructure improvement.

Strategic leadership refers to a leader's ability to anticipate, envision, and maintain flexibility to empower others to create strategic change in an organization (Kalantaridis, 2004). Strategic leadership is multifunctional, involves managing through others and assists in the processes required to ensure that organizations cope with change that seem to be increasing in the current globalized business environment. Strategic leadership actions include determining the strategic direction of the organization, establishing organizational controls, effective management of the organization's resources, sustaining an effective organizational culture and emphasizing ethical practice. These actions are crucial in implementation of strategy and leaders who practice them are bound to have a smooth implementation of their strategy which results in improved performance. Many writers, especially from the culture-excellence perspective, have made a case for visionary leadership being the key to an organization's success (Grint, 2005, Kottas and Rathgeb, 2006, Peters, 2006)

The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds. Chin, (1969) believes that the capital shortage problem in the small firm sector is partly one, which stems from the uneconomic deployment of available resources by the owner-managers. This view was shared by Folger, (2010) who claimed to have seen businessmen take loan for expansion projects only to turn around to marry new wives, acquire chieftaincy titles or buy houses abroad. Carrier, (2008) in a study of SMEs in Asia observed that financing working capital needs was the most frequently mentioned problem. Bwibo, (2000) expressed the view that the funding problem of SMEs is primarily due to the behaviour of banks and imperfection of the capital markets. SMEs often do not carry out proper strategic

planning in their operations. Brest, (2010) stated that one problem of SMEs is lack of strategic planning. Sound planning is a necessary input to a sound decision-making. Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives.

Independent variables

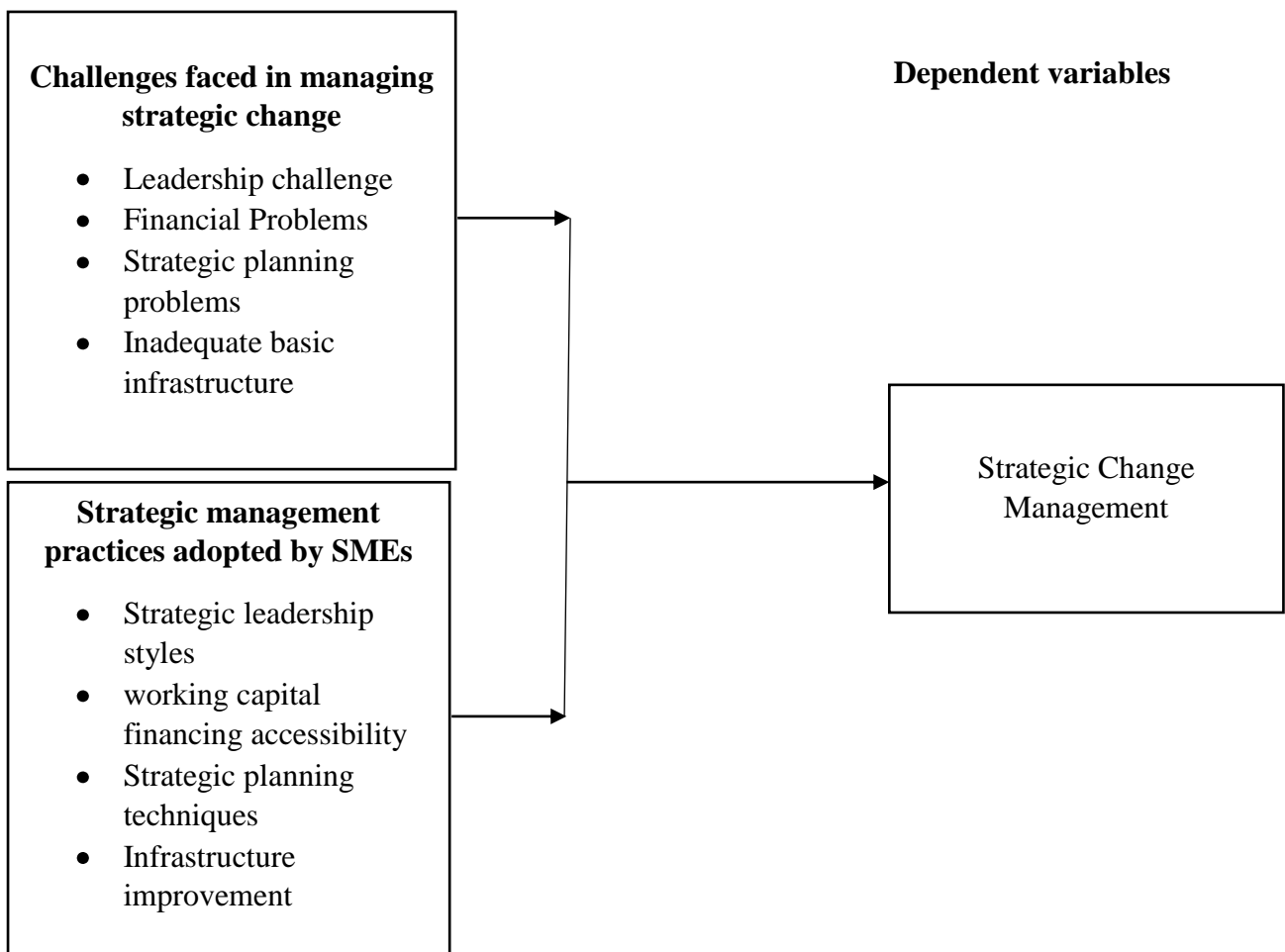


Fig 2.1: Conceptual framework on challenges faced in managing strategic change within SME's in Nairobi City County, Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter shows how the data was collected to address the objectives in chapter one and fill the research gaps in chapter two. The chapter dwelt on the methodology of carrying out the study. Specifically, the chapter explained research design, the target population, sample design and sampling techniques, research instruments, data collection, instrument reliability and validity, data analysis and data collection methods.

3.2 Research Design

This study adopted a descriptive design that aimed at assessing the challenges faced in managing strategic change within SMEs in Nairobi. According to Mugenda and Mugenda, (2009), research design provides the glue that holds the research project together. This design is used to restructure the research, to show how all the major parts of the project, which include samples or groups, measures, treatments or programs, and methods of assignment that work together to try to address the central research questions. This is because the study sought to establish a relationship between variables.

The research approach in this case was quantitative where the researcher asked people for their opinions in a structured way so that they can produce hard facts and statistics to guide the study. This enabled realization of reliable statistical results since the respondents were a representative sample of the target population. A descriptive study was undertaken. Descriptive designs result in a description of the data, either in words, pictures, charts, or tables, and indicate whether the data analysis shows statistical relationships or is merely descriptive

3.3 Target Population

According to Mugenda & Mugenda, (2011), a population is a well-defined set of people, services, elements and events, group of things or households that are being investigated. The population in this study comprised of the small and medium scale entrepreneurs in Nairobi central business District from which there are 2245 entrepreneurs who specialize in various merchandizing activities.

3.4 Sample Design

Stratified sampling was adopted so as to give each item in the population an equal probability of being selected (Mugenda & Mugenda, 2009). The researcher stratified the sample based on the target population of MSME's as they exist within the context of Nairobi County, Kenya. The sample comprises of 10% of 2245 which is the population size for SMEs within the CBD as per the Nairobi County report 2014 below. Hence the target sample size of 224 SME's which has been stratified below at 10% for each stratum; for instance, financial and M-pesa services population is 680 therefore, target sample for study is 68 responses.

Table 3.1 Sample Size

Category	Population (N) 2245	Sample(n) 225	Percentage 10%
Financial and M-pesa services	680	68	30%
Electronics merchandisers	619	62	28%
Clothing entrepreneurs	433	43	19%
Food and beverages	312	31	14%
Stationary entrepreneurs	201	20	9%
Total	2245	224	100

Source: (Nairobi County Report, 2014)

3.5 Data Collection Instruments and Procedures

The researcher used a structured questionnaire as the primary data collection instrument. The primary data was gathered through a structured questionnaire. The questionnaire contained closed questions and had various sections. Gravetter, F. and Forzano, L. (2012) propose the use of a structured questionnaire as key to conducting quantitative studies in the field of social sciences. The first part contained questions on the bio data of the respondent and the other section contained questions on the specific objectives of the study. Questionnaires were administered using drop and pick method targeted to the small and medium scale

entrepreneurs in Nairobi. With permission from the entrepreneurs, the questionnaires were administered during the normal business hours by the researcher and research assistants to the respondents who are the owners and Managers of the MSME's and this provided primary data for the study. The questionnaire was attached as appendix 1 in the document.

3.6 Instrument Validity and Reliability

Yin ,(2003) states that the research design is a logical process that connects the research questions posed, empirical data collected and conclusions drawn. Therefore, the researchers in case study needed to maximise the aspects of quality design, which includes basic criteria such as validity and reliability. Validity refers to what extent the data and the ways of collecting the data are accurate and real. It's regarded as the most important requirement of a measuring tool. It shows accuracy of the empirical. According to Cozby, (2001), the goals and objectives of the research need to be clearly defined so, that you can match them to your measure of assessment. The objectives of the study are; to determine the challenges faced in managing strategic change within SMEs in Nairobi County and to establish the strategic change management practices adopted by SMEs in Nairobi County which are both very specific and clear. The two goals have been matched to a greater extent with a quantitative survey where respondents have asked closed questions specific only to the above objectives; therefore, avoiding any ambiguous responses which may negatively affect the validity of the study.

Reliability is the degree to which an assessment tool produces stable and consistent results (Cozby, 2001).It's concerned with whether alternative researchers would reveal similar information conducting a similar study. It means if the research were to be repeated with the same measuring methods, the conclusions would be the same, (Saunders, 2009). Riege, (2003) also states reliability demonstrates that the operation of a study such as the data collection procedures can be repeated with the same result. To increase reliability in this study, the researcher has used the pick and drop method of delivering and collecting questionnaires from respondents to avoid any researcher/interviewer bias. The respondents had no pressure from researcher on what responses to give hence, their answers were probably more open, truthful and therefore more reliable. Furthermore, based on the literature review, concepts were carefully defined and then the frame of reference was developed.

3.7 Data Analysis

The data collected from the primary sources was systematically organized in a manner to facilitate analysis. Data analysis involved preparation of the collected data, coding, editing and cleaning of data so as to facilitate processing. The researcher used the SSPS computer analysis program to ensure accuracy and limit human error in data computing. The results were then presented using tables and charts for ease of understanding. This enhanced interpretation of findings generated and recommendations from the findings. Data were analysed using descriptive statistics and inferential statistics. The descriptive statistics included the use of various measures of central tendency such as Mean, standard deviation. Inferential statistics involved analysis using correlation and regression model so as to compare the relationship between the variable was alsodone (Maxwell, 2012).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter gives the general information of the respondents which include, gender, business type, the years the SMEs have been in operation and number of employees they have. It also tackles the research questions where each question is answered by the analysis of the obtained data which is presented using tables and graphs. The chapter analyses the objectives of the study individually and gives the summary of the analysis and discussion made. The findings of the study are as follows.

4.2 Response Rate

A total of 224 questionnaires were administered to the entrepreneurs in the selected SMEs of which 177 responded. This represented 79% of the total sample population, while 47 entrepreneurs did not respond represented by 21%. This rate of response is statistically significant for it provides a high response rate which enhances the empirical reliability as sample target respondent was very nearly achieved.

4.3 Demographic Information

Demographic information of the respondents was sought. First the respondents were required to indicate their gender. The results were that majority 52% (n=92) of the respondents were female while 48% (n=85) of the respondents were male as shown in Table 4.3. These results indicate that most of the entrepreneurs in the SMEs were female.

Table 4.3 Demographic Data

Type of Business	Frequency	Percent
M-pesa	105	59
Electronics	49	28
Clothing entrepreneur	4	2
Food and beverages	13	7
Stationary	6	3

Years in Operation	Frequency	Percent
0-2 years	80	45
3-5 years	94	53
6 and above years	3	2
Total	177	100.0

Number of Employees	Frequency	Percent
1-5 employees	90	51
6-10 employees	57	32
Above 10 employees	30	17
Total	177	100.0

Table 4.3 indicate the business type that the entrepreneurs run, majority 59% (n=105) of the respondents run M-pesa business, 28% (n=49) run electronics, 7% (n=13) run food and beverages, while minority 3% (n=6) and 2% (n=4) run stationary and clothing businesses respectively. This shows that majority of SMEs in Nairobi carry out M-pesa businesses and minority do clothing.

In Table 4.3 above, the researcher sought to find out the number of years the SMEs have been in operation, majority 53% (n=94) of the respondents have been in the business for 3-5 years, 45% (n=80) of the respondents had been operating for 0-2 years, while only 2% (n=3) had been operating for 6 and more years, this clearly shows that most SMEs in Nairobi had been operating for 0-2 years.

From Table 4.3 above, the majority 51% (n=90) of the SMEs had 1-5 employees in their businesses, 32% (n=57) had 6-10 employees while 17% (n=30) had more than 10 employees. These results indicate that majority of the SMEs had only 1-5 employees in their premises.

4.4 Challenges Faced in Managing Strategic Change

The first objective of the study was to determine the challenges the entrepreneurs face in managing strategic change in their businesses. To achieve this objective, a number of statements on challenges were listed and respondents were required to indicate their agreement on the same. The ratings were as follows; 1- strongly agree, 2- agree, 3 – not sure, 4- disagree and 5- strongly disagree. Mean scores were used to analyse the responses given.

Where mean of less than 1.5 meant strong extent of agreement, 1.5-2.5 meant agree, 2.5-3.5 meant not sure, 3.5-4.5 meant disagree and above 4.5 meant strong extent of disagreement. Results are as presented in Table 4.4.

Table 4.4 Main Challenges Faced by Nairobi SME's

Challenge	N	Mean
Refusal of cooperation by employees	177	2.2373
Lack of skilled management	177	2.0508
Inappropriate decision making	177	2.1073
Poor leadership	177	1.0000
Inadequate basic infrastructure	177	2.0508
Valid N (list-wise)	177	

The study results indicate that ‘poor leadership (1.00) was a strong challenge faced in the management of strategic change in the SMEs. The major findings were that inadequate basic infrastructure, lack of skilled management, and inappropriate decision making are the major challenges faced by SMEs. Specifically, ‘Inadequate basic infrastructure (2.05), ‘lack of skilled management (2.06) and ‘inappropriate decision making (2.11) shows that there was agreement that this are challenges faced in the SMEs. These results are as indicated in Table 4.4

4.5 Strategic Management Practices

The second objective of the study was to find the strategic management practices the SMEs have adopted so as to curb the challenges facing them. The study sought to fulfil this objective by listing facets on strategic management practices and the respondents were required to indicate the extent to which their SME had adopted the strategy. Results are presented in Table 4.5.

Table 4.5 Strategic Management Practices

Strategy	Mean
Cost control	1.7684
Technology	1.6215
Product pricing strategies	2.1695
Market strategy	3.6780
Advertising	3.6215
Product reputation	1.9153
Quality of the product	1.9153
Customer service	1.9040
Valid N (list-wise)	

The results indicate that there was agreement in the statement that the respondents had adopted the use of ‘cost control (1.80), ‘technology (1.62), ‘product reputation (1.91), and ‘quality of the product (1.92), customer service (1.90) and ‘product pricing strategies with a mean of (2.17). The results further show that the entrepreneurs disagreed that they had adopted ‘market strategy (3.68) and ‘advertising (3.62) as strategies to curb the challenges faced in managing strategic change.

4.6 Strategies Adopted by Nairobi SME’s

The researcher sought to find out whether the respondents had adopted any strategic management practices in the last five years. The results informed that all the respondents had adopted some form of management strategies in the last five years.

Table 4.6 Extent of Strategy Adoption

	Frequency	Percent
Little extent	43	24
Moderate extent	80	45
Great extent	34	19
Very great extent	20	11
Total	177	100.0

The results in Table 4.6 indicate the extent to which the SMEs had adopted the strategic changes in their businesses. 45% (n=80) had adapted to a moderate extent, 24% (n=43), 19% (n=34) to a great extent and minority 11% (n=20) had adopted it to a very great extent. From the results, it is quite clear that every SME studied had adopted at least some degree of strategic management practice although the majority had not fully embraced the practices.

4.7 Correlation Results

The correlation measures the strength of the linear relationship between numerical variables, for example, the height of men and their shoe size or height and weight. In these situations the goal is not to use one variable to predict another but to show the strength of the linear relationship that exists between the two numerical variables. The strength of linear association between two numerical variables in a population is determined by the correlation coefficient, whose range is -1 to +1; where (-V) means a negative correlation and (+V) means the opposite (Wong, 2013). Correlation measures were performed to establish the relationship between the variables under study. The variables under study were the challenges faced and strategic change management practice adopted. Pearson's correlation coefficients were established for all the variables with the findings as indicated in Table 4.7 below.

Table 4.7 Correlation Matrix

		Strategic Change Management
Challenges	Pearson Correlation	.776
	*Sig. (2-tailed)	.020
	N	177
Strategic change practice	Pearson Correlation	.867
	*Sig. (2-tailed)	.019
	N	177

*. Correlation is significant at the 0.05 level (2-tailed).

The results indicate that there was strong correlation between strategic change practice and strategic change management as it had a correlation of 0.867 and challenges with a correlation of 0.776. All these variables were found to be significant at 5% significant level

as they were all indicated by a p-value less than 0.025, this indicates that there was a strong relationship between the challenges faced by SME's and the use of strategic change management practices. This implies that, Nairobi SME's realised that they needed to use strategic change management practices as a means for dealing with the challenges they faced.

4.8 Regression Results

Regression analysis is a statistical tool for the investigation of relationships between variables and how a change in one variable affects the others (Johnson et al, 2007).The regression analysis was performed with the independent variables being challenges and strategic change practices adopted. The dependent variable was the strategic change management among SMEs in Nairobi, Kenya. The adjusted r-squared for the regression model was 0.697 as indicated in Table 4.8 below. The model therefore is explaining 69.7% of the strategic change management of the two independent variables. These findings indicate that the two independent variables selected, that is challenges and strategic change practices explain 69.7% of the strategic change management among SMEs in Nairobi. This shows that the study is valid as only 30.3% is explained by other variables not studied in this paper.

Table 4.8 Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742 ^a	.551	.697	1.26357

a. Predictors: (Constant), challenges, strategic change practices

The test of statistical significance of the independent variables in the model was done using t-test.

Table 4.8.1 Regression Coefficients

Model		Un-standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.460	.484		.218	.000
	Strategic change practices	.006	.229	.108	1.688	.019
	Challenges	.042	.091	.523	2.140	.020

a. Dependent Variable: Advertising

Strategic change practices had a positive coefficient in the regression model ($b=.108$) indicating that an improvement in the adoption of the strategic practices will have a positive impact in managing strategic change among SMEs in Nairobi. The t- static was 1.688 with a significant value of 0.019 which is less than 0.025 indicating that strategic change practices is a significant predictor of managing strategic change among SMEs in Nairobi.

The test of statistical significance of the independent variables in the model was done using t-test. Results are as indicated in Table 4.8.1 which shows that challenges has a positive coefficient when used as a predictor for strategic change management ($b= .523$) and has a t-static of 2.140 which is significant at 5% significant level. This shows that challenges faced in strategic change management is a significant predictor. The positive coefficient of the challenge indicates that curbing this challenged in the SMEs in Nairobi will lead to increase in the strategic change management.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents a summary of the findings, conclusions and gives recommendations based on the outcomes of the research study conducted and reported from chapter one to four. Based on the objectives of the research study which were; to determine the strategic change management challenges faced by SME's in Nairobi County and to establish the strategic change management practices they employ to mitigate the effects of the same. The data from the completed questionnaires were summarized using SSPS and presented in tables and charts. Statistical measures such as; mean, standard deviation, regression and correlation models were also used. The findings were discussed in chapter four: A summary of the main findings is given below at 5.2. This chapter has also made appropriate conclusions based on the findings, expressing the challenges and limitations of the study and finally giving necessary recommendations for changes in policy/practice and also further academic research.

5.2 Summary of findings

This chapter presents a summary of findings of challenges SME's in Nairobi encounter. The results showed that, to greater extent; SME's in Nairobi suffered from poor leadership, inadequate infrastructure, lacked of top level management commitment and also a lacked skilled managers. Also to a greater extent, the use of cost control, use of technology, product pricing strategies, customer service strategies, product reputation (brands), and quality had been used by most of the SME's to mitigate against the challenges posed.

Based on the findings of chapter four, it may also be deduced that, to a lesser degree that the following challenges have also impacted negatively on SME's ability to effectively adopt strategic change management practices; lack of strategic planning, inadequate accounting systems, low business returns, stringent regulatory framework by the government, competitor activity in mimic strategies, and lack of employee expertise in the field of strategic change management practice. The implications of the findings is that there is need to put more emphasis on; better leadership, increase in technology use, improved accounting systems, improvement of basic infrastructure, and more emphasis on recruitment of skilled staff and training. Finally, the formalization of strategic planning and execution to ensure that the

operations of the SME's are carried out coherently and in-line with the prevailing business dynamics if the same.

5.3 Conclusion

The SME's in Nairobi have generally made efforts to use strategic management tools in their operations. The strategic management practices adopted by most of the SME's are similar to those proposed by the literature review of this study and those from other studies in other industries. A significant correlation exists between the age of the SME and its use of strategic change management practices. The more established SME's tended to have used many of the strategic tools as compared to the younger SME's. Most of the respondents showed a clear understanding of strategic change management tools, where the greater percentage of SME's also used the strategic change management tools as indicated in their operations. However, leadership, knowledge, budgetary issues, unclear systems, competition, poor legal infrastructure and political uncertainty were concluded to be some of the major challenges facing SME's in Nairobi County in the adoption and implementation of strategic change management practice.

5.4 Limitations of the study

The major limitation of the research study was financial and time resources. This compelled the researcher to narrow down the scope of the research study to Nairobi County only, concentrating mainly on the commercial business district (CBD). Some of the respondents did not fill in the questionnaires due to various reasons, which meant that the researcher had to produce more questionnaires and approach other respondents to ensure a significant representative percentage of the population sample was captured. This repetition process of reprinting, dropping and collecting responses was very costly and time consuming.

The study was limited to Nairobi central business district (CBD), while the outskirts of Nairobi were left out and therefore, limiting the threshold level by which the results could be generalized. During the field work, the researcher had to explain fully to the respondent what all the strategic change management terms meant (jargon) to ensure they clearly understood the questions and how to answer them. But, despite the challenges of the field research, the planning and execution of the study was done with due diligence so as to mitigate the limitations above and minimize their negative impact on the quality of the research.

5.5 Recommendations

5.5.1 Recommendations for policy and practice

The major findings were that inadequate basic infrastructure, lack of skilled management, and inappropriate decision making are the major challenges faced in Nairobi SMEs. Due to the findings above, the research proposes that business leaders and managers should invest more resources in training and development of their staff in the field of strategic management practice. Further, the Government policy should support the growth and development of SME's by enacting legislations conducive to the needs of these firms in light of competition from International firms as well as improving the basic infrastructure of Nairobi County. SME's are a base resource for the growth and success of all large firms that contribute immensely to the wellbeing of the economy of all countries. There is also, the need for local financial institutions including micro-finances to come up with more affordable and available financial products and services for SME's for mutual benefit. Better capital resourcing will provide necessary funds for staff training and improvement of SME's internal infrastructure. It goes without saying that, the more successful the SME's the more profitable it will be for the banks and financial institutions.

5.5.2 Recommendations for further Research

It is hoped that the findings of the study will contribute to the existing body of knowledge forming a basis for future research studies in the field of strategic management. The researcher suggests expending the research to a larger geographical area and more SME business types to increase the validity of the research study. The researcher further proposes an in-depth study of the correlation between the use of Strategic Change Management practices by SME's and the successful survival and growth of the same.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

This research is meant for academic purpose. You are kindly requested to provide answers to these questions as honestly and precisely as possible. Responses to these questions will be treated as confidential. Please tick where appropriate or fill in the required information on the spaces provided.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender of the respondents
Male ()
Female ()
2. What type of business do you operate?
M-pesa ()
Electronics ()
Clothing entrepreneur ()
Food and beverages ()
Stationary ()
3. How many years has this SME been in operation?
0-2 years ()
3-5 years ()
6 and above years ()
4. Size of your SME in terms of number of employees?
1-5 employees ()
6-10 employees ()
Above 10 employees ()

SECTION B: CHALLENGES FACED IN MANAGING STRATEGIC CHANGE

5. On a scale of 1-5 where 1-strongly agree, 2-agree, 3-not sure, 4-disagree and 5-strongly disagree, state the extent to which you agree with the following challenges faced in managing strategic change.

Description		Response				
		1	2	3	4	5
1	There is refusal of cooperation by managers					
2	Intra-organizational politics					
3	Lack of skilled management					
4	Inappropriate decision making					
5	Political instability					
6	Inadequate accounting systems					
7	Poor leadership					
8	Lack of strategic planning					
9	Inadequate basic infrastructure					

SECTION C: STRATEGIC MANAGEMENT PRACTICES

6. On a scale of 1-5 where 1-strongly agree, 2-agree, 3-not sure, 4-disagree and 5-strongly disagree, state the extent to which your SME has adopted the following strategic management practices.

Description		Response				
		1	2	3	4	5
1	Cost control					
2	Technology					
3	Product pricing strategies					
4	Market strategy					
5	Advertising					
6	Product reputation					
7	Quality of the product					
8	Customer service					

7. Have you adopted any strategies for your business in the last five years?
- YES []
- NO []
8. To what extent has your business adopted strategic change management practices?
- No extent ()
- Little extent ()
- Moderate extent ()
- Great extent ()
- Very great extent ()

Thank you for your participation!

APPENDIX II: LETTER OF AUTHORITY TO COLLECT DATA



**UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME**

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 10/06/2015

TO WHOM IT MAY CONCERN

The bearer of this letter MR. LOUIS KANTA NGURE

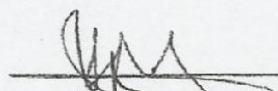
Registration No. D61/70804/2009

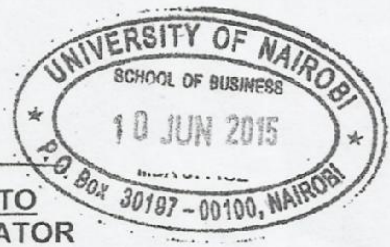
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.


**PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS**



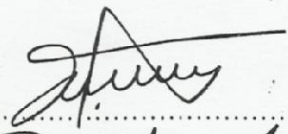
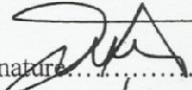
APPENDIX III: PROPOSAL CORRECTION FORM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name... NGURE LOUIS KANJA (MR)
Registration Number... D61/70804/2009
Department... SCHOOL OF BUSINESS (MBA)
Specialization... STRATEGIC MANAGEMENT
Title of Project Proposal... CHALLENGES FACED IN
MANAGING STRATEGIC CHANGE AMONG
MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN NAIROBI
COUNTY, KENYA.

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor...  Signature...  Date... 3/11/15
Prof Mwangi