

**ROLE OF STRATEGIC PLANNING AND GLOBALIZATION CHALLENGES FACED  
BY SMALL AND MEDIUM ENTERPRISES IN NAIROBI CITY COUNTY**

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## DECLARATION

This research project is my original work and it has not been submitted before to any university for examination.

Signature



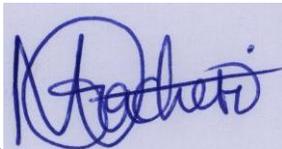
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## **DEDICATION**

I dedicate the project work to my entire family, for the support and especially for the encouragement and cheering me up throughout the period. The inspiration and spiritual support from my workmates and to my supervisor, for the understanding, patience and guidance.

May God bless you all abundantly.

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## **LIST OF ABBREVIATIONS**

<b>GDP:</b>	Gross Domestic Produce
<b>IT:</b>	Institutional theory
<b>P5F:</b>	Porter's Five Forces
<b>RA:</b>	Relational Based Approach
<b>RBA:</b>	Resource Based Approach
<b>SMEs:</b>	Small and Medium Enterprises

## ABSTRACT

The study sought to establish the role of strategic planning in overcoming challenges of globalization for SME's in Kenya. This study was guided by three theories that include Institution Theory, Contingency Theory and Theory of Competitive Advantage. The research used the descriptive research design. The units of analysis were SMEs operating at Kamukunji Business Centre, Mlolongo, Kikuyu, Thika Road and Langata. The size of the sample was determined using the Fisher's et al. (2007) formula where 70 participants were used. Questionnaires were used to collect information from the population Data gathered was both in qualitative and quantitative in form. Study revealed that SMEs were facing numerous challenges among which include increased technological adoption competition and marketing related challenges. Free trade intensifies competition in every market rendering it nearly improbable for the small enterprises from countries that are less developed to cope with the rough competition. This study concludes that global financial and economic crisis has delimited availability of capital investment is a big challenge in under developing economies. Insufficient investment and lack of liquid capital makes the SMEs more vulnerable to ongoing threats. This weakness also makes deprive of so many associated strengths ultimately weakening their position against their competitors. The study concludes that MNCs due to their immense powers do not let SMEs flourish to play competitive role against them. MNCs make local companies to augment their efforts management or incorporate fresh techniques of marketing employed by the MNCs in international and domestic markets and that entry of the MNCs creates monopolistic sector structure relying on the potential and reaction of domestic companies. This study therefore makes the following recommendations. The government should implement policies such as providing loan guarantees, tax subsidies, credit for R&D, credit for startups and alternative sources of funding to protect against and help to recover the SMES from the crisis. SMEs should explore avenues to internationalize their business and source capital to purchase sophisticated technology to be able to compete with the developed nations. SMEs should work closely together in reopening new markets and technological innovations such as e-commerce and e-business in order to reap the full benefits of globalization. To mitigate global challenges, firms should embrace continuous renewal and innovation is paramount in coping with globalisation Challenges, adopt ICT, SMEs should keep on developing new products, services and business practices, firms should always aim at being at the forefront of development, firms should often act before the competitors and invest heavily in advertisement.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Today's environment of doing business is featured by a rising level of globalization, competition, fast changes in technology and increasing anticipations of suppliers, employees and clients. To survive and grow in this fluctuating and dynamic environment of doing business needs tactical thinking and policy making (Stonehouse & Pemberton, 2015). Even though the study results on the link between enterprise tactical planning and enterprise capacity of traversing globalization has been inconclusive and controversial (Temtime, Chinyoka & Shunda, 2017) there's much agreement that tactical planning is a key way of overcoming these hardships.

Companies that aspire to satisfy the problems of present day's fast transforming markets and progressing worldwide competition need management policies to be grounded on plans and strategies well-conceived which are important if the company is to accomplish the objectives it has set (Ofori & Atiogbe, 2018). Intense worldwide competition has made most companies to assess their major business procedures and devising plans of responding to a progressively competitive market. Many firms have to assess critically their major competencies and developing strategies for effective competition in a worldwide economy. However, formulation and execution of strategies, value addition to the stakeholders and clients has at all times been a pivotal theme in the strategic management (Alan & Rugman, 2012).

This study will be guided by three theories that include Theory Contingency Theory, Institutional Theory and Theory of Competitive Advantage. Contingency theory as proposed by Fielder, (1964) states that there is no better mechanism to manage a firm, leading firms or of making firm resolutions since firms depend on their internal and external environment. This is the case because the organizational environment is not static and it must keep on changing and adopting to new changes for its survival. Institutional theory (IT) accentuates that contemporary companies rely on their surroundings than can immensely impact on development of official structures of an organization. It recognizes the essence of social and economic forces shaping organizational structures and systems (North 1990; DiMaggio, 1983).

Currently, the Small and Medium Enterprises (SMEs) role in economic development and creation of employment has attracted debates amongst governments, economists, policy makers,

researchers/academicians/scholars in Kenya as well as other nations. SMEs have capacity of fueling economic development since they enable job creation, extend the tax-base and tend to be innovation drivers. Beck and Levin, (2005) posits that SMEs improve entrepreneurship and competition therefore have exterior advantages on innovation, economic efficacy and general productivity. Normah (2007) posit that the flock of SMEs closely relates with the prevalent economic operations.

### **1.1.1 Strategic Planning**

Cvar (2014) describes strategic planning as being a procedure which is involved in examining interior and exterior environment of doing business in order to identify the opportunities, the strengths, threats and the weaknesses of the organization. It's grounded on this examination that companies establish the goals of an organization and measure strategies to accomplish them. Garikai (2016) posits that tactical planning is the effort of preparing for contingencies in future and therefore to be accountable for environmental complexity and dynamics. By this far, the process many be seen like a heuristic, a class of rules and guidelines that aid in the strategy of policy making as a type of discipline in management (Okeyo, 2014).

Bryson (1995) posits that strategic planning is a disciplined attempt of producing fundamental actions and decisions which are focused in shaping and guiding a company, what the company does and the manner of doing it. This entails several steps such as strategy formulation where the organization's management first decides on which plans or markets to focus the company resources on. The current market trends, threats and opportunities are considered by carrying out a SWOT analysis. Customer insights such as the levels of satisfaction with the products and services is important in accessing future demand and meeting customer needs efficiently (Ong'ayo, 2012).

### **1.1.2 Concept of Globalization**

Globalization alludes to the increase of economic innovation across the globe and cultural and political adjustments which follows the diffusion (Hitt, Ireland & Hoskisson, 2001). Globalization has resulted to spreading of the cultural operations and business in the world, for purposes of the enterprises to adapt in the 21st century they are supposed to face this all-embracing force which permeates the global atmosphere. In many sectors, firms encounter the stress of international competition in their homes and also in the global markets therefore choosing not to engage in international markets is never an option anymore. Thus, all companies must expect, react and cope in the competitive atmosphere.

Therefore, it's important for firms to recognize that the boundaries of an industry don't stop at the state borders. Since many sectors are turning out as international in scope, prospective and actual competitors exist not just in the domestic market of the company, but as well in some other state markets (Hill & Jones, 2017). Firm's which scan only their domestic market may be caught unawares by entry of competitors from other nations, who are low-priced and efficient. The markets globalization and production means that firms across the world are identifying their domestic markets as being strike by competitors from foreign nations (Rugman, 2017).

### **1.1.3 Globalization Challenges**

There are factors that hinder the ability to integrate globally for most businesses across the countries this may include, technological change, the technological development level of a country impacts on the desirableness of conducting business there, and also type of activities which are probable (Rono, 2010). Rugman (2017) suggests that firm's may face a number of challenges related to technology in the foreign nations, for instance training employees on equipment they are unfamiliar with, poor systems of transportation that augment production as well as costs of distribution, poor infrastructure and facilities of communication, problems with the technology know-how; lack of dependable accessibility to broad-band Internet and technologies related which promote business planning, control and execution (Stonehouse & Pemberton, 2015).

Another substantial problem is the high investment costs. Globalization brings in problems for multinational companies on the basis of leadership and capital investment (Kula, 2016). Establishing an enterprise in a fresh nation, particularly a nation that's developing, needs sizeable capital beforehand. The infrastructure required may fail to be at place. Sanitation, water, broadband internet and electrical grids may require an upgrade bit he developed afresh. As well, it can be hard finding and retaining managers that have necessary skills to increase the value of the firm and operate successfully in the domestic culture (Hamisi, 2011).

Another major problem is marketing. Other significant concerns to address for growth of business is lacking market survey for products whose marketing can be done internationally, poor strategy of marketing and poor quality of products (Culkin & Smith, 2000). Another problem is information lack since many owners of businesses are not aware of what's happening in the international market (Peter, & Waterman, 2015). To come up with policies, most owners of businesses rely on their individual judgment and research (Alan & Rugman, 2012).

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

According to the Kenya SMEs act of 2012, SMEs are variously defined in different contexts. They are defined as enterprises that have 1-99 employees. Micro enterprises have less than 10 employees; small enterprises have 10-49 employees while medium sized enterprises have 50-99 employees (GOK, 2013).

SMEs are deemed as a key root for economic growth, because they form the biggest business industry in many nations (Culkin & Smith, 2000). Abdullah and bin Bakar (2000), posits that government's across the world are progressively supporting and promoting growth of SME being a portion of their general national strategy for development. The government of Kenya in keeping up with the international patterns has recognized SMEs as major drivers of the economy in accomplishing aspirations of Vision 2030 to convert the nation to a middle-income economy come the year 2030.

Kenyan SMEs have an extraordinary major position in growth and enhancement of the economy. They cut across every division in the economy of Kenya and have been known as important job creators. In these path, SMEs are a significant vehicle for lessening neediness and

creating riches. Governments that are progressive have therefore in the course of all the years supported or booster the division's development and enhancement through implementing focused projects and intercessions went for to make it more lively have (Kiiru, 1991).

According to Olomi (2016) there are over 7.4 million MSMEs employing approximately 14.9 million Kenyans in various sectors of the economy. The informal or the small enterprises industry thus, is important for industrialization of the nation in the coming future. Based on the Economic study (Republic of Kenya, 2009), the SME's contribution to Kenya's creation of new jobs in that particular year marked 79.8 per cent. Regardless of this big economic contributions, Kenyan SMEs go on to face a number of constraints and problems inviting growth via globalization.

## **1.2 Research Problem**

Globalization has removed the trade and development barriers and resulted to a rise in investment and trade. As strong internationalization of marketing and production ho on to flourish across the world, enterprises have recognized that to compete internationally is no longer an alternative but a need (Ball, 2004). This pattern seems as creating an exceptionally competitive atmosphere for nations that are developing which is presented by globalization. Today's international competitive atmosphere is dynamic, complex and heavily unpredictable. To address competition and unparalleled change levels, SMEs have to establish tactical plans which are going to allow them fit the complex international atmosphere. The strategies entail technology usage quality and flexibility, stimulating innovation and reducing lead times while reducing the costs and products diversification (Sadler & Gough 2005; Chan, 2005).

Kenyan SMEs have an extraordinary major position in growth and enhancement of the economy. They cut across every division in the economy of Kenya and have been known as important job creators. Based on the Economic study (Republic of Kenya, 2017), the sector of SME brought about 79.8 per cent fresh jobs in 2016 in Kenya. Despite of their significance to development of the economy, SMEs tend to be subject to high rates of failure and poor levels of performance (Jocumsen, 2014), though they don't only prevail in absolute figures but stay as major employment drives and economic development forming important relationships in the chain of supply for the large-scale capital intensive manufacturing sectors (Rowe & Cripps,

2016). Sessional Paper No. 2 (Republic of Kenya, 2005) and Industrialization Ministry report on SMEs (Republic of Kenya, 2017) indicate that 3 from 5 SMEs fail in their first 3 years of activity. Deep reviews of past research in SMEs posit that a major determinant for success in business is in the presence or absence of tactical planning (Miller & Cardinal 2014; Hormozi, 2017).

Previous studies pertinent to strategic planning and on SMEs have largely focused on SME performance and very few have focused on globalization challenges. Miller (2018) carried out a study in Germany on the effects of strategic planning among SMEs in manufacturing sector and found a positive relationship between strategic planning and firm profitability and growth. Thompson (2019) analyzed the role of strategic planning among oil producing firms in Malaysia and found that visions can be considered sources of energy for achievement of formulated objectives. Wickham (2017) carried out a study on effective implementation of strategic plans among car assembling firms in South Africa and concluded that for purposes of being effective and ensuring growth, the company requires formulation of objectives that are high, growth-based and optimistic. Domestically, Olomi (2016) assessed if SMEs had the sufficient and necessary capacity, competencies and skills for formulating tactical plans and exhibiting growth, and the conclusion was that there's necessity for a survey which gives a systematic and rigorous analysis that concern the practices of tactical planning and the process of growth of domestic SMEs. Wanjohi and Mugure (2018) did an analysis of aspects impacting on SMEs' growth in rural regions within Kenya and identified that lacking of sufficient accessibility to loans is the topmost aspect hindering growth of SMEs. As well, the research as well established that there's little data that is published regarding growth of SME from a tactical planning perspective. Kamau, (2008) analyzed the strategic responses to challenges of globalization by Kenya Airways and found out the company responded to this challenge by developing a comprehensive strategic plan to help it adapt to its environment

However, although many studies have been conducted in regard to SMEs strategic planning, no known study has been done towards the role of strategic plans in overcoming globalization challenges among SMEs. Therefore, the research aimed at answering the study question that follows; what is the role of strategic planning in overcoming challenges of globalization for SMEs in Kenya?

### **1.3 Objective of the Study**

The objective of this study was to establish the role of strategic planning in overcoming challenges of globalization for SME's in Nairobi City, Kenya.

### **1.4 Value of the Study**

This research will aid theorists and researchers be capable of identifying the problems encountered by SMEs in the globalization era as they attempt exploring the opportunities available and add on to the global business research via literature review. The study will be an invaluable source to the management on how to remedy the challenges encountered by the firms in their quest of globalization. The study will also delve into challenges that arise from the individual SMEs internal operations that will inhibit the globalization process.

The research aims at highlighting the impact of strategic planning practices on globalization challenges and how strategic planning can help SMEs understand the current situations in the global market and help them in developing strategies to avert the negative impact of globalization and be in apposition to take full advantage of the opportunities it avails. The knowledge of the ever changing global business environment will enable the SMEs to develop sustainable global business strategies so as to gain competitive advantage as well as to survive the turbulent operating environment.

The study will be of importance to policy makers and implementers within the SMEs sectors in understanding the challenges that the sector faces and therefore help in coming out with mechanisms of countering the challenges. The study will give information on areas that need to be refined and redefined in order to ensure that the sector achieves its goals of internationalizing. The study will also provide useful information on which components are all-important and must be taken into consideration in developing regional trading policies.

## **CHAPTER TWO: LITERATURE REVIEW**

The chapter covers literature mainly on the study theoretical foundation, globalization challenges, strategic planning and globalization challenges and finally the research gap.

### **2.1 Theoretical Foundation**

This study was guided by three theories that include Institution Theory, Contingency Theory and Theory of Competitive Advantage.

#### **2.1.1 Institutional Theory**

The theory accentuates that contemporary companies relies on their surroundings that can have a strong effect on development of the official structures of the organization. It recognizes the essence of social and economic forces which shapes the organizational structures and systems (North 1990; DiMaggio, 1983). Institutions can enhance or hinder organizational performance. The theory's basic proposition includes that the processes and structures of an organization become regularized over time and that has an impact on the performance and behavior of workers. These aspects would comprise political, social and economic which comprise the structure of a certain organizational environment which offers it a good competitive edge. The major idea of the institutional theory includes that the processes and the structures of an organization are to obtain meaning and accomplish stability on their right as compared to the grounds of their efficiency and effectiveness

Researchers Meyer and Rowan (1977) and DiMaggio and Powel (1983) additionally argue that the institutional system is supposed to be seen as a category of elements (Scott, 2017). The reason for that is due to institutionalized norms, standards and rules don't arise from a single source. Though multiple surroundings shaped by various actors. This transition is followed by some changes like cultural elements, diversity and multiplicity of customers, competitors, strategy, markets and sources of an organization.

Based on the discussions, the theory gives an important framework to analyze questions on how companies cope with their surroundings and the manner in which aspects become regularized in

the course of time. Presently, the theory is embraced and applies in areas affecting the procedures, structures, strategies and policies in the company and their regularization in the course of time as the company interacts with the surroundings. This as a result impacts on how the company is performing in present day's competitive and turbulent environment.

### **2.1.2 Contingency Theory**

This theory traces its proponent to the work of Fred Edward Fielder (1964)'s landmark article entitled, 'A Contingency Model of Leadership Effectiveness.' The theory states that there is no better mechanism to manage a firm, leading firms or of making firm resolutions since firms depend on their internal and external environment (Fielder, 1964). This is the case because the organizational environment is not static and it must keep on changing and adopting to new changes for its survival. The theory is a category of behaviorism which suggests that there's no ideal way of organizing a company, leading a company, or making decisions. Rather, the best action course is dependent or contingent on interior and exterior situations. Johnsen (2005) stated that the theory of contingency indicates that organization's that are complex apply measurement of performance in reducing uncertainty as well as for purposes of legitimacy.

This theory's proponents contend that the ideal way of organizing relies on the environment's nature in which the company must get related with. Companies tend to be open systems whose management is supposed to be exercised carefully for purposes of satisfying and balancing internal demands and adapting to the environmental situations or conditions. There's no recognized ideal way to organize. The best form relies on the nature of environment or task that one is exposed to. Management is thus supposed to be focused on, before other things, with accomplishing good fits and alignments. Various organizational types are required in various environment types. According to the present research, the theory of contingency is relevant in accentuating on the surrounding that many enterprises are functioning in. For purposes of affecting organizational performance, environmental aspects must be considered.

### **2.1.3 Theory of Competitive Advantage**

This theory was developed by Michael E. Porter in 1979 and defines the five forces of competitive position and provides a model with a simple perspective for assessing and analyzing the competitive strength and position of a business organization (Mayrhofer, 2017).

It gives insights on elements of macro and micro environment. The model attempts to give an analysis of the competition facing the industry and the strategy development. It brings the economies that derives the forces that shape up the competition intensity and the suitability of the industry. The five forces try to bring down the performance by watering down the profitability starting from the ability to apply its core competence while not exposing its business model if it is to achieve profitability above the industry's average (Ofori, 2018).

Porters analysis of the airline industry is a classic example where although the industry is complex and with low profitability register returns in excess of the market average. The promulgated forces are classified as either vertical or horizontal (Pangkar, 2018). The vertical is bargaining power of buyers and bargaining power of suppliers. The horizontal is rivalry between existing firms, threat of substitute products and threat of new entrants. The need for firms to analyze the forces is so as to take advantage of its strength and to re-check its weakness since where the forces are weak, then a compiling firm develops its market (Porter,1990). As porter emphasizes on the need to analyze the forces so as to come up with effective strategies, the un predictability nature of the pedagogy calls for sound ways to evaluate the effectiveness of the strategies currently in place.

The porter's five forces management tool remain one of the strongest tool in assessing the strengths and weaknesses and applicability of the chosen strategies. Nevertheless, it has not highlighted the problems in the higher competition dynamics since the model is static and does not take into account the changing market trends in the present time (Pons & Neitzert, 2018). This is because the business of today must be characterized by occasional assessments of strategies and continuous innovation with digitization an ingredient of the organization. The theory will be relevant to this study because it offers a number of new insights, analytical methods and conceptual frameworks on how SMEs respond to market dynamics. According to Caldart, Adrian and Ricart (2014) every firm must be able to take advantage and capitalize on emerging opportunities. The theory will enable the SMEs to use their bargaining power of buyers and includes customers seeking higher quality products at much lower prices. The customers are sensitive to price changes. This power is higher if the product being offered is differentiated.

## **2.2 Globalization Challenges**

The Organization for Economic Co-operation and Development (OECD,2016) states that the globalization process has brought about fresh opportunities to the businesses ablest to react adaptively and flexibly to quickly changing global and regional markets, though, it has as well posed new hardship. It presents thee small and large companies with several challenges that may affect their competitiveness in the international market. That has a likeliness of determining how ready enterprises can attain economies of scale and also realize synergies from activities in the continuously changing atmosphere. In general, it's recognized that enterprises that are small encounter unique hardships that impact their profitability and growth and thus, deplete their capacity of contributing successfully to engage in competitiveness and globalization.

### **2.2.1 Market Liberalization and Competition**

At present, competition in analyzed in an international perspective. Adrien (2015) posits that market liberalization is affected by globalization that alludes to free movement of production factors across the borders. Today, globalization is making firms compete within international standards of quality, productivity and efficiency. With the emergence of the same, many markets are at the moment open for free trade thus intensifying competition in every market rendering it nearly improbable for the small enterprises from countries that are less developed to cope with the rough competition. As the opening up of markets go on and integrate more, the speed of changes increase, technology shortens the distance between the markets as well as cuts down the scale benefits of big companies making every market accessible, therefore creating fresh competition sources (Aosa, 2006).

In general, it has been identified that by cross border investment and trade, customers have continued to buy more goods that are foreign and most domestic traders have gotten themselves making sale of products from other nations. Their domestic markets have faced an invasion with cheaper second-hand goods, particularly electronics, clothing and textiles from the South East Asia, China and Western nations. To that level, small-scale businesses have even been more susceptible as compared to bigger businesses from impacts of competition, globalization and liberalization (Man & Macris, 2014).

### **2.2.2 Global Financial and Economic Crisis**

It's quite difficult to get the real causative of international economic problems. Nonetheless, economists showed that the integrated impact of various reasons causes the credit market crisis. The summary of those aspects can be done as being a variation in the trade world, consumption trends in economies that are developing, too much deregulation in financial markets as well as the major part played by the US dollar (Ramadhan & Naseeb, 2019). Financial crisis impacted significantly on all segments of economies counting small enterprises (Sener, 2014). Year 2010 may be deemed as being the year affected most though in the year 2009 the crisis' impact on the sector of automotive was increasingly harmful as compared to other sectors apart from finance and housing (Atalay, 2013).

Nonetheless, the overall acceptability of governments and experts is that the entrepreneurship tends to be an ideal method of facing economic crisis' problems (GEM, 2014). In contrast to the large scale businesses, small enterprises must face more hardships caused by financial problems, though small enterprises can strongly face more hardships as compared to the large-scale businesses. McMahon (1998) noted that management of crisis on a daily basis tends to be the major fraction of small entities life-cycle. Therefore, it's anticipated to be a bit flexible and quick in responding to regular shifts in the exterior environment as compared to the large businesses (Eravia, 2015). After economic problems, the contribution level of the small enterprises went beyond that of large businesses as far as value-addition, shipments and output are concerned and there was an observation that when the financial problem was solved, the amount of small entities was elevated whereas the amount of large businesses reduced (Sung, 2016)

### **2.2.3 Information Technology Challenge**

Globalization has brought about information technology advancements that have led to opening as well as exposure of individuals to the world to more fronts. Levitt (2017), posit that a strong force steers the world to a converging commonness and the force tend to be the technology. It has promoted communication, travel and transport. Nearly everywhere, everybody wants

everything they have experienced, seen or heard of the fresh technologies. Technological changes have brought about big challenges to the SMEs. From the mid-1990s the concern of the effect of technological changes on operations of the small enterprises has continued to increase.

Even where there are technological changes, most of the small enterprises seem to be unacquainted with fresh technologies especially the ones in countries that are less developed. Conversely, foreign companies are still on top in accessibility of fresh technologies. A big number of African countries, the problem of linking indigenous small businesses with the foreign investors and pacing up upgrading of technology still continues. Researchers state that there's a digital gap between urban and the rural areas, and without supply of power in rural regions, there's nearly no possibility of having Internet connectivity and accessibility to networks and information which are important in every business.

#### **2.2.4 Market Environment challenge**

There has been a dramatic change of the business landscape by globalization facing the small and large companies across the globe (Chew & Yeung, 2011). Additionally, the effect of the industrial operation on the surroundings has increased as well, increasing the complexity in conducting business on the present day world. The primary competitive problem to the small enterprises in developing global atmosphere is ways of participating in international markets in a manner which results to viable profitability (Tuluca & Dogan, 2014).

Ohmae (2015) and Drezner (2018) hold the assumption that the globalization has resulted to dissolution of borders and making the traditional and nation-state sovereignty concepts obsolete or irrelevant. Aina (2019) points out that globalization tends to a complex procedure which has established fresh intensity, proximity as well as intimacy conditions with which was quite far away once upon a time. The turbulent atmosphere poses fresh hardships to the managers which need various organizational reactions relying on the involvement degree in international business especially, new forms of packaging, recycling demand, efficient utilization of the resources and increased responsibility for environmental protection (Porter, 2008).

### **2.2.5 Challenge of Multi-National Corporation**

It is quite key to globalize rapidly to respond to global competition and connecting with companies which have the appropriate resources. Thus, linking with companies that are resourceful towards overcoming resources deficiencies is a strategy that firms follow. For small enterprises, this form of connection often put up with the MNCs (Maarof & Mahmud, 2016). Having the stress of international competition pressures, a big number of the big sectors have been moved to subcontracting being an internalization of every activity in manufacturing at no cost (Chew & Yeung, 2011).

The best relationships for supplies may provide incentives to the MNCs to give technical aid for the small enterprises (Maarof & Mahmud, 2016). In addition, the MNCs make local companies to augment their efforts management or incorporate fresh techniques of marketing employed by the MNCs in international and domestic markets (Tuluca & Dogan, 2014). Nonetheless, the domestic companies have to be ready to cooperatively work with the MNCs and are not supposed to wholly rely on them. Since entry of the MNCs is probably going to destroy the monopoly and trigger competition and efficacy or establish quite a monopolistic sector structure relying on the potential and reaction of domestic companies (Tuluca & Dogan, 2014).

### **2.3 Strategic Planning and Globalisation Challenges**

The research which assessed the form of activities in strategic planning that small companies undertake in mitigating challenges of globalization advise that there's a relationship between improved growth. If sale and execution of sophisticated techniques of business planning (Berman, 2017). Olson and Bokor (2015) conducted a research on aspects that influence strategic planning execution between 442 small start-up companies in Switzerland. Collection of the data was done by use of a structured questionnaire between owners of the businesses. The research identified that features of previous experience in management of the entrepreneur or past history of work were identified as significant. Empirical literature broadly presumes that tactical planning is an important success aspect for the new or small ventures. Similarly, tactical planning augments not just the level, but the success extent as well.

A research carried out by AlRabeei and Scott (2011) assessed the problems that face SMEs in Bahrain where they go international. The research identified that amongst the major hardships was accessibility to money or finance. Where the owners of SME's start their enterprises, they get various schemes to give them aid while there exist no relevant financial answers for owners of SMEs at their stage of growth. Thus, to help SMEs and meet their needs, there's necessity for financial answers and the venture capital finance. Aosa (2006) conducted a research on elements of the formulation and execution of Kenya's strategic plans. He studied over Kenya's fifty big private manufacturing companies in which he applied questionnaires to collect data. His conclusion was that management was key aspects which affected formulation as well as execution of tactical plans across Kenya. The establishment of the research was that stakeholders, communication, styles of management, structure of the organization and resources of the organization all impact strategy execution in any company.

#### **2.4 Summary of Empirical Studies and Knowledge Gaps**

From the ultimate review, it is evident that role of strategic planning in overcoming globalization challenges faced by SMEs have not been adequately explained and understood. Due to some dynamics in the global market, the study has established that there is need to explain and understand some of the challenges and success that and how strategic planning can be used as a tool enhancing global business.

The research therefore intended to address the role of strategic planning in overcoming challenges of globalization for SME's in Kenya. This chapter highlights the theoretical reviews of literatures which is guided by the objectives and are under different sub-topics which are; globalisation challenges, challenges of multinational corporations and strategic planning and globalisation challenges. The next chapter presents the research methodology.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the techniques to be applied in gathering and analyzing data and the manner in which the presentations of data was conducted. It in particular covers matters to deal with the study design, size of sample, data gathering and its analysis.

### **3.2 Research Design**

The research used the descriptive research design since it shows accurate status of conditions (Cooper & Schindler, 2014). This is fashioned towards describing a phenomenon's features in a circumstance. This was applied in obtaining information that concern the present condition of the sector, to examine what is present in regards to a situation's condition. The design aided the researcher in obtaining information regarding the present condition on the strategic planning role in the current status on the role of strategic planning in getting over globalization challenges for Kenyan SMEs. A descriptive design measures and reports how things tend to be and makes efforts of describing things like characteristics, values, attitudes and behavior.

### **3.3 The Study Population**

Kothari (1986) described population as being a class of items, objectives or persons that possess common features and identified for the research. The population of target in this research comprised of SMEs found in the County of Nairobi and its environs. The units of analysis were SMEs operating at Kamukunji Business Centre Mlolongo, Kikuyu, Thika Road and Langata. Nairobi county has about 98,600 business that have NCC trading licenses (Nairobi County, 2019). According to Nairobi business licensing department the estimated SMES in the study targeted areas are about 21,100.

### **3.4 Sample and Sampling Technique**

A sample size is the sub-set of the large population (Cooper & Schindler, 2006). The size of the sample was determined using the Fisher's et al. (2007) formula  $n=Z^2 pq/d^2$

Where  $n$ =the desired sample size

$Z$ =standard normal deviation at required confidence level 95% or 1.96

P= Business owners and managers, 0.214 of the entire population of SME's.

Calculation => SME in CBD

SME' in Nairobi County x100

$$= 21,100/98,600 \times 100\% = 21.4\% \quad (0.214)$$

q=1-p (the proportion without characteristics)

d=level of statistical significance (degree of freedom=0.05)

$$n = 1.96^2(0.214)(0.214)/(0.05)^2$$

n=70 respondents

### **3.5 Data Collection**

Questionnaires were applied in obtaining information concerning the population. Sproul (2015) posits that a questionnaire which is self-administered is the single way of eliciting self-report on the values, the attitudes, the opinions and beliefs of people. The questionnaire entailed closed-ended and some few questions that are open-ended. Questionnaires were used because they are convenient and require little supervision. The designed questionnaire for this research entails three sections. The first section covered the characteristics of the SMEs. The second to focus on strategic planning in SMEs and the third section covered the role of strategic planning in overcoming globalization challenges. The respondents of the study were the SMEs owners.

### **3.6 Data Analysis**

The study collected qualitative and quantitative data. Descriptive statistics tools aided the researcher in data description and measure the level applied. There was qualitative and quantitative analysis which was done by using descriptive statistics. This entailed the standard deviation, mean, percentages and frequencies whose presentation is was done by use of bar charts and tables.

## **CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

### **4.1 Introduction**

The chapter presents the analysis, presentation and interpretation of data obtained from the field with an aim of achieving the objectives of the study.

### **4.2 Response Rate**

The target population comprised of SMEs operating at Kamukunji Business Centre Mlolongo, Kikuyu, Thika Road and Langata. The study response rate is presented in Table 4.1.

**Table 4.1: Response Rate**

<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Responded	63	90
Did not respond	7	10
<b>Total</b>	<b>70</b>	<b>100</b>

From Table 4.1, out of the 70 questionnaires that were administered, 63 of them were returned duly which translated to a response rate of 90%. This implies that the response rate of 90% was satisfactory and good for analysis, drawing conclusions and making inferences. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

### **4.3 Demographic Information**

This section presents, demographics from the employees, specifically, the areas sought include; gender of the respondents, type of business, years in operation, and number of employees.

#### **4.3.2 Distribution of Respondents by Gender**

Respondents engaged were requested to indicate their gender category. This was sought in the view of ensuring fairness in engagement of both male and female respondents as shown in Table 4.2

**Table 4.2: Gender of the Respondents**

<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	36	57.1
Female	27	42.9
<b>Total</b>	<b>63</b>	<b>100.0</b>

Results obtained in Table 4.2 on gender distribution shows that majority (57.1%) of the respondents engaged in this study were males whereas 42.9% of the respondents were females. This implies that both genders were equitably engaged in this research and therefore the findings of this research did not suffer from gender biasness.

#### **4.3.3 Period of Operation**

Participants were asked to indicate the period which the SME had been in operation. Results are presented in Table 4.3.

**Table 4.3: Period of Operation**

<b>Period of operation</b>	<b>Frequency</b>	<b>Percentage</b>
0-2 years	9	14.3
3-5 years	18	28.6
6 and above years	36	57.1
<b>Total</b>	<b>63</b>	<b>100.0</b>

From the study findings in Table 4.3, it's evident that most of the SMES had been in operation for more than 6 years, 28.6% had been in operation for a period of 3 to 5 years while 14.3% indicated that the SME had been operation for a period not exceeding two years. This implies that most of the SMEs had been operational for a considerable period of time which implies that they were in a position to give credible information based on vast operation period of operation.

#### **4.3.4 Number of Employees**

Respondent's were required to clarify on Size of the SME in terms of number of employees. Results are presented in the Table 4.4.

**Table 4.4: Number of Employees**

<b>Number of employees</b>	<b>Frequency</b>	<b>Percentage</b>
1-5 employees	33	52.4
6-10 employees	18	28.6
Above 10 employees	12	19.0
<b>Total</b>	<b>63</b>	<b>100.0</b>

Results show that most (52.4%) of the SMEs involved had between 1-5 employees, 28.6%, of the participants indicated that the SME had between 6-10 employees while 19.0% of the participants indicated that the SME had between indicated that the SME had more than 10 employees. This implies that most of the SMEs had between 1-5 employees.

#### **4.4 Strategic Planning**

##### **4.4.1: Documented Strategic Plan for the Business**

The study sought to determine whether the firm had strategic plan in place. Results are presented in Table 4.5.

**Table 4.5: Documented Strategic Plan for the Business**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	63	100
<b>Total</b>	<b>63</b>	<b>100</b>

Information gathered from the field Show that all (100%) the business entities had strategic plan in place.

##### **4.4.2: Alignment of Business Vision and Mission with the Long Term Strategy**

Also, the research investigated on what extent the business currently aligned their vision and mission with the strategy.

**Table 4.6: Alignment of Business Vision and Mission with the Long Term Strategy**

<b>Vision and Mission</b>	<b>Frequency</b>	<b>Percentage</b>
Very Great Extent	21	33.3
Great Extent	24	38.1
Moderate Extent	9	14.3
Little Extent	9	14.3
<b>Total</b>	<b>63</b>	<b>100.0</b>

From the study findings, majority (38.1%) of the participants indicated that the current alignment of business vision and mission with the long term business strategy was up to a great extent, 33.3% of the participants indicated very great extent while 14.3% indicated moderate great extent or little extent. This implies that most of the firms had highly aligned their business vision and mission with the long term business strategy.

#### **4.4.3: Goals/Targets Set for the Business**

The study sought to determine whether the business had strategic goals in place.

**Table 4.7: Goals/Targets Set For the Business**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Yes	63	100.0
<b>Total</b>	<b>63</b>	<b>100.0</b>

Results show that all 63(100%) the SMEs involved in this study had strategic goals set from time to time.

#### **4.4.4: Period Within Which Goals/Targets Were Set**

Participants were asked to indicate how frequently the firm set goals/targets.

**Table 4.8: Period Within Which Goals/Targets Were Set**

<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Weekly	9	14.3
Monthly	15	23.8
Quarterly	18	28.6
Annually	21	33.3
<b>Total</b>	<b>63</b>	<b>100.0</b>

From the study findings, majority (33.3%) of the participants indicated that the goals were set annually, 28.6% of the participants indicated quarterly, 23.8% of the participants indicated monthly and 14.3% of the participants indicated weekly. The study established that all the firms had long term and short term goals; however, implementation of long term goals relied on short term projections that were used as metric towards realization of long term goals.

#### 4.4.5: Evaluation on Performance of the Business

The study sought to determine how frequently the firm conducted performance evaluation.

**Table 4.9: Evaluation on Performance of the Business**

<b>Performance evaluation</b>	<b>Frequency</b>	<b>Percentage</b>
Daily	6	9.5
Weekly	9	14.3
Quarterly	15	23.8
Annually	33	52.4
<b>Total</b>	<b>63</b>	<b>100.0</b>

Results show that most of the firms conducted performance evaluation on annual basis, 23.8% indicated after every four months, 14.3% indicated after every Weekly while 9.5% indicated on Daily basis.

#### 4.4.6: Effect of Strategic Planning on Business

The study sought to determine the extent to which strategic planning affected business in the following areas.

**Table 4.10: Effect of Strategic Planning On Business**

<b>Effects on business</b>	<b>Opinion</b>	<b>Frequency</b>	<b>Percentage</b>
Improved Performance	Yes	39	61.9%
Improved Productivity	Yes	36	57.1%
Sales Growth	Yes	39	61.9%

Results show that strategic planning had significant impact on improved productivity (57.1%) in simple words planning for on production process helped to align demand and with sales thus averting over stocking and associated loses. They also show that strategic planning (61.9%) provided the management with a more aligned sales forecast and thus availing chances for better preparedness Further, the study results (61.9%) show that out of strategic planning their business registers improved performance through increased operation flexibility, profitability, supply chain process, procurement and marketing divisions.

### 4.5 Globalisation Challenges

#### 4.5.1: Challenges facing SME in the wake of Globalization

Participants were asked to indicate some the challenges that the SME faced in the wake of globalization.

**Table 4.11: Challenges facing SME in the wake of Globalisation**

<b>Challenges</b>	<b>Mean</b>	<b>Standard Deviation</b>
Competition	3.69	0.39
Market challenges	3.73	0.45
Technological adoption	3.86	0.11
<b>Average Score</b>	<b>3.76</b>	<b>0.31</b>

From the study findings the study noted that SMEs were facing numerous challenges among which include increased technological adoption (M=3.86 SD=0.11), marketing related challenges (M= 3.73 SD=0.45) and competition (M= 3.69 SD=0.39). The average mean and standard deviation were (M= 3.76 SD=0.31). To mitigate global challenges, firms should embrace continuous renewal and innovation is paramount in coping with globalisation challenges, adopt ICT, SMEs should keep on developing new products, services and business practices, firms should always aim at being at the forefront of development, firms should often act before the competitors and invest heavily in advertisement.

#### **4.5.2 Market Liberalization and Competition**

The researcher sought to establish the extent to which market liberalization and competition affected the performance of SMEs. Results are presented in Table 4.12.

**Table 4.12: Market Liberalization and Competition**

<b>Liberalization</b>	<b>N</b>	<b>Mean</b>	<b>Std dev</b>
Globalization is making SMEs compete within international standards of quality	63	3.62	1.14
Small enterprises from countries that are less developed to cope with the rough competition	63	4.14	0.90
Most markets are now open to free trade thereby increasing competition in each market making it almost impossible for small businesses	63	4.19	0.74
<b>Average Score</b>		<b>3.98</b>	<b>0.92</b>

From the study findings majority of participants agreed that most markets are now open to free trade thereby increasing competition in each market making it almost impossible for small businesses (M= 4.19 SD=0.74). This means that trade liberalization removed barriers to trade among countries, although having fewer barriers to trade reduces the cost of goods sold in importing countries, Trade liberalization put weaker SMEs at a greater disadvantage due to increased completion.

Also the study established that small enterprises from countries that are less developed to cope with the rough competition (M= 4.14 SD=0.90), this also means that trade liberalization can negatively affect certain businesses within a nation because of greater competition from foreign producers and may result in less local support for those industries. Globalization is making SMEs compete within international standards of quality (M= 3.62 SD=1.14), this also means that market liberation policies leads to flooding of cheaper commodities on local domestic markets thus negatively affecting small scale manufactures and industries. The average score for all the statements on market liberalization and competition was a mean of 3.98 and a standard deviation of 0.92.

#### 4.5.3 Global Financial and Economic Crisis

The study investigated on extent to which participants agreed with the following statements assessing on global financial and economic crisis.

**Table 4.13: Global Financial and Economic Crisis**

<b>Statements</b>	<b>N</b>	<b>Mean</b>	<b>Std dev</b>
Financial crisis significantly affected all the parts of the economies including small businesses	63	4.00	0.88
The effect of the crisis has manifested by reducing the rate of small businesses development and by increasing the number of bankruptcies	63	3.81	0.80
Small businesses have to confront more difficulties created by the financial crisis but, small businesses can face stronger to the crisis than large scale enterprises	63	4.10	0.93
<b>Average Score</b>		<b>3.97</b>	<b>0.87</b>

Results show that majority of the respondents agreed that small businesses have to confront more difficulties created by the financial crisis but, small businesses can face stronger to the crisis than large scale enterprises (M=4.10 SD=0.93), this means that unlike industrialized countries, many developing countries lack sufficient resources to stimulate the economy and protect their SME sector. Further the study established that financial crisis significantly affected all the parts of the economies including small businesses (M= 4.00 SD=0.88). This means that localization of the world economy, and financial liberalization in the recent years have also brought major issues therewith. Uncontrolled and irregular functioning of financial markets lead to significant problems over time and these problems has the potential to affect the whole world.

Results show that with the global economic crisis, the banks tighten the risk management and hence the number of rejections of overdrafts and the number of rejections of loan applications from SMEs has been increased and that the effect of the crisis has manifested by reducing the rate of SME's development and by increasing the number of bankruptcies. The effect of the crisis has manifested by reducing the rate of small businesses development and by increasing the number of bankruptcies (M=3.81 SD=0.80), in other words SMEs face a variety of financial issues such as lack of resource primarily. The high cost of credits, hardship in conditions as to maintaining credits, and the ignorance of the business owners in terms of financial resources. A mean of 3.97 and a standard deviation of 0.87 on all the statements on global financial and economic crisis was established.

#### 4.5.4 Information Technology Challenge

The study sought to determine the extent to which participants agreed with the following statements assessing on information technology challenge.

**Table 4.14: Information Technology Challenge**

<b>Statements</b>	<b>N</b>	<b>Mean</b>	<b>Std dev</b>
Information technology which has resulted in the opening and exposure of the people of the world to more fronts than ever before	63	4.00	0.82
Even with change in technology, many small businesses appear to be unfamiliar with new technologies particularly those in the less developed countries	63	3.76	0.82
Most of the African nations, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists.	63	3.68	0.96
<b>Average Score</b>		<b>3.81</b>	<b>0.86</b>

Majority of the respondents agreed that information technology which has resulted in the opening and exposure of the people of the world to more fronts than ever before (M= 4.00 SD=0.82), this also means that when the going international is very expensive and asking for significant investments in foreign countries, firms should be much thankful for well-developed telecommunication and IT systems, good transport system, identical rules and regulations, and internet as well. Further the study established that even with change in technology, many small businesses appear to be unfamiliar with new technologies particularly those in the less developed countries (M=3.76 SD=0.96) this means

that factors such as limited ICT resources, less innovative capabilities and difficulties to go global at the start, also the internationalization strategies of SMEs are deferent with large scale enterprises.

Results also show that most of the African nations, the challenge of connecting indigenou small enterprises with foreign investors and speeding up technological upgrading still persists (M=3.68 SD=0.96) the speed of internationalization and globalization has accelerated by the development of information and communication technology and most of the SMEs are currently following that strategy. A mean of 3.81 and a standard deviation of 0.86 on all the statements on information technology challenges was also established.

#### 4.5.5 Market Environment Challenge

The researcher sought to determine the extent to which participants agreed with the following statements assessing on market environment challenge.

**Table 4.15: Market Environment Challenge**

<b>Statements</b>	<b>N</b>	<b>Mean</b>	<b>Std dev</b>
Globalization has dissolved borders and rendering the nation-state and traditional concepts of sovereignty irrelevant or obsolete	63	3.90	0.82
Through globalization, companies have also faced stiffer competition from larger multinationals hence rendering most of the local companies less competitive	63	4.33	0.72
The turbulent environment poses new challenges to managers that require different organizational responses depending on the degree of involvement in global business.	63	3.62	0.79
<b>Average Score</b>		<b>3.95</b>	<b>0.77</b>

From the study findings, majority of the respondents agreed that through globalization, companies have also faced stiffer competition from larger multinationals hence rendering most of the local companies less competitive (M=4.33 SD=0.72), lack of knowledge about international markets is a barrier to enter into the international market or for business internationalization. Also the study established that globalization has dissolved borders and rendering the nation-state and traditional concepts of sovereignty irrelevant or obsolete (M= 3.90), this mean that exposure to international markets enhances the technological knowledge of firms and it helps them to overcome difficulties in international markets.

The turbulent environment poses new challenges to managers that require different organizational responses depending on the degree of involvement in global business. (M= 3.62, SD=0.79). The study also established that liberalization of trade allows well established foreign firms to penetrate the underdeveloped domestic markets and then, local SMEs confront many difficulties to continue their current business activities in the markets. The mean and standard deviation for all the statements relating to market environmental challenge were 3.95 and 0.77.

#### 4.5.6 The Challenge of Multi-National Corporation

The researcher sought to determine the extent to which participants agreed with the following statements assessing on Challenges of Multi-National Corporation.

**Table 4.16: The challenge of Multi-National Corporation**

<b>Statements</b>	<b>N</b>	<b>Mean</b>	<b>Std dev</b>
In many cases, small businesses are working as material suppliers and component assemblers for MNCs	63	4.38	0.49
However, the local firms have to get prepared to work cooperatively with MNCs and should not entirely depend on them.	63	3.95	0.58
The excellent supply relationships may give intensives to MNCs to provide technical assistant for small businesses	63	3.81	0.91
<b>Average Score</b>		<b>4.04</b>	<b>0.66</b>

Results show majority of the participants agreed that in many cases, small businesses are working as material suppliers and component assemblers for MNCs (M=4.38 SD=0.49), MNCs force local firms to increase their management efforts or adapt to new marketing techniques used by MNCs in local or international markets. However, the local firms have to get prepared to work cooperatively with MNCs and should not entirely depend on them (M=3.95 SD=0.58) also MNCs are the sources of international capital and technology the establishment of MNC encourages the transfer of technology and business know-how resulting in production gain and competitiveness among SMEs.

Further the study also established that the excellent supply relationships may give intensives to MNCs to provide technical assistant for small businesses (M= 3.81SD=0.91). Since entry of the MNCs is probably going to destroy the monopoly and trigger competition and efficacy or establish quite a monopolistic sector structure relying on the potential and reaction of

domestic companies. The mean and standard deviation for all the statements relating to challenge of Multi-National Corporation were 4.04 and 0.66.

#### 4.6 Strategic Planning in Overcoming Globalisation Challenges

The study sought to determine the extent to which the organization adopted the various strategic planning practices to overcome globalization challenges.

**Table 4.17: Strategic Planning Practices To Overcome Globalisation Challenges**

<b>Strategic planning</b>	<b>N</b>	<b>Mean</b>	<b>Std dev</b>
Market strategy	63	4.41	0.66
Products reputation	63	4.25	0.88
Customers differentiation	63	3.97	1.23
Product pricing	63	3.94	0.88
Cost control	63	4.22	1.02
Technology	63	4.06	0.97
Quality of the product	63	4.24	0.61
Product and service innovations	63	3.84	1.00
Customer service	63	3.79	0.99
Extensive Advertising	63	3.90	1.16
<b>Average Score</b>		<b>4.06</b>	<b>0.94</b>

Majority of the participants agreed that their firm had greatly adopted the various strategic planning practices to overcome globalisation challenges, among which include market strategy (M=4.41 SD=0.66), products reputation (M= 4.25 SD=0.88) quality of the product (M= 4.24 SD=0.6), cost control (M=4.22 SD=1.02), and technology (M=4.06 SD=0.97). Other strategies adopted include customer's differentiation strategy (M= 3.97 SD=1.23), extensive Advertising (M= 3.90 SD=1.16), product pricing (M= 3.94 SD=0.88), product and service innovations (M=3.84 SD=1.00) and customer service (M= 3.79 SD=0.99).

The study further revealed that by creating a business-friendly environment for SMEs is a critical requirement for enhancing the general competitiveness prospects for small firms. This includes ensuring the relative ease of entry and exit of new firms, simplifying import-

export policies and procedures, streamlining bureaucratic rules and procedures that hinder the expansion and export potential of SMEs, assessing the costs and benefits of specific regulations that could place a disproportionate burden on small enterprises; and implementing regulations with attention to the flexibility needed by SMEs.

#### **4.7 Discussion of the Results**

Results show that SMEs were facing numerous challenges among which include increased technological adoption (73.0%), competition (57.1%) and marketing related challenges (63.5%) on extent to which market liberalization and competition affected the performance of SMEs. Results show that most markets are now open to free trade thereby increasing competition in each market making it almost impossible for small businesses ( $M= 4.19$   $SD=0.74$ ). This mean that trade liberalization removed barriers to trade among countries, although having fewer barriers to trade reduces the cost of goods sold in importing countries, Trade liberalization put weaker SMEs at a greater disadvantage due to increased completion. This finding concurs with Adrien (2015) contention that free trade intensifies competition in every market rendering it nearly improbable for the small enterprises from countries that are less developed to cope with the rough competition.

Also the study established that Small enterprises from countries that are less developed to cope with the rough competition ( $M= 4.14$   $SD=0.90$ ), this also mean that trade liberalization can negatively affect certain businesses within a nation because of greater competition from foreign producers and may result in less local support for those industries. However, these findings contradict the argument by Aosa, (2006) reduced regulation decreases costs for countries that trade with other nations and may, ultimately, result in lower consumer prices because imports are subject to lower fees and competition is likely to increase.

Globalization is making SMEs compete within international standards of quality ( $M= 3.62$   $SD=1.14$ ), this also mean that market liberation policies leads to flooding of cheaper commodities on local domestic markets thus negatively affecting small scale manufactures and industries. These observation supports the critical views by Man & Macris, (2014) that trade liberalization can lead to importation of goods that are of inferior quality and less safe than domestic products which have undergone more rigorous safety and quality checks.

On extent to which effect of global financial and economic crisis, results show that small businesses have to confront more difficulties created by the financial crisis but, small businesses can face stronger to the crisis than large scale enterprises (M=4.10 SD=0.93). This means that unlike industrialized countries, many developing countries lack sufficient resources to stimulate the economy and protect their SME sector. These findings go hand in hand with observations made by Sener, (2014), financial challenges have nearly impacted on all segments of economies counting small enterprises.

Further the study established that financial crisis significantly affected all the parts of the economies including small businesses (M= 4.00 SD=0.88). This means that localization of the world economy, and financial liberalization in the recent years have also brought major issues therewith. Uncontrolled and irregular functioning of financial markets lead to significant problems over time and these problems has the potential to affect the whole world. Study conclusion by Atalay, (2013) also show that SMEs experience production problems primarily due to financial insufficiency as well as other various issues. Difficulties in obtaining raw materials, supply of expensive raw material, lack of qualified personnel and expensive production due to low amount of production.

Results show that with the global economic crisis, the banks tighten the risk management and hence the number of rejections of overdrafts and the number of rejections of loan applications from SMEs has been increased and that he effects of the crisis has manifested by reducing the rate of SME's development and by increasing the number of bankruptcies. The effect of the crisis has manifested by reducing the rate of small businesses development and by increasing the number of bankruptcies (M=3.81 SD=0.80), in other words SMEs face a variety of financial issues such as lack of resource primarily. The high cost of credits, hardship in conditions as to maintaining credits, and the ignorance of the business owners in terms of financial resources. These statistics confirms the contention by Sener, et al., (2014) that financial crisis significantly affected all the parts of the economies including SMEs.

The global financial crisis also affects all the components of the economy including SMEs. The impact on international trade, the impact of structural changes of the economy, the slow development of firms, bankruptcies, rejection of loan applications and overdrafts due to

tightening risk management of the banks are the key challenges coming from the global level financial crisis

On ICT, results show that information technology which has resulted in the opening and exposure of the people of the world to more fronts than ever before ( $M= 4.00$   $SD=0.82$ ), this also means that when the going international is very expensive and asking for significant investments in foreign countries, firms should be much thankful for well-developed telecommunication and IT systems, good transport system, identical rules and regulations, and internet as well. St-Pierre, et al., (2015) the lag of information technology developments makes a significant impact on the development of local firms and their ability to enter into the world economy.

Further the study established that even with change in technology, many small businesses appear to be unfamiliar with new technologies particularly those in the less developed countries ( $M=3.76$   $SD=0.96$ ) this means that factors such as limited ICT resources, less innovative capabilities and difficulties to go global at the start, also the internationalization strategies of SMEs are deferent with large scale enterprises. These findings confirm the contention by Levitt (2017), who posit that a strong force steers the world to a converging commonness and the force tend to be the technology.

Results also show that most of the African nations, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists ( $M=3.68$   $SD=0.96$ ) the speed of internationalization and globalization has accelerated by the development of information and communication technology and most of the SMEs are currently following that strategy. These findings confirm the argument by Ahmedova, (2015) that Technological changes have brought about big challenges to the SMEs

The research established that through globalization, companies have also faced stiffer competition from larger multinationals hence rendering most of the local companies less competitive ( $M=4.33$   $SD=0.72$ ), lack of knowledge about international markets is a barrier to enter into the international market or for business internationalization. These findings concur with the argument by OECD (2009), that inadequate knowledge about foreign markets and the inability to contact potential foreign customers are the key challenges for SMEs.

Also the study established that globalization has dissolved borders and rendering the nation-state and traditional concepts of sovereignty irrelevant or obsolete ( $M= 3.90$ ), this mean that exposure to international markets enhances the technological knowledge of firms and it helps them to overcome difficulties in international markets. The finding supports the empirical evidence by Olson and Bokor (2015) global economic integration, SMEs have had to face a changing environment and heavy competition.

The turbulent environment poses new challenges to managers that require different organizational responses depending on the degree of involvement in global business. ( $M= 3.62$ ,  $SD=0.79$ ). Studies by Singh, et al., (2008) have also shown that liberalization of trade allows well established foreign firms to penetrate the underdeveloped domestic markets and then, local SMEs confront many difficulties to continue their current business activities in the markets.

The researcher established that in many cases, small businesses are working as material suppliers and component assemblers for MNCs ( $M=4.38$   $SD=0.49$ ), MNCs force local firms to increase their management efforts or adapt to new marketing techniques used by MNCs in local or international markets. This supports the arguments by Chew & Yeung, (2011) that productivity spillovers occur when the entry of MNC leads to the gains productivity and efficiency of the local firm.

However, the local firms have to get prepared to work cooperatively with MNCs and should not entirely depend on them. ( $M=3.95$   $SD=0.58$ ) also MNCs are the sources of international capital and technology the establishment of MNC encourages the transfer of technology and business know-how resulting in production gain and competitiveness among SMEs. These findings go hand in hand with the observations by Maarof & Mahmud, (2016) the MNCs make local companies to augment their efforts management or incorporate fresh techniques of marketing employed by the MNCs in international and domestic markets.

Further the study also established that the excellent supply relationships may give intensives to MNCs to provide technical assistant for small businesses ( $M= 3.81$  $SD=0.91$ ). Since entry of the MNCs is probably going to destroy the monopoly and trigger competition and efficacy or establish quite a monopolistic sector structure relying on the potential and reaction of

domestic companies. These results concur with arguments by Tuluce & Dogan, (2014). MNCs along with their huge resources, technological expertise and already achieved economies play a dominating role and evacuate the markets of local SMEs by their cost leadership strategy resulting in destruction of local industrial base and consequently the economic growth of the country.

SMEs had adopted the various strategic planning practices to overcome globalisation challenges, among which include market strategy (M=4.41 SD=0.66), products reputation (M= 4.25 SD=0.88) quality of the product (M= 4.24 SD=0.6), cost control (M=4.22 SD=1.02), and technology (M=4.06 SD=0.97) Adrian and Ricart (2014) suggests that every firm must be able to take advantage and capitalize on emerging opportunities.

Other strategies adopted include customer's differentiation strategy (M= 3.97 SD=1.23), extensive Advertising (M= 3.90 SD=1.16), product pricing (M= 3.94 SD=0.88), product and service innovations (M=3.84 SD=1.00) and customer service (M= 3.79 SD=0.99). These findings go hand in hand with the observations by Gils & Zwart, (2014) that creating a business-friendly environment for SMEs is a critical requirement for enhancing the general competitiveness prospects for small firms. This includes ensuring the relative ease of entry and exit of new firms, simplifying import-export policies and procedures, streamlining bureaucratic rules and procedures that hinder the expansion and export potential of SMEs, assessing the costs and benefits of specific regulations that could place a disproportionate burden on small enterprises; and implementing regulations with attention to the flexibility needed by SMEs.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary, conclusion and recommendations of the study.

### **5.2 Summary**

Drawing from the research findings, small enterprises from countries that are less developed to cope with the rough competition, this also means that trade liberalization can negatively affect certain businesses within a nation because of greater competition from foreign producers and may result in less local support for those industries. Globalization is making SMEs compete within international standards of quality, this also mean that market liberation policies leads to flooding of cheaper commodities on local domestic markets thus negatively affecting small scale manufactures and industries.

Results show that most markets are now open to free trade thereby increasing competition in each market making it almost impossible for small businesses, in other words this mean that trade liberalization removed barriers to trade among countries, although having fewer barriers to trade reduces the cost of goods sold in importing countries, Trade liberalization put weaker SMEs at a greater disadvantage due to increased completion. Results show that with the global economic crisis, the banks tighten the risk management and hence the number of rejections of overdrafts and the number of rejections of loan applications from SMEs has been increased and that the effect of the crisis has manifested by reducing the rate of SME's development and by increasing the number of bankruptcies.

Results show that small businesses have to confront more difficulties created by the financial crisis but, small businesses can face stronger to the crisis than large scale enterprises, this means that unlike industrialized countries, many developing countries lack sufficient resources to stimulate the economy and protect their SME sector. The global financial crisis also affects all the components of the economy including SMEs. The impact on international trade, the impact of structural changes of the economy, the slow

development of firms, bankruptcies, rejection of loan applications and overdrafts due to tightening risk management of the banks are the key challenges coming from the global level financial crisis

On ICT, results show that information technology which has resulted in the opening and exposure of the people of the world to more fronts than ever before, this also means that when the going international is very expensive and asking for significant investments in foreign countries, firms should be much thankful for well-developed telecommunication and IT systems, good transport system, identical rules and regulations, and internet as well. Results also show that most of the African nations, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists. The speed of internationalization and globalization has accelerated by the development of information and communication technology and most of the SMEs are currently following that strategy.

The turbulent environment poses new challenges to managers that require different organizational responses depending on the degree of involvement in global business. Also the study established that globalization has dissolved borders and rendering the nation-state and traditional concepts of sovereignty irrelevant or obsolete, this mean that exposure to international markets enhances the technological knowledge of firms and it helps them to overcome difficulties in international markets.

The local firms have to get prepared to work cooperatively with MNCs and should not entirely depend on them also MNCs are the sources of international capital and technology the establishment of MNC encourages the transfer of technology and business know-how resulting in production gain and competitiveness among SMEs. Further the study also established that the excellent supply relationships may give intensives to MNCs to provide technical assistant for small businesses, since entry of the MNCs is probably going to destroy the monopoly and trigger competition and efficacy or establish quite a monopolistic sector structure relying on the potential and reaction of domestic companies.

### **5.3 Conclusions**

Study concluded that SMEs were facing numerous challenges among which include increased technological adoption competition and marketing related challenges. The study concludes that free trade intensifies competition in every market rendering it nearly improbable for the small enterprises from countries that are less developed to cope with the rough competition. Trade liberalization put weaker SMEs at a greater disadvantage due to increased completion and that trade liberalization can lead to importation of goods that are of inferior quality and less safe than domestic products which have undergone more rigorous safety and quality checks.

Global financial and economic crisis has delimited availability of capital investment is a big challenge in under developing economies. Insufficient investment and lack of liquid capital makes the SMEs more vulnerable to ongoing threats. This weakness also makes deprive of so many associated strengths ultimately weakening their position against their competitors. This study concludes that the lag of information technology developments makes a significant impact on the development of local firms and their ability to enter into the world economy, most of the African nations. The challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists and that limited ICT resources, less innovative capabilities make it difficult for SMEs to go global at the start.

Liberalization of trade allows well established foreign firms to penetrate the underdeveloped domestic markets and then, local SMEs confront many difficulties to continue their current business activities in the markets. MNCs due to their immense powers do not let SMEs flourish to play competitive role against them. MNCs make local companies to augment their efforts management or incorporate fresh techniques of marketing employed by the MNCs in international and domestic markets and that entry of the MNCs creates monopolistic sector structure relying on the potential and reaction of domestic companies.

## **5.4 Recommendations**

This study therefore makes the following recommendations;

The government should implement policies such as providing loan guarantees, tax subsidies, credit for R&D, credit for startups and alternative sources of funding to protect against and help to recover the SMES from the crisis.

SMEs should explore avenues to internationalize their business and source capital to purchase sophisticated technology to be able to compete with the developed nations. SMEs should work closely together in reopening new markets and technological innovations such as e-commerce and e-business in order to reap the full benefits of globalization.

Forming Networks can help SMEs compensate their weaknesses, reduce the transaction cost and risks, share the knowledge and capacity, gain the trust among firms, gain the non-tradable resources such as reputation and visibility, create new market opportunities. Developing nations should not be scared from competitions posed by developed nations, who have more advanced technology, rather, they should have sought the means of challenging their capabilities by improving their services to meet standardization.

To mitigate global challenges, firms should embrace continuous renewal and innovation is paramount in coping with globalisation Challenges, adopt ICT, SMEs should keep on developing new products, services and business practices, firms should always aim at being at the forefront of development, firms should often act before the competitors and invest heavily in advertisement.

## **5.5 Areas for Further Research**

This study suggests more studies to be carried on the barrier to SMEs in their endeavour in penetrating the international markets. Further studies can be carried on role of social media in penetration of the international markets. The study also suggests more research on effective utilisation of strategic plans by SMEs.

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## **APPENDICES**

### **Appendix i: Introductory letter**

University of Nairobi

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#### **RE: DATA COLLECTION**

I am a Masters student at the University of Nairobi currently carrying out a study on the “ROLE OF STRATEGIC PLANNING IN OVERCOMING GLOBALIZATION CHALLENGES FACED BY SMEs IN NAIROBI COUNTY”

You are selected to aid in providing the required information for this research. You are required to give answers to these questions. Kindly note, the provided information is to be handled with supreme confidentiality and is only to be employed for the study’s purpose.

Thank you

**EMMA GATUGI KAARIA**

**Appendix ii: 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?

.....

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 ( )

**STRATEGIC PLANNING**

5. Do you have a documented strategic plan for your business?

Yes [ ]      No [ ]

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

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

7. Do you set goals/targets for your business?

Yes [ ]      No [ ]

8. How often do you set goals/targets for your business?

Daily  Weekly  Monthly  Quarterly  Annually   
 Other.....

9. How often do you evaluate the performance of your business?

Daily  Weekly  Monthly  Quarterly  Annually  Other

10. How has strategic planning affected your business?

Improved Performance

Improved Productivity

Sales Growth

### GLOBALISATION CHALLENGES

11. To what extent do you encounter each of the following globalisation challenges? Use a five-point scale, where, 1= Not at all, 2=, 3= Moderate extent, 4= Great extent and 5= very great extent. Tick appropriately.

	<b>Challenges</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	<b>Market Liberalization and Competition</b>					
<b>2</b>	Globalization is making SMEs compete within international standards of quality					
<b>3</b>	Small enterprises from countries that are less developed to cope with the rough competition					
<b>4</b>	Most markets are now open to free trade thereby increasing competition in each market making it almost impossible for small businesses					
<b>5</b>	<b>Global Financial and Economic Crisis</b>					
<b>6</b>	Financial crisis significantly affected all the parts of the economies including small businesses					
<b>7</b>	The effect of the crisis has manifested by reducing the rate of small businesses development and by increasing the number of bankruptcies					
<b>8</b>	Small businesses have to confront more difficulties created by the financial crisis but, small businesses can face stronger to the crisis than large scale enterprises					
<b>9</b>	<b>Information Technology Challenge</b>					
<b>10</b>	Information technology which has resulted in the opening and exposure of the people of the world to more fronts than					

	ever before					
<b>11</b>	Even with change in technology, many small businesses appear to be unfamiliar with new technologies particularly those in the less developed countries					
<b>12</b>	Most of the African nations, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technological upgrading still persists.					
<b>13</b>	<b>Market Environment challenge</b>					
<b>14</b>	Globalization has dissolved borders and rendering the nation-state and traditional concepts of sovereignty irrelevant or obsolete					
<b>15</b>	Through globalization, companies have also faced stiffer competition from larger multinationals hence rendering most of the local companies less competitive					
<b>16</b>	The turbulent environment poses new challenges to managers that require different organizational responses depending on the degree of involvement in global business.					
<b>17</b>	<b>The challenge of Multi-National Corporation</b>					
<b>18</b>	In many cases, small businesses are working as material suppliers and component assemblers for MNCs					
<b>19</b>	However, the local firms have to get prepared to work cooperatively with MNCs and should not entirely depend on them.					
<b>20</b>	The excellent supply relationships may give intensives to MNCs to provide technical assistant for small businesses					

## **STRATEGIC PLANNING IN OVERCOMING GLOBALISATION CHALLENGES**

12. To what extent has your organization adopted the various strategic planning practices to overcome globalisation challenges? 1 is to no extent, 2- Little extent, 3- Moderate extent, 4- To a great extent and 5 to a very great extent

	<b>Strategic planning</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	Market strategy					
<b>2</b>	Products reputation					
<b>3</b>	Customers differentiation					
<b>4</b>	Product pricing					
<b>5</b>	Cost control					
<b>6</b>	Technology					

<b>7</b>	Quality of the product						
<b>8</b>	Product and service innovations						
<b>9</b>	Customer service						
<b>10</b>	Extensive Advertising						