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Effects of Strategic Planning on Performance of Small and Medium Enterprises: The Case of SMEs in Nairobi

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Abstract

The main objective of this study was to assess the effects of strategic planning on performance of small and medium enterprises in Nairobi CBD. The research addressed three specific objectives, namely, to establish the effect of strategy selection on performance of small and medium enterprises in Nairobi CBD, to determine how strategy implementation affects performance of small and medium enterprises in Nairobi CBD and to assess the extent to which strategic evaluation affects performance of small and medium enterprises in Nairobi CBD. The study adopted a descriptive research design in establishing the relationship between strategic planning and performance of small and medium enterprises. The population was the management/owner of small and medium enterprises in Nairobi Town. According to Nairobi City County Records (2016), there are approximately 600 SMEs in the CBD. Data for the study was collected from a sample of top management of small and medium sized enterprises in Nairobi town. The researcher adopted stratified random sampling, the reason being that it is suitable for large populations. Data was collected through questionnaires. Specific closed ended questions were incorporated in the questionnaires which aimed at capturing specific information. The questions followed the Likert scale format for each objective where respondents were asked to rate the responses indicated in tabular form on a scale of five (5). The study concluded that SME managers are required to ensure that they prepare a strategic plan that sets out annual objectives, establishes an effective organizational structure, fixes a budget, develops a viable information system and generally devices a work plan for job execution. The study recommended that having prepared the strategic plans alone does not guarantee success. The SME managers should thus go a step further and ensure that the strategic plans are followed to the letter. SME owners should set achievable goals and subdivide them into short-term, medium-term and long-term goals. There is need for the

owners and management teams of SMEs to categorize the factors that affect strategic planning in their businesses. SME managers should also work towards mitigating the effects of any factor seen to be acting as barriers to strategic planning.

Keywords: *Strategic Planning Strategy Selection, Strategy Implementation, Strategic Evaluation, Small and Medium Enterprises & Performance.*

1.1 Introduction

Strategic planning is the process of developing and maintaining consistency between the organization’s objectives and resources and its changing opportunities (Aldehayyat & Twaissi, 2011). Strategic planning is a management tool, used to help the organization to focus its energy, to ensure that the members of the organization are working towards the same goals, to assess and adjust the organization's direction in response to a changing environment. Strategic planning has long been used successfully by large organizations to manage uncertainties and for better positioning for long-term growth and profitability. Due to the current and predicted environmental expectations the practice of strategic management will become a need for Small and Medium-sized Enterprises (SMEs) to keep them in equilibrium with their external environment to survive and grow. SMEs normally operate in an industry structure that is fragmented; companies compete to capture a comparatively small share of the total market (Abdalkrim, 2013).

A well-conceived strategic plan enhances business performance, decision making, catalyzes strategic change and contributes to the strategic direction in organizations (Wilson & Eilertsen, 2010). Being a formal managerial process, strategic planning involves a sequence of analytical and evaluative procedures to formulate an intended strategy. It also aligns the major objectives, strategies, and policies that govern the acquisition and allocation of resources to achieve organizational goals (Johnson *et al*, 2013). Its benefits are competitive advantage through matching firm capabilities and competencies to the external environment, effective decision-making and optimal allocation of resources and long-term prosperity of the firm.

SMEs have been identified the world over as the stepping-stones for industrialization. Robust economies like the United States of America and the United Kingdom trace their development from growth and development of their SMEs. Studies by Hatega (2007), Kauffmann (2005) attest that SMEs cover more than 95% of all firms in Sub-Saharan Africa and their importance cannot be overestimated. Small and Medium Scale Enterprises will mostly be found in the service sector of various economies which in most countries account for two-thirds of employment levels. To the individual, they provide competencies and raise the standard of living of both employers and employees. The small and medium sized enterprises contribute to the Kenyan economy. According to the Economic survey (2011), of the 503,000 jobs created in 2010, 80.6% or 440,400 were in the Small and Medium Enterprise sector. Despite their significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007).

Performance measurement has significant influence in supporting the achievement of an organization's goals and the effectiveness and efficiency of its strategic planning process. Thus, in order to assess the level of success or otherwise of a corporate body, its established strategic plans in connection with the performance of the company in all fronts of operations had to be established. Strategic planning standardizes the processes of goal/objective setting, situation analysis, alternative consideration, implementation and evaluation that enable an organization to attain its goals and objectives (Biggs & Shah, 2010). Alsoboa and Aldehayyat (2013) asserted to the positive correlation between strategic planning and performance achievements as very beneficial for organizations. Sosiawani *et al* (2015) further emphasized the need for organizations to align their strategies with their performance measurement systems.

A number of studies have examined the relationship between a mission statement and business performance (Hong & Park, 2010). The findings show that mission statements do affect financial performance. Similar results found in Campbell (2010) show a positive relationship between mission statements and firm performance. Vision encapsulates the ideology or guiding philosophy of a business and it expresses the values, purpose, and direction through the mission and business objectives. The company objectives are targets towards which the organization directs its efforts.

1.2 Statement of Problem

Organizations both large and small are embracing the use of strategic planning in anticipation that it will result in improved business performance. This study sought to examine the relationship between strategic planning and business performance with attention given to strategy selection, strategy implementation and strategy evaluation as components of the overall strategic planning process. Several studies have been conducted to assess the relationship between strategic planning and organizational performance; Muturia (2009) studied multi-dimensional strategic planning practices and firm performance. Arasa (2009) carried out a research on strategic planning, employee participation and firm's performance in Kenya's insurance industry. Ong'ayo (2012) conducted a research on employee perception of the influence of strategic planning on organization performance at the ministry of foreign affairs, Kenya. There is no study that has been undertaken on the effect of strategic planning on the performance of small and medium enterprises and especially in regard to those located in the Nairobi central business district.

Parnell (2013) pointed out that lack of planning, improper financing, and poor management have been posited as the main causes of failure of small and medium enterprises. The findings also indicate that Strategic planning as a management tool has been used, with great success, in large multinational organizations to manage uncertainties, exploit opportunities and to better their position for long term growth and performance. However, its acceptance and application by Small and Medium Enterprises in the country is still minimal.

While the above studies are an indication that strategic planning is important in adopting SMEs to their environment, the researcher notes that there are certain areas that create a knowledge gap. First, previous studies (Longenecker *et al*, 2006) have been conducted in large multinational organizations where strategic planning has been used to manage uncertainties and not in small and medium enterprises. Secondly, the studies have focused mainly on European countries and they lack the Kenyan context in terms of how strategic planning affects the performance of small and medium enterprises. Most studies in Kenyan context, mostly acknowledge the role of small and medium enterprises in economic growth (Kenya National Bureau of Statistics, 2007). Therefore, this study sought to determine the extent to which strategic planning affects the performance of small and medium enterprises in Kenya.

1.3 Objectives of the Study

The study was guided by the following specific objectives;

i. To establish the effect of strategy selection on the performance of small and medium enterprises in Nairobi CBD.
ii. To determine how strategy implementation affects the performance of small and medium enterprises in Nairobi CBD.
iii. To assess the extent to which strategic evaluation affects the performance of small and medium enterprises in Nairobi CBD.

1.4 Research Questions

They study was guided by the following questions;

i. What is the effect of strategy selection on the performance of small and medium enterprises in Nairobi CBD?
ii. How does strategy implementation affect the performance of small and medium enterprises in Nairobi CBD?
iii. To what extent does strategic evaluation affect the performance of small and medium enterprises in Nairobi CBD?

2.1 Literature Review

2.2 Theoretical Framework

2.2.1 Resource Based Theory

The resource-based view (RBV) argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution. In general, empirical studies using the theory have strongly supported the resource-based view (Stroyan & Brown, 2012).

2.2.2 Agency Theory

Agency theory is a management and economic theory that attempts to explain relationships and self-interest in business organizations. It describes the relationship between principles/agents and delegation of control. It explains how best to organize relationships in which one party (principal) determines the work and which another party (agent) performs or makes decisions on behalf of the principal (Schroeder *et al*., 2011). The agent, therefore, advances both the principals' interests and his own interests in the organization. A balance of these interests should be merged in order to arrive at the corporate objectives of the organization through the agent because he/she is in charge of the vast resources of the organization. Rugman and Verbeke (2008) says that the Agency Theory is used in the managerial literature as a theoretical framework for structure and managing contract, which is among the emerging issues in strategic management. It, therefore, explains the behavior of principals and agents relationships in performance contracting in management.

2.2.3 Transactional Theory

Transaction cost refers to the cost of providing for some good or service through the market rather than having it provided from within the firm. In order to carry out a market transaction, it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to

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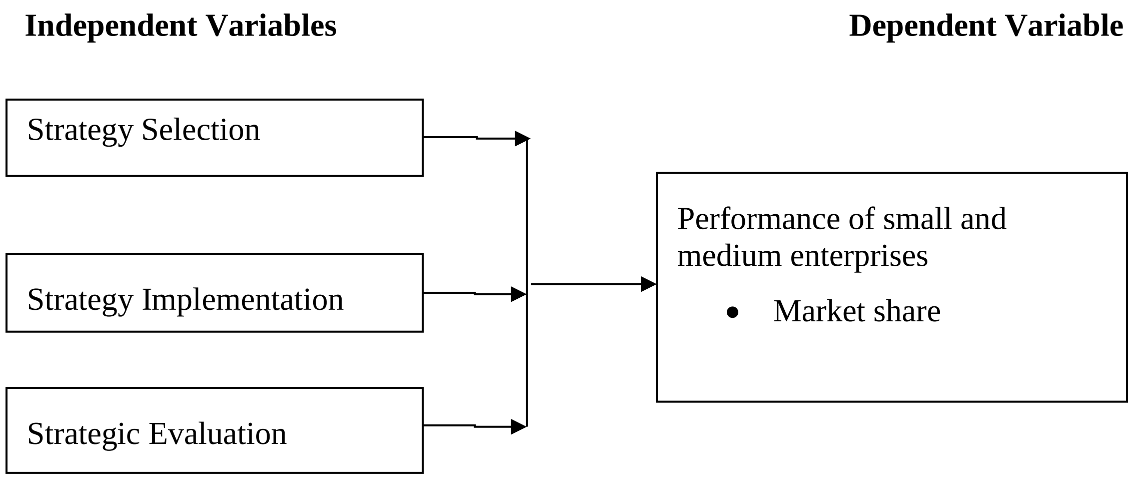
a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on. One important reason for explaining the existence of multinational companies is transaction costs and internalization. According to the internalization approach, multinationals make prices rise because companies tend to internalize transactions for which the transaction cost in the market is high. One way to reduce the transaction costs is to carry out these transactions within the same company rather than between independent companies (Lawrence, 2011; Kazimoto, 2014).

2.3 Conceptual framework



Source; Researcher (2017)

Figure 1: Conceptual Framework

2.4 Empirical Review

2.4.1 Strategy Selection

A company's strategic plan typically lays out its mission, vision, and future direction, performance targets (objectives) and strategy. For it to be effective, therefore, Yabs (2010) emphasizes that strategic plans must be designed to support the corporate mission, vision, and objectives. A firm's mission describes the organization in terms of the business it is in, the customers it serves and the skills it intends to develop to fulfill its vision. A mission statement is the overriding and distinctive purpose of a company (Stroyan & Brown, 2012).

The word strategy has always been associated with and indeed been prominent in any discussion on the subject of management of an organization because of its importance. Mitchelmore and Rowley (2013) explain that it is to ensure that an organization applies its strengths and distinctive competencies in such a way that it gains a competitive advantage over its rivals in any given environment. An organization should also be aware of its weaknesses to help position it better ahead of its rivals. The strategy is the framework which guides those choices that determine the nature and direction of the firm. In the view of Pearce and Robinson (2011), a strategy is a game plan, a pattern in a stream of decisions and actions, a position and a ploy intended to outwit competitors whiles fulfilling stakeholders' expectations in line with the organization's scope of business.

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The vision describes the firm's aspirations of what it really wants to be. Kariuki (2011) notes that vision statements are designed to capture the imagination of the public and as well galvanize the efforts of employees at all levels such that its emotional appeal challenges them to commit their full energies and minds to believe it is the best. The conceptual distinction between mission and vision is that a mission statement describes the present scope of an organization's business and purpose (what we do, why we exist and where we are now). The vision, on the other hand, portrays a company's future business scope; where we are going or want to be.
Goals are the broad, long-term accomplishments that an organization wants to attain, achieve or where it wants to be. They provide the overall context for what the vision tries to achieve (Munuve, 2010). They are powerful tools that break the vision statement into specific tasks and actions to attain desired results across the organization. They function as the yardstick for tracking an organization's performance or progress. They must be measurable and time specific as against having vague objectives like maximize profit, reduce costs, become more efficient or increase sales. These specify neither how much (figures) nor when (time) an objective is to be achieved. They thus do not challenge employees to work hard to meet performance targets. Objectives must be realistic and achievable.

2.4.2 Strategy Implementation

The implementation stage is an operations-oriented phase that managers must make things happen. Arguably it is the most demanding and time-consuming part of the strategic management process. It requires preparing a strategic plan that sets out annual objectives, establishes an effective organizational structure, fixes a budget, develops a viable information system and generally devices a work plan for job execution. It also involves motivating employees, creating a supportive culture, allocating resources and linking employee compensation to the organization. (Abdalkrim, 2013).

Plans of action and planning whether for business or the battlefield always consider what is to be achieved (the ends, goals or objectives) and how it is to be achieved (the means; steps, actions or programs). Simply, plans are a set of intended outcomes coupled with the actions by which those outcomes are to be achieved. On the other hand, (Aldehayyat, 2011) point out that planning involves thinking about the future, identifying and specifying in advance what has to be done or achieved (objectives) and selecting the most suitable means to accomplish these objectives. Planning can be formal or informal involving a lot of documentation or very little. The information base could be large; stated in reports, studies, databases, and analysis depended on a few knowledgeable people. Plans, and thus the planning activities that produce the desired ends frequently set time frames, milestones, detailed schedules and allocate resources whether in the form of money, people, equipment, and others.

Efficiency is key in today's competitive environment. It aims at reducing the resources needed to produce a specific output, or conversely, with the available resources increase the output. Efficiency gains can be obtained either recurring to new technologies or to new ways to manage the procedures (Agbor, 2011). Quality means that there is the right adjustment between process and output, or between what is offered and the needs. It aims at getting the right service or product to the customers reducing losses or unnecessary high standards. It is not subjective. There must be a correct adjustment between the service provided and the degree of satisfaction of the stakeholders for example that their expectations are fulfilled. Operational and measurable parameters have to be stated a prior to enable the understanding of what is understood by quality, and most important, to measure and control the quality.

2.4.3 Strategic Evaluation

Strategic evaluations start by defining a performance ideal according to business objectives. This performance ideal includes both qualitative and quantitative performance benchmarks to which actual performance of the business as a whole and the performance of individual employees can be compared. Qualitative benchmarks are subjective factors such as skills, competencies, and flexibility. Quantitative make things include hard facts such as net profit, earnings per share of stock or staff turnover rates (Aldehayyat & Twaissi, 2011).

Strategic evaluations work under the assumption that because the business environment is fluid and constantly changing, variances will commonly exist between ideal and actual performance. Regular strategic evaluations provide an objective, effective way for a business to evaluate, analyze and modify performance expectations. A positive variance can tell a business what it's doing right and confirm it's on the right track while a negative phase that can be a signal that the performance of management and staff needs to change (Wheelen & Hunger, 2010). When strategic evaluations pinpoint areas where the business is not meeting strategic objectives, corrective actions can attempt to solve the problem. For example, if a business discovers strategic technical objectives are not being met because employees do not have up-to-date qualifications, they can design training programs that bring skill sets in line with technical demands. If a business discovers the business objective itself is out of line such as overly aggressive sales expectations, it can take steps to modify the objective and bring it line with real-life potential (Balatbat *et al*., 2011).

Strategic evaluation occurs as the final step in the final step in a strategic management cycle. Without it, a business has no way to gauge whether or not strategic management strategies and plans are fulfilling business objectives. Strategic management attempts to coordinate and bring business resources and actions in line with the mission and vision of the business. Strategic plans outline the action steps necessary for achieving strategic business goals. Strategic evaluations provide an objective method for testing the efficiency and effectiveness of business strategies, as well as a way to determine whether the strategy being implemented is moving the business toward its intended strategic objectives. Evaluations also can help identify when and what corrective actions are necessary to bring performance back in line with business objectives (Ernst & Young, 2013).

A competitive environment is the dynamic external system in which a business competes and functions. The more sellers of a similar product or service, the more competitive the environment in which a firm will compete. Direct competitors are businesses that are selling the same type of product or service. The products or services offered by indirect competitors tend to be those that can be substituted for one another (Petzer & Mostert, 2008). Management, with all their expertise, is required to develop a suitable strategy for the company they lead. The rapid environmental change caused uncertainty of external business environment and therefore contributes to the strategic plan that has been formulated (Handriani, 2011). The external environment needs to be analyzed to determine the opportunities and threats that will face the company.

3.1 Research Methodology

The study adopted a descriptive research design in establishing the relationship between strategic planning and performance of small and medium enterprises. This design was chosen because it is an efficient method for establishing the relationship between variable and also because the data collected was both quantitative and qualitative in nature. The population was the

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management/owner of small and medium enterprises in Nairobi Town. According to Nairobi City County Records (2016), there are approximately 600 SMEs in the CBD

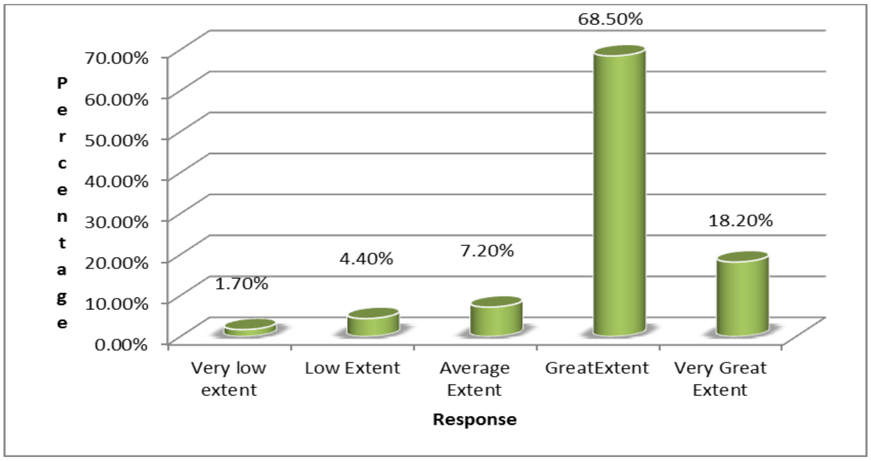
Data for the study was collected from a sample of top management of small and medium sized enterprises in Nairobi town. The researcher adopted stratified random sampling, the reason being that it is suitable for large populations, is unbiased and serves a population with diverse characteristics (heterogeneous) like the case of small and medium enterprises in Nairobi CBD. Data for the study was collected from a sample of top management of small and medium sized enterprises in Nairobi town. Kothari (2004), advocated for use of stratified random sample when the population is not homogeneous, making it the appropriate sampling technique

Data was collected through questionnaires. Specific closed ended questions were incorporated in the questionnaires which aimed at capturing specific information. The questionnaire was be divided into five sections namely background information of respondents such as education level and years of experience, general information on strategic planning, strategy selection, strategy implementation and strategic evaluation. The questions followed the Likert scale format for each objective where respondents were asked to rate the responses indicated in tabular form on a scale of five (5). To achieve good quantitative descriptions data shall be analyzed through use of inference and descriptive analysis which shall be achieved through Statistical Package for Social Scientists (SPSS). For qualitative analysis, the researcher shall make use of thematic and content analysis.

4.1 Results and Findings

4.1.1 Measures of SME Performance

This sections presents the descriptive on measure of SMEs performance. Financial Performance refers to the degree to which financial objectives being or has been accomplished and is an important aspect of financial risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms.



Source; Researcher (2017)

Figure 2: Return on Assets as a Performance Indicator

From Figure 2. An overwhelming 68.5% use return on assets to measure enterprise performance, 18.2% use it to a very great extent, 7.2% to an average extent, 4.4% to a low extent and 1.7% to a

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very low extent. These findings point out that a return on assets among small and medium enterprises is a measure of good financial performance.

Table 1: Return on Investment as a performance indicator

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low extent	1	.5	.6	.6
	Low Extent	2	1.1	1.1	1.7
	Average Extent	19	10.4	10.5	12.2
	Great Extent	115	63.2	63.5	75.7
	Very Great Extent	44	24.2	24.3	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

Another indicator or measure of financial performance in small and medium enterprises is return on investment. From Table 1 above 63.5% of the enterprise owners use return on investment as a measure of financial performance to a great extent, 24.3% to a very great extent, 10.5% to an average extent, 1.1% to a low extent and 0.6% to a very low extent.

Table 2: Return on Equity as a performance indicator

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low Extent	1	.5	.6	.6
	Average Extent	15	8.2	8.3	8.8
	Great Extent	123	67.6	68.0	76.8
	Very Great Extent	42	23.1	23.2	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

From Table 2 a majority of respondents at 68% regard return on equity as a measure of financial performance to a great extent, 23.2% to a very great extent, 8.3% to an average extent and 0.6% to a low extent. Return on equity is thus another indicator of financial performance among small and medium enterprises.

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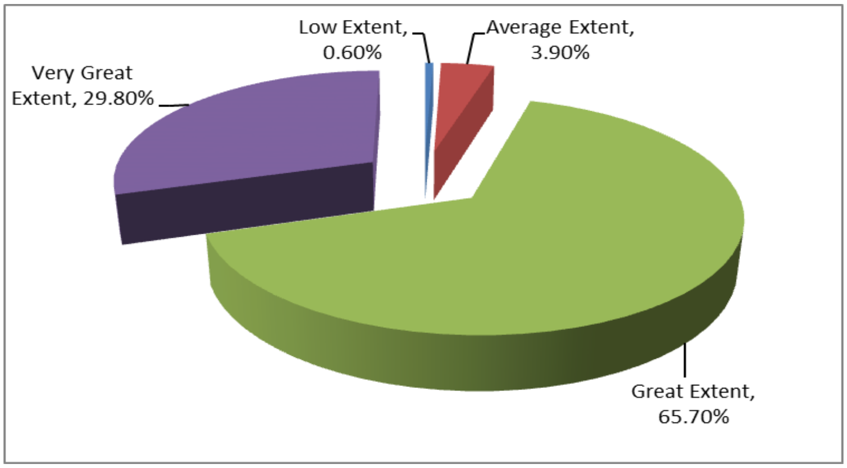

Source: Researcher (2017)

Figure 3: Profitability as a performance indicator

The profitability of the business venture is a common basis of financial performance. From Figure 3 an overwhelming majority of 65.7% greatly use profitability as a means of assessing the performance of their enterprises. Another 29.8% use it to a very great extent, 3.9% to an average extent and 0.6% to a low extent.

4.1.2 Strategy selection on Performance of Small and Medium Enterprises

This sections analyses the descriptive for strategy selection on performance of small and medium enterprises

Table 3: Strategy selection ensure that an SME applies its strengths and distinctive competencies in such a way that it gains a competitive advantage over its rivals

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	2	1.1	1.1	1.1
	Not Sure	17	9.3	9.4	10.5
	Agree	116	63.7	64.1	74.6
	Strongly Agree	46	25.3	25.4	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

From Table 3 most of the small and medium enterprise owners at 64.1% strongly agree that strategy selection ensures that an SME applies its strengths and distinctive competencies in such a way that it gains a competitive advantage over its rivals followed by 25.4% who strongly agree. However, 9.4% and 1.1% respectively were not sure and disagreed respectively.

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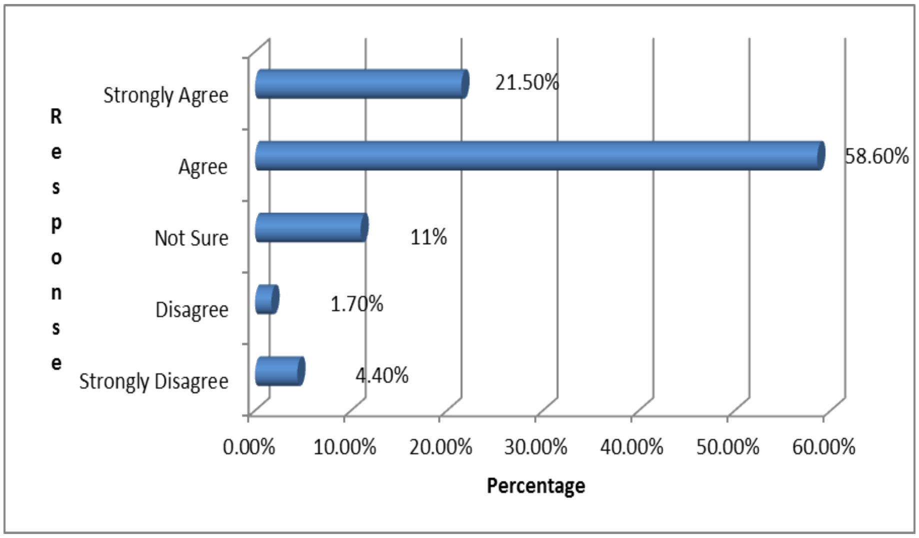
Table 4: Strategy is the framework which guides SME choices that determine the nature and direction of the SME in serving customers

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	8	4.4	4.4	4.4
	Disagree	5	2.7	2.8	7.2
	Not Sure	8	4.4	4.4	11.6
	Agree	114	62.6	63.0	74.6
	Strongly Agree	46	25.3	25.4	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

When asked to indicate the extent to which they agree or disagree on whether strategy is the framework which guides SME choices that determine the nature and direction of the SME in serving customers 63% agree, 25.4% agree strongly while 2.8% and 4.4% respectively disagree and strongly disagree, 4.4% were not sure.



Source; Researcher (2017)

Figure 4: Strategic choices are intended to outwit competitors whiles fulfilling stakeholders expectations in line with the SME scope of business

From Figure 4 on whether strategic choices are intended to outwit competitors whiles fulfilling stakeholders expectations in line with the SME scope of business 58.6% of the respondents agree followed by 21.5% who strongly agree, 11% were not sure while 1.7 % and 4.4 % disagree and strongly disagree respectively.

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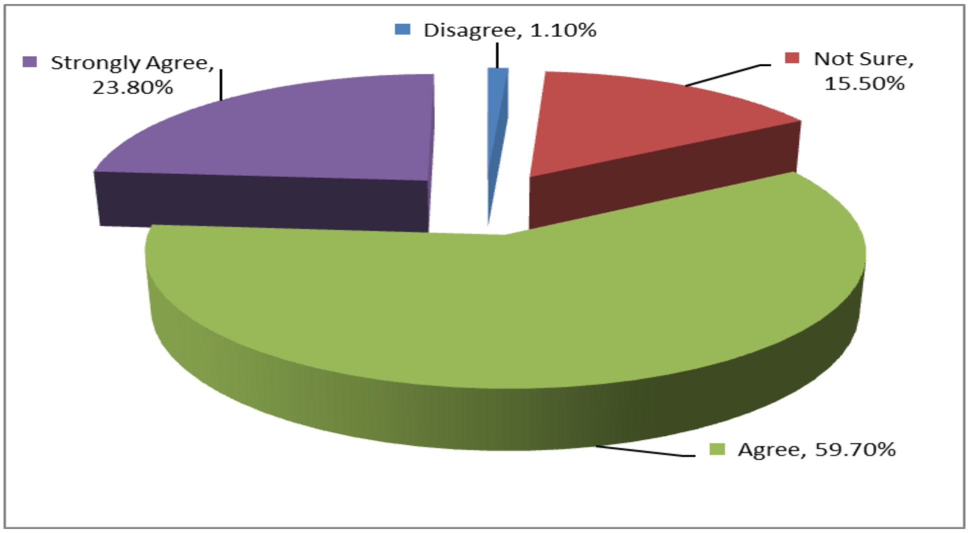

Source; Researcher (2017)

Figure 5: An SMEs strategic plan typically lays out its mission, vision, and future direction, performance targets

The findings in Table 5 relate to whether an SMEs strategic plan typically lays out its mission, vision, and future direction, performance targets. Respondents (59.7%) strongly agree followed by 23.8% who agree while 1.1% and 15.5% disagree and not sure respectively.

4.1.3 Strategy implementation and Performance of Small and Medium Enterprises

This sections analyses the descriptive for strategy implementation on performance of small and medium enterprises

Table 5: Strategy implementation stage is an operations-oriented phase that SME managers must take to make things happen

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	10	5.5	5.5	5.5
	Disagree	4	2.2	2.2	7.7
	Not Sure	13	7.1	7.2	14.9
	Agree	115	63.2	63.5	78.5
	Strongly Agree	39	21.4	21.5	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

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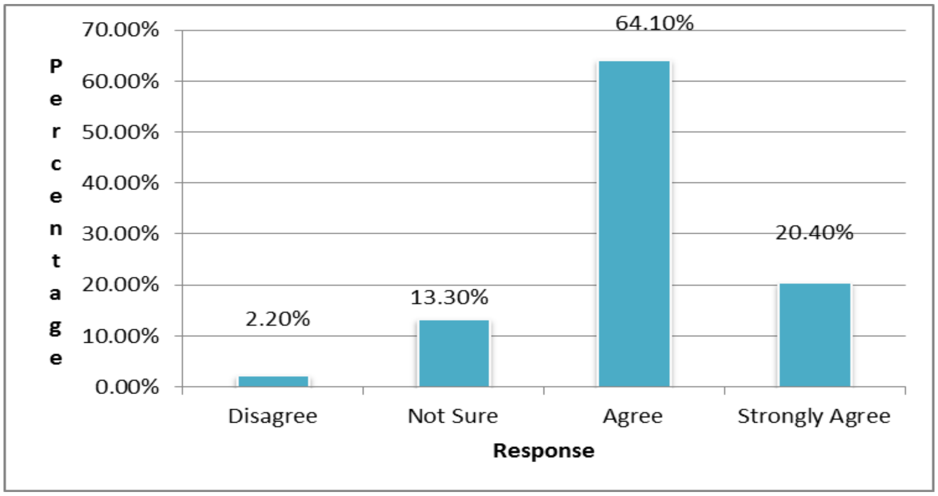
Enterprises can have good strategic plans but unless they are implemented or adhered to, they hardly bear fruit. From Table 5 on whether strategy implementation stage is an operations-oriented phase that SME managers must take to make things happen 63.5% of the respondents agreed, 21.5% strongly agree, 7.2% were not sure while 2.2% and 5.5% disagree and strongly disagree respectively.

Table 6: Strategy implementation entails preparing a strategic plan that sets out annual objectives, establishes an effective organizational structure, fixes a budget

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	6	3.3	3.3	3.3
	Not Sure	17	9.3	9.4	12.7
	Agree	126	69.2	69.6	82.3
	Strongly Agree	32	17.6	17.7	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

The findings in Table 6 relate to whether strategy implementation entails preparing a strategic plan that sets out annual objectives, establishes an effective organizational structure, and fixes a budget. Respondents (69.6%) agree while 17.7% strongly agree. On the other hand 9.4% and 3.3% not sure and disagree respectively.



Source; Researcher (2017)

Figure 6: Strategy implementation involves motivating employees, creating a supportive culture, allocating resources and linking employee compensation to the organization

Figure 6 presents findings pertaining whether strategy implementation involves motivating employees, creating a supportive culture, allocating resources and linking employee compensation

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to the organization. Most of the respondents at 64.10% agree followed by 20.4% who strongly agree. On the contrary, 13.3% and 2.2% were not sure and disagree respectively.

Table 7: There must exist a correct adjustment between the service provided and the degree of satisfaction of the stakeholders for example that their expectations are fulfilled

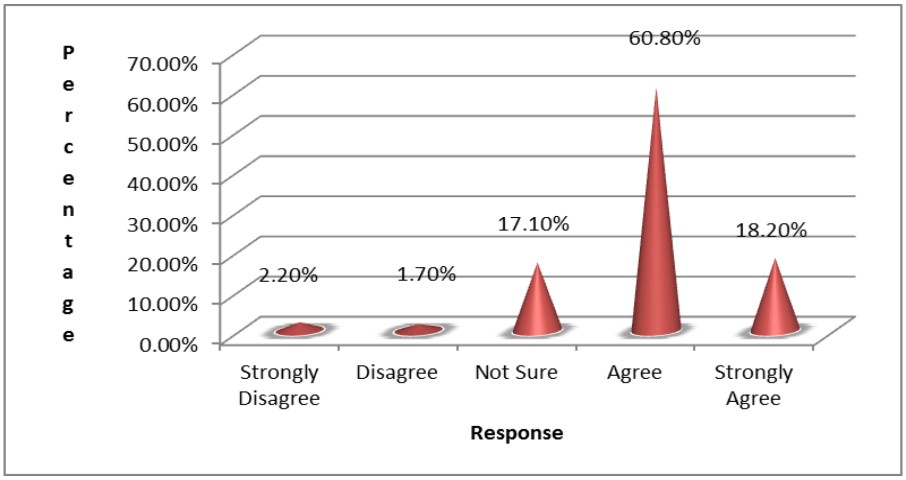
	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	1.6	1.7	1.7
	Disagree	5	2.7	2.8	4.4
	Not Sure	15	8.2	8.3	12.7
	Agree	118	64.8	65.2	77.9
	Strongly Agree	40	22.0	22.1	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

The findings in Table 7 relate to whether there must exist a correct adjustment between the service provided and the degree of satisfaction of the stakeholders for example that their expectations stage is. Respondents 65.2% agree, 22.1% strongly agree, 8.3% were not sure, 2.8% disagree while 1.7% strongly disagree.

4.1.4 Strategy Evaluation and Performance of Small and Medium Enterprises

This sections analyses the descriptive for strategy evaluation on performance of small and medium enterprises



Source; Researcher (2017)

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Figure 7: Without strategic evaluation a business has no way to gauge whether or not strategic management strategies and plans are fulfilling business objectives

The findings in Figure 7 relate to whether without strategic evaluation a business has no way to gauge whether or not strategic management strategies and plans are fulfilling business objectives. An overwhelming majority of 60.8% agree while 18.2% strongly agree. On the contrary, 17.1% were not sure while 1.7% and 2.2% disagree and strongly disagree respectively.

Table 8: SME Strategic evaluations provide an objective method for testing the efficiency and effectiveness of business strategies

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	.5	.6	.6
	Disagree	13	7.1	7.2	7.7
	Not Sure	8	4.4	4.4	12.2
	Agree	130	71.4	71.8	84.0
	Strongly Agree	29	15.9	16.0	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

From Table 8, a majority of 71.8% and 16% agree and strongly agree respectively that strategic evaluations provide an objective method for testing the efficiency and effectiveness of business strategies. On the contrary, 7.2% and 0.6% disagree and strongly disagree respectively while 4.4% were not sure.

Table 9: Strategic Evaluation determines whether the strategy being implemented is moving the business toward its intended strategic objectives

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	.5	.6	.6
	Disagree	6	3.3	3.3	3.9
	Not Sure	16	8.8	8.8	12.7
	Agree	120	65.9	66.3	79.0
	Strongly Agree	38	20.9	21.0	100.0
	Total	181	99.5	100.0	
Missing	System	1	.5		
Total		**182**	**100.0**		

Source; Researcher (2017)

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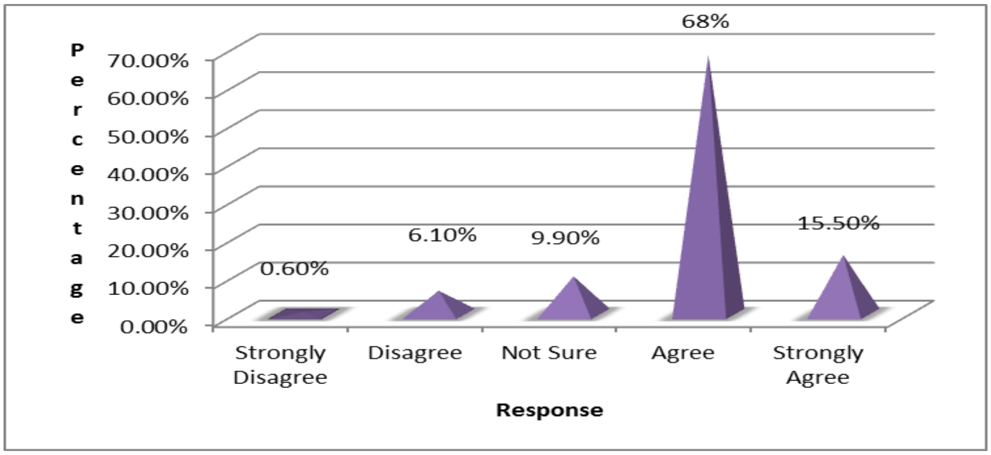
Table 9 presents findings pertaining to if strategic evaluation determines whether the strategy being implemented is moving the business toward its intended strategic objectives. Amongst respondents 66.3% agree followed by 21% who strongly agree. On the other hand, 3.3% and 0.6% disagree and strongly disagree respectively while 8.8% were not sure.



Source; Researcher (2017)

Figure 8: Strategic evaluation includes both qualitative and quantitative performance benchmarks to which actual performance of the business as a whole

In line with environmental evaluation, SME strategic evaluation includes both qualitative and quantitative performance benchmarks to which actual performance of the business as a whole can be measured. From Figure 8 above 68% of the respondents agree followed by 15.5% who strongly agree. On the contrary, 6.1% and 0.6% respectively disagree and strongly disagree while 9.9% were not sure.

5.1 Conclusion

From these studies, various findings and conclusions have emerged. First, strategy selection ensures that an SME applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals. Secondly, findings relating to adherence to strategic plan reveals that slightly over half of the enterprises align their operations to their mission while the others either align themselves to a small extent or no extent at all. Third, enterprises can have good strategic plans but unless they are implemented or adhered to, they hardly bear fruit. The strategy implementation stage is an operations-oriented phase that SME managers must take to make things happen. Strategy implementation entails preparing a strategic plan that sets out annual objectives, establishes an effective organizational structure, and fixes a budget. Lastly, without strategic evaluation, a business has no way to gauge whether or not strategic management strategies and plans are fulfilling business objectives. Strategic targets provide an objective method for testing the efficiency and effectiveness of business strategies.

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6.1 Recommendations

The study recommends that SME managers are required to ensure that they prepare a strategic plan that sets out annual objectives, establishes an effective organizational structure, fixes a budget, develops a viable information system and generally devices a work plan for job execution. Having prepared the strategic plans alone does not guarantee success. The SME managers should thus go a step further and ensure that the strategic plans are followed to the letter. Strategic plans outline the action steps necessary for achieving strategic business goals. Strategic evaluations provide an objective method for testing the efficiency and effectiveness of business strategies, as well as a way to determine whether the strategy being implemented is moving the business toward its intended strategic objectives. The study further recommends SME owners should set achievable goals and subdivide them into short-term, medium term and long term goals. Goals are the broad, long-term accomplishments that an organization wants to attain, achieve or where it wants to be. They provide the overall context for what the vision tries to achieve. They are powerful tools that break the vision statement into specific tasks and actions to attain desired results across the organization. They function as the yardstick for tracking an organization's performance.

The study recommends that there is a need for the owners and management teams of SMEs to categorize the factors that affect strategic planning in their businesses. There are those factors that affect positively (facilitating) and those that hinder performance. After identifying the factors they should then strive to ensure that maximum benefits are reaped from such factors and that they are enhanced. SME managers should also work towards mitigating the effects of any factor seen to be acting as barriers to strategic planning. The owners and employees small and medium sized businesses need to undergo professional training and encourage their employees to do the same. Institutions of higher learning and tertiary colleges should introduce business courses for this group which can even be conducted in local languages.

The performance of SME in an economy is a responsibility of both owners themselves and the government. The government in conjunction with other players needs to intensify technical and financial support to the SMEs. This will include access to credit, grants, training and information provision to the SMEs to enable them to identify and exploit opportunities. This is especially important for the long-term sustainability of the sector taking into consideration the fact that most of SMEs are run by young upcoming entrepreneurs.

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