

**ORGANIZATIONAL FACTORS INFLUENCING STRATEGIC PLAN
DEVELOPMENT AMONG SMEs IN MACHAKOS TOWN**

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DECLARATION

This project report is my original work and has not been presented for a degree in any other University.

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ABSTRACT

The purpose of this study was to explore the organizational factors affecting development of strategic plan among SMEs in Machakos Town in Kenya. Statement problem of this study evolved on the fact that SMEs have suffered in one way or the other from lack of or poorly developed strategic plans and are well aware of the negative impact. The objectives of this study were to; explore the influence of human resources, organizational culture and information systems on development of strategic plans. The Research study focused on SMEs in Machakos Town. Past and previous studies were reviewed with the aim of identifying research gap and endeavoured to fill the knowledge through this current study. This study was achieved by employing descriptive survey design on a sample of SMEs in Machakos for representativeness. Using questionnaire, document analysis and interview guide on selected participants from a population of the SMEs, research data was collected using questionnaires and interviews guides. Automatic inclusion and purposive sampling were employed sampling all respondents at the selected SME firms in Machakos Town. The data was analysed descriptively with the use of analysing techniques like inferential statistics among others of the SPSS and findings presented through tables and percentages. In essence, the study established that human resource, information systems and organizational culture have a great bearing on the development of strategic plans but SMEs in Machakos Town have not fully utilized these factors towards development of strategic plans. The study filled the identified gaps and made various recommendations that will help in development of strategic plans among SMEs. The conclusions evolved recommendations which included: training employees on strategic plan development and initiating motivation schemes to encourage employees to participate in strategic plan development. Secondly, SMEs need to update their organization data and maintain quality and quantity of information. Finally, SMEs should improve their organizational commitment to strategic plan development and cultivate flexibility by adopting to change. The findings, if adopted by the relevant stakeholders, will form the foundation for decisions and steps in formulation of organization policies geared towards efficient and effective strategic plan development in Kenya.

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DEDICATION

I dedicate this research work to my dear husband Fredrick Mwaka and children; Teresa Kanini, William Musyoki and Peter Kimanthi for their unwavering support, love and encouragement during the time of this taxing exercise. To my mother Angeline for continued prayers and encouragement. God bless you all.

LIST OF DEFINITIONS

Small and Medium Enterprises: Refers to those enterprises whose annual turnover ranges between five hundred thousand and five million shillings; and which employs between ten and fifty people.

Strategic planning: It refers to the attempt to prepare for all eventualities by abstraction and thus to account for the complexity and the dynamics of the environment and entails the need to build alternative future scenarios and configurations

Organization factors:It is the set of important assumptions that members of an organization share in common and involves attitudes and behaviours that characterize the functioning of a group or organization

Strategic leadership: It refers to a leader's ability to anticipate, envision, maintain flexibility and to empower others to create strategic change in an organization

Resources: It refers to the financial capabilities (financial capital that organizations use to formulate and implement strategy), physical assets, human resource, attributes of groups of individuals, the organization's planning, structure, controls, culture, reputation and informal relationships among groups in the organization

Planning: Planning is the systematic anticipation of actions and their future consequences.

Skills: The learned capacity to carry out pre-determined results often with the minimum outlay of time, energy, or both. In other words the abilities that one possesses.

Strategy: Strategy is the calculation of objectives, concepts, and resources within acceptable bounds of risk to create more favorable outcomes than might otherwise exist by chance or at the hands of others

Management Style: The characteristic ways of making decisions and relating to subordinates. Management styles can be categorized into two main contrasting styles, autocratic and permissive.

LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
CBS	Central Bureau of Statistics
CSR	Corporate Social Responsibility
GDP	Gross Domestic Product
EU	European Union
KM	Kilometer
KNBS	Kenya National Bureau of Statistics
NGO	Non-Governmental Organization
NSE	Machakos Town Securities Exchange
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
SQ	Square
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TOC	Theory of Change

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter covers the general layout of the study. It commences with an overview of the background to the study and introduces strategic planning in the context of Small and Medium Enterprises (SMEs). It also outlines the statement of the problem and the objectives that the study sought to achieve. Justification, significance, scope and limitations of the study are also outlined in this chapter.

1.1.1 Background of the Study

Small and medium-sized enterprises (SMEs) play a key role in around the world. In Europe's economies, for instance, SMEs employ as much as 66% of the total employed personnel in the private sector and account for 55% of total revenues in the EU (Barney, 2001). In Portugal around 98% of the industrial fabric is composed by SMEs. Most of times, firms are seen as a black box on what concerns to development however the measures taken by them, entrepreneurial strategies, and entrepreneurship actions, have influence in the development theatre (Stonehouse & Pemberton, 2002).

In Kenya, SMEs are vital. According to Gakure and Amurle (2013), the SMEs sector employs 74% of the labour force and contributes over 18% of the country's Gross Domestic Product (GDP). Despite its great contribution to Kenyan society, and the numerous policy prescriptions, SMEs sector encounter series of challenges and constraints that inhibit its growth. The effect is less growth, low competitiveness, high failure rate, and an averagelifespan of five years. On the other hand, for a long time strategic planning is known to be an essential activity that generates positive outcomes for firms of all sizes. However, little is known of the strategic planning practices among SMEs in Africa and in particular Kenya

(Gakure and Amurle, 2013).

A prudent organization needs to formulate a strategy that is appropriate for the organization, appropriate for the industry, and appropriate for the situation. Indeed, all organizations, whether for-profit or nonprofit, private or public, have found it necessary to engage in strategic planning in order to achieve their corporate goals. The importance of strategic plan cannot be overemphasized given the role it plays in the achievement of the set goals of any organization. As a matter of fact, strategic plan is the road map of where an organization is headed and the progress made so far. Besides, it is through the strategic plan that an organization is able to monitor its activities. Hence, without it an organization cannot achieve any meaningful performance towards its desired objectives.

The strategic planning process involves the formation of a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over time initiating whatever corrective adjustments in the vision, objectives, strategy, and execution that are appropriate. This means that an organization's vision, objectives, strategy, and approach to strategy execution are never final but an ongoing process. Overall, the priorities, interests and expectations of all the stakeholders should be adequately addressed by the strategic plan of the organization (Thompson and Strickland, 2003).

Strategy is about being able and ready to adapt to an ever changing external business environment. Pearce and Robinson (2004) hold that strategic planning is a tendency that remains stable over time and its main goal is to fold the future into the present. Strategic management involves deciding which customer to serve, with which products and services, and meeting those customers' legitimate needs and wants by allocating resources in the most

advantageous way (Cole, 2004). Therefore, organizations would engage in strategic planning due to the need to sustain, invigorate and direct the organization's human and other resources in the profitable fulfillment of the needs of customers and other principal stakeholders.

Kenyan SMEs' strategic planning is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behavior of top management and other key managers in the organization. For instance, if a an SME wishes to address issues of service delivery and performance management based on strategy focus, then service delivery must become one of the values of that an SME and the managers and employees must be seen to live that value in their everyday lives and for this to happen, there needs to be a well thought strategic management system working throughout the institution (Neale, 2004). Strategy researchers, writers and practitioners largely agree that every strategy context is unique. Moreover, they are almost unanimous that it is usually wise for strategists to adopt the strategy process and strategy content to the specific circumstances prevalent in the strategy context (Wit and Meyer, 2001).

1.1.2 Profile of Machakos County

The site of the study was the SMEs within Machakos town, Machakos County in the Eastern part of Kenya. Machakos County is located in Eastern province and constitutes 8 districts, (Machakos Town, Masinga, Yatta, Kangundo, Kathiani, Mwala, Matungulu, Mavoko and Yatta districts were mapped to this county for the purposes of generating county estimates (Republic of Kenya, 2001). Machakos District is one of the thirteen districts that form Eastern Province. Machakos Town is the administrative capital of the county.

Machakos County borders Machakos Town and Kiambu counties to the West, Embu to the North, Kitui to the East, and Makueni to the South, Kajiado to the South West, and Murang'a and Kirinyaga to the North West. Machakos County stretches from latitudes $0^{\circ} 45'$ south to $1^{\circ} 31'$ South and longitudes $36^{\circ} 45'$ east to $37^{\circ} 45'$ East. The county has an altitude of 1000 - 1600 meters above sea level. It has a total population of 1,098,584 people, 264,500 Households and covers an area of 6,208 SQ. KM. The Population density is 177 persons per SQ. KM. The Akamba people are the dominant habitants of Machakos County (KNBS, 2013).

The local climate is semi-arid with a hilly terrain covering most parts of the county. The beautiful hilly scenery is perfect for tourist related activities such as camping, hiking safaris, ecotourism and cultural tourism, dance and music festivals among many more. A number of establishments ensure the region has a well-rounded hospitality industry. Subsistence agriculture is practiced with Maize and drought-resistant crops such as sorghum and millet being grown. However, the County also plays host to the open air market concept with major market days where large amounts of produce are traded. Fruits, vegetables and other food stuffs like maize and beans are sold in this market.

The county has been selected as the home to the upcoming Konza Technology City due to its proximity to Machakos Town, good infrastructure and availability of massive chunks of land. Machakos County, Machakos Town's Eastern neighbour, is home to important industrial and residential canters like Athi-River and Mlolongo. Sadly, the developments do not extend to most parts of the huge county, but that is about to change when a planned technology city development is finalized. Administratively, the county is divided into twelve divisions, sixty two locations and two hundred and twenty five sub-locations (Republic of Kenya, 2001).

1.1.3 SMEs in Kenya

In Kenya, the Micro, Small and Medium enterprises are variously referred. They fall under the popular informal sector called Jua Kali as they largely start in the open sun under no roof. The sector employs over 80% and is currently receiving a lot of government attention as its seen as the solution to the crippling unemployment especially for the youth. Over 65% of Kenyan population is youthful and unemployed. In 2008, Kenya experienced the post-election violence which left over 1,000 people dead and 500,000 displaced. And while this might have been politically instigated, the fuel was the youth unemployment and the grinding poverty. This realization has re-energised the government's resolve to address the unemployment with such initiatives as kazi kwa vijana.

It is estimated that today, Kenya's informal sector constitutes 98 percent of all businesses in the country, absorbs annually up to 50 per cent of new non-farm employment seekers, has an employment growth rate of 12-14 percent, contributes 30 percent of total employment and 3 percent of GDP'. To its credit, Kenya, unlike most developing countries, has in official development policies recognized informal enterprise as more than a residual employer for the survival of poor households. In its Sessional Paper Number 2 of 1950, Small Enterprise and Jua Kali Development in Kenya, the government identifies the small-scale and Jua Kali enterprise sector for support to assist it to "graduate into the formal sector" and to become a major player in the creation of new jobs and economic growth. Strictly speaking, the term Jua Kali refers to the full range of enterprises employing between 1-49 workers in all sectors. Access to technical and managerial training, work sites, involvement of Jua Kali in technological innovation, and creation of a positive enabling environment are key elements in the Government's Jua Kali development strategy.

The Kenyan economy has seen a rebound growing at 3% after experiencing a jolt as a result of the post-election violence of 2008. From a negative growth in 2001, the economy experienced a high of over 7% in 2007 before hitting the floor in 2008. Vision 2030, Kenya's development blue-print estimates a 10% growth by 2012 to support a vibrant economy towards a newly industrialized state by 2030. A major driver is the informal sector of SMEs.

1.1.4 Organizational Factors

The knowledge, experience and capability of an organisation's workforce is a determining factor of success. For this reason, organisations pay particular attention to the recruitment of staff and also to engage in the training of staff and volunteers to build the organisation's capability. In pursuing both recruitment and training strategies, an organisation is often limited by its financial strength. Nevertheless, training of staff is an essential aspect of good business management, and even in difficult financial circumstances is an achievable strategy (Kraus, Reiche and Reschke, 2008).

The culture within the organisation is a very important factor in business success. The attitudes of staff and volunteers, and their ability to "go the extra mile" makes a very significant difference. Negative attitudes can severely impact on the organisation's ability to implement strategies for development. Positive attitudes of staff and volunteers will not only make the management task easier but also will be noticed and appreciated by customers of the business or members of organisation (O'Regan & Ghobadian, 2004). Businesses and organisations may be impeded by their structure, constitution and/or forms of governance. Organisation structure is essentially the way that the work needed to carry out the mission of the organisation is divided among its workforce (Reschke, 2004).

In a non-profit organisation, the organisation will include the management board or committee (i.e. President, Secretary, Treasurer and Ordinary Committee Members), the salaried staff of the organisation and all the volunteers that have roles as coordinators of various business functions (e.g. Event Coordinator, Promotions Coordinator and Coaching Coordinator). When an organisation is a for-profit business that operates in a very competitive environment, its organisation structure may help or hinder the ability of the organisation to react to change. For example, when the organisation structure has many levels of management, decision making can be slow as information is carried up and down the hierarchy. For this reason, "flatter" organisation structures are often preferred. Volunteers are normal part of the non-profit organisation but not the profit-business. Although it is often hard to find volunteers, the organisation structure of the non-profit organisation can be very flexible by appointing volunteers as needed (Stonehouse & Pemberton, 2002).

The capability of the management team and the leadership styles employed by managers will also have a major impact on the morale of staff (and volunteers in a non-profit organisation) and organisation culture. More contemporary forms of management involve workers in decision making processes and trusting that, although managers and workers have different viewpoints, they largely benefit by working together to achieve the business objectives (Wang, Walker & Redmond, 2007).

The internal environment of the organisation can be made richer or poorer by its assets. For example, the organisation's premises can be pleasant and uplifting, or demure and depressing. The availability of equipment is another asset that can significantly impact on the internal environment. If equipment is in short supply or not of the expected standard, then staff may be

hindered in the performance of their duties, or if equipment is used by customers then customer satisfaction will fall (Welter, 2003).

Financial strength is a factor in its own right that influences the internal environment of the organisation. Despite however good other internal factors may be, it is very difficult for an organisation that is too short of cash to implement strategies within the strategic plan. If the organisation struggles financially this can impact on staff morale as budgets need to be excessively tight.

1.2 Statement of the Problem

Strategic plan development is by nature complex, thus it must have clear priorities in order to be manageable. The management of diverse stakeholders' expectations, priorities, interests and powers in this process can make or break an organization. Many organizations have had unending challenges in developing strategic plans. The worst hit are SMEs in Kenya. This is so because of the rate at which they are winding up their business. SMEs in Kenya have not fully embraced the use of strategic plans due to the difficulties involved in development of strategic plans.

There are many factors that hamper strategic plan development in Kenya. Inadequate resources, unfavorable organizational culture among others are some of the organizational factors that this study will seek to investigate. Scholars in Kenya have undertaken studies on strategic plan in organizations. Among the local studies include Kasimbu (2007) who focused on strategic plan development among Non-Governmental Organizations (NGOs) in Nairobi where the study established that community determines the nature of operations and the quality of products and services offered by NGOs and that sponsors influence on the budget allocation

while the government plays a supervisory role and creation of conducive environment for the NGOs to work in. Kisinguh (2006) who laid focus on stakeholders' involvement in the strategic plan development in public organizations in Kenya where the study established that most NGOs never put premium on strategic development. Bariti (2009) whose focus was on management perception of strategic plan development Nature Kenya and Gekonde (2011) who assessed the role of stakeholders in determining the content of the strategic plan at Nature Kenya where they established that stakeholders never put emphasis on strategic plan development.

While all these studies have availed evidence of strategic plan development in various organizations, the researcher has not come across a study with a specific focus on organizational factors influencing strategic plan development among SMEs. Hence this study sought to fill the identified research gap by exploring the organizational factors influencing strategic plans development in SMEs in Kenya with a specific reference on Machakos Town.

1.3 Objectives of the Study

1.3.1 Main Objective

The main objective of the study was to establish the organizational factors influencing development of strategic plans among SMEs in Machakos Town.

1.3.2 Specific Objectives

The specific objectives of the study were as follows:

- i. To find the influence of human resources on the strategic plan development among SMEs in Machakos Town.
- ii. To ascertain the influence of information systems on the strategic plan development among SMEs in Machakos Town.

- iii. To establish the influence of organizational culture on the strategic plan development among SMEs in Machakos Town.

1.4 Research Hypothesis

- i. There is no significant relationship between human resource and strategic plan development among SMEs in Machakos Town.
- ii. There is no significant relationship between information system and strategic plan development among SMEs in Machakos Town.
- iii. There is no significant relationship between organizational culture and strategic plan development among SMES in Machakos Town.

1.5 Justification of the Study

The findings of this study would be of benefit to various owners and managers of SMEs including the staff, managers and other stakeholders of SMEs by enumerating the various expectations, interests, priorities and powers of each of the stakeholders in realizing the strategic objectives of the SMEs. The study shall also provide solutions that shall fastrack the attainment of the strategic objectives of SMEs in Kenya in line with the expectations, interests, priorities and powers of the stakeholders.

Policy makers at various levels of government shall be furnished with crucial information that can lead to formulation of policies, rules, regulations and goals to be pursued in order to efficiently and effectively facilitate the participation of stakeholders in the development of the strategic objectives of SME.

The academia and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study shall make theoretical, practical and methodological contributions which will contribute to professional extension of existing knowledge in strategic management by helping to understand the current challenges faced by organizations in the development of strategic plans.

1.6 Scope of the Study

The study focused on the assessment of the influence of various organizational factors affecting development of strategic plans in SMEs in Kenya and specifically in Machakos Town. The study gathered primary data from the managers in charge of development of strategic plans and secondary data from the publications and websites of the SMEs, CBK and Securities Exchange (NSE) for the period between 2011 and 2013.

1.7 Limitation of the Study

The research was limited by the fact that the respondents were unwilling to divulge all the needed information due to confidential regulations stipulated in the policy documents of the SMEs. However, this was overcome by assuring the respondents that the information gathered would be handled confidentially and used solely for the purpose of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature review. Specifically it addresses issues on strategic plan development. Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy. It may also extend to control mechanisms for guiding the implementation of the strategy. Strategic planning became prominent in corporations during the 1960s and remains an important aspect of strategic management. It is executed by strategic planners or strategists, who involve many parties and research sources in their analysis of the organization and its relationship to the environment in which it competes.

Strategy has many definitions, but generally involves setting goals, determining actions to achieve the goals, and mobilizing resources to execute the actions. A strategy describes how the ends (goals) will be achieved by the means (resources). The senior leadership of an organization is generally tasked with determining strategy. Strategy can be planned (intended) or can be observed as a pattern of activity (emergent) as the organization adapts to its environment or competes.

Strategy includes processes of formulation and implementation; strategic planning helps coordinate both. However, strategic planning is analytical in nature (i.e., it involves "finding the dots"); strategy formation itself involves synthesis (i.e., "connecting the dots") via strategic thinking. As such, strategic planning occurs around the strategy formation activity.

2.1 Theoretical Background

This study was based on the following theories that clearly articulate the relationship between organizational factors and strategic plan development.

2.1.1 Strategy Theory

The strategy theory has provided a useful framework to understand how firms attempt to embrace strategic planning. Strategy provides a coherent blueprint to bridge the gap between the realities of today and a desired future. It is the disciplined calculation of overarching objectives, concepts, and resources within acceptable bounds of risk to create more favorable future outcomes than might otherwise exist if left to chance or the hands of others. It is the consideration of the relation of how to apply resources to achieve desired results in a specific strategic environment over time. In the context of the state, strategy is the employment of specific instruments of power (political/diplomatic, economic, military, and informational) to achieve the political objectives of the state in cooperation or in competition with other actors pursuing their own possibly conflicting objectives (Stephen, 2001). In other words, it is the application of the power inherent in the natural and societal resources of the state toward policy ends in an emerging, dynamic, and competitive strategic environment.

Both strategy and planning are subordinate to the nature of the environment. Strategy has distinct attributes and differs from planning in its scope, assumptions, and premises, but it provides the structure and parameters for more detailed long-range and short-term planning. Both strategy and planning use ends, ways, and means, and are bounded by the criteria of suitability, feasibility, and acceptability. Strategy has its own inherent logic that can be understood and applied.

An underlying assumption of strategy from a national perspective is that all nation-states and

nonstate actors have interests they will pursue to the best of their abilities. Interests are desired end states categorized in terms such as survival, economic well-being, favorable world order, and enduring national or group values. Interests are derived from these broad categories as reflected in the strategic environment and can be stated more specifically in the context of issues. The elements of power are the resources used to promote or advance national or group interests. Resources are applied through the use of instruments of power.

The role of strategy is to ensure that the pursuit, protection, or advancement of these interests which are achieved through the application of the instruments of power to specific objectives to create strategic effects in favor of the interest based on policy guidance is accomplished in a coherent and optimal manner. Strategy is fundamentally about choices; it reflects a preference for a future state or condition and determines how best to get there. In doing so, strategy confronts adversaries, allies, and other actors; and it addresses resource and organizational issues; even then some factors simply will remain beyond control or maybe unforeseen (Donald, 2005). Rational choice, chance and probability, irrational actors, allies, and competitors are all part of the strategic paradigm. Strategy is inherently comprehensive; its foremost purpose is to favorably influence the complex and volatile strategic environment by providing direction for the judicious application of power toward achievement of policy-driven objectives.

The strategic process is all about how (concept or way) leadership will use the power (resources or means) available to the state to exercise control over sets of circumstances and geographic locations to achieve objectives (ends) in accordance with state policy. Strategy provides direction for the coercive or persuasive use of this power to achieve specified objectives. This direction is by nature proactive, but it is not predictive. Strategy assumes that

while the future cannot be predicted, the strategic environment can be studied, assessed, and, to varying degrees, anticipated and manipulated. Only with proper analysis can trends, issues, opportunities, and threats be identified, influenced, and shaped through what the state chooses to do or not do. Thus good strategy seeks to influence and shape the future environment as opposed to merely reacting to it. Strategy is not crisis management. It is to a large degree its antithesis. Crisis management occurs when there is no strategy or the strategy fails to properly anticipate. Thus, the first premise of a theory of strategy is that strategy is proactive and anticipatory, but not predictive (Robert, 2003).

A second premise is that political purpose dominates all strategy; this idea has been perhaps best set forth in Clausewitz' famous dictum, "War is merely the continuation of policy by other means Political purpose is stated in policy. Policy is the expression of the desired end state sought by the government. In its finest form, policy is the clear articulation of guidance for the employment of the instruments of power towards the attainment of one or more objectives or end states. In practice, it tends to be much vaguer. Nonetheless, policy dominates strategy by its articulation of the end state and its guidance regarding resources, limitations on actions, or similar considerations. The analysis of the end state and guidance yields strategic objectives. Objectives provide purpose, focus, and justification for the actions embodied in a strategy. Achievement of the objectives creates strategic effects contributing to the desired end state. National strategy is concerned with a hierarchy of objectives determined by the political purpose. Yet, as Clausewitz notes, that does not mean that policy is a tyrant. The development of strategy informs policy; policy must adapt itself to the realities of the strategic environment and the limits of power. Thus, policy ensures that strategy pursues appropriate aims, while strategy informs policy of the art of the possible (Robert, 2003).

A third premise is that strategy is subordinate to the nature of the strategic environment. Strategy is developed from a thorough consideration of the strategic situation and knowledge of the nature of the strategic environment. The strategic environment possesses both physical and metaphysical attributes. It has both domestic and external components. The international environment is the external component, consisting of the physical geographic environment, the international system, and other external actors and their cultures, beliefs, and actions. The domestic environment consists of internal physical realities and the internal actors, constituencies, institutions, and organizational roles at play within the United States. Indeed, within the United States, there are groups that have worldviews significantly different from those of the national leadership, which makes the domestic element of strategy formulation even more complex. Nascent contradictions always exist to challenge the status quo and initiate a search for a new equilibrium. Stability within the environment resists change; instability within the environment urges adoption of a new strategy. The nature of the strategic environment can be described as an interactive, chaotic, complex system of systems. Strategy must be consistent with the nature of the strategic environment in its formulation and execution.

A fourth premise is that strategy is holistic in outlook. It demands comprehensive consideration. That is to say, while the strategist may be devising a strategy from a particular perspective, he must consider the whole of the strategic environment in his analysis in order to arrive at a proper strategy to serve his intended purpose at his level. He is concerned with external and internal factors at all levels and the horizontal and vertical integration of his strategy. In formulating a strategy, the strategist must also be cognizant that each aspect, objective, concept, and resource has effects on the environment around him. Thus, the strategist must have a comprehensive knowledge of what else is happening within the strategic

environment and the potential first-, second-, third-, etc., order effects of his own choices on the efforts of those above, above, and on the same level with him, whether they be friendly, adversary, or indifferent actors. The strategist's efforts must be integrated fully with the strategies or efforts of senior, coordinate, and subordinate elements. Strategists must think holistically that is, comprehensively. They must be cognizant of both the "big picture," their own organization's capabilities and resources, and the impact of their actions on the whole of the environment. Good strategy is never developed piecemeal or in isolation.

A fifth premise is that any strategy creates a security dilemma for the strategist and other actors. Any strategy, once known or implemented, introduces change into the strategic environment, even when it seeks to maintain the status quo. Change can occur on multiordeed levels and may be nonlinear. Change threatens the existing equilibrium or status quo in the strategic environment, raising the question of whether the results of doing nothing are better or worse than the consequences of doing something. Strategy can anticipate the future though the pursuit of proper objectives, but strategy cannot predict the future with absolute certainty, neither the achievement of its objectives nor the precise consequences of achievement or failure. The strategist must determine whether the attainment of the specified end justifies the risks of initiating action, and the strategist must also consider how other actors may react.

2.1.2 Change Theory

Weiss popularized the term theory of change as a way to describe the set of assumptions that explain both the ministeps that lead to the long-term goal of interest and the connections between program activities and outcomes that occur at each step of the way. She challenged designers of complex community-based initiatives to be specific about the theories of change guiding their work and suggested that doing so would improve their overall evaluation plans and would strengthen their ability to claim credit for outcomes that were predicted in their

theory. She called for the use of an approach that at first blush seems like common sense: lay out the sequence of outcomes that are expected to occur as the result of an intervention, and plan an evaluation strategy around tracking whether these expected outcomes are actually produced. Her stature in the field and the apparent promise of this idea motivated a number of foundations to support the use of this technique, later termed the theory of change approach, in the evaluations of early efforts (Welbourne, 2005). As a result of the popularity of the approach, many in the field have turned to the Roundtable to better understand how to apply TOC techniques to their own work.

As defined by the Weiss, the TOC process hinges on defining all of the necessary and sufficient preconditions required to bring about a given long-term outcome. In a departure from Weiss, the Roundtable recommends using a technique called “backward mapping” that requires planners to think in backward steps from the long-term goal to the intermediate and then early-term changes that would be required to cause the desired change. At each step, the outcomes produced are considered to be preconditions for the stage that follows. In other words, the preconditions for the long-term outcome occur in the intermediate stage of change, and the preconditions for the intermediate outcomes occur in the early stages (Gaddis, 2002). This set of connected outcomes is depicted in a map known as an outcomes framework, which is a graphic representation of the change process as it is understood by the planners and the skeleton around which the other elements of the theory are developed.

During the process of creating the outcomes framework, participants are required to articulate as many of their assumptions about the change process as they can so that these can be examined and even tested to determine if any key assumptions are hard to support (or even false). There are typically three important types of assumptions to consider: (a) assertions

about the connections among long-term, intermediate, and early outcomes on the map; (b) substantiation for the claim that all of the important preconditions for success have been identified; and (c) justifications supporting the links between program activities and the outcomes they are expected to produce. A fourth type of assumption that outlines the contextual or environmental factors that will support or hinder progress toward the realization of outcomes in the outcomes framework is often an additional important factor in illustrating the complete TOC.

The TOC approach to planning is designed to encourage very clearly defined outcomes at every step of the change process in this case strategic plan. Users are required to specify a number of details about the nature of the desired change including specifics about the target population, the amount of change required to signal success, and the time frame over which such change is expected to occur. This attention to detail often helps organizations the feasibility of reaching goals that may have initially been vaguely defined and, in the end, promotes the development of reasonable long-term outcome targets that are acceptable to all parties.

2.1.3 Contingency Theory

Contingency theory is a class of behavioral theory that claims that there is no best way to organize a firm, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situations. Contingency theory (Johnsen, 2005) states that complex organizations use performance measurement to reduce uncertainty and for legitimacy. Historically, contingency theory has sought to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies. The perspective originated with the work of Joan Woodward in 1958 who argued that technologies directly determine differences in such organizational attributes as

span of control, centralization of authority, and the formalization of rules and procedures. Proponents of this theory argue that the best way to organize depends on the nature of the environment to which the organization must relate. Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. There is no one best way of organizing. The appropriate form depends on the kind of task or environment one is dealing with. Management must therefore be concerned, above all else, with achieving alignments and good fits. Different types of organizations are needed in different types of environments. In the current study, contingency theory was applicable in emphasizing on the environment in which strategic planning development take place. In order to affect performance of SMEs, the environmental factors that influence strategic planning and implementation must be taken into consideration.

2.1.4 Institutional Theory

Institutional theory focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes, rules, norms, and routines, become established as authoritative guidelines for social behavior (Scott, 2006). Different components of institutional theory explain how these elements are created, diffused and adapted over space and time; and how they fall into decline and disuse. Institutional theory states that organizations exist in an institutional environment which defines and delimits its social reality (Scott, 2006). In the current study, institutional theory was applicable given that SMEs are organizations. It is the organization within which strategic planning development is taking place. The organization has structures, rules, norms and routines. The institutional theory therefore point out the need to focus on the institutional factors that are likely to influence strategic planning development

2.1.5 Agency Theory

One of the theories most frequently used to explain the development of strategic management and performance measurement in organizations is the agency theory. According to the agency theory (Bendor, Taylor and Gaalen, 1985), performance measurement is used in situations of asymmetric information and uncertainty for monitoring managers and linking them with the principal. Given that SMEs are more dependent than others on legitimacy and on financial resources, the formal implementation of structures such as strategic management may be used as a sign of efficiency and good business practices to respond to institutional or environmental pressure in order to secure legitimacy from owners or stakeholders and resources from the institutional environment. In the current study therefore, agency theory is useful in explaining SMEs performance to its principals namely the entrepreneur and other stakeholders. The strategic plan enables justification to seek more resources and support from the principals to carry out its operations. Previous studies done on strategic management in organizations have also shown a weakness in focusing on strategy process with little or no attempt at evaluating their adoption and effect of organizational factors on strategic plan development (Okumus, 2001). The study sought to address this gap by investigating the factors affecting adoption of strategic planning by SMEs in Nakuru Town.

2.2 Empirical Literature

This section will include studies that other scholars have previously undertaken on strategic plan development

2.2.1 Strategic Planning Process

For an organization to survive in a turbulent business environment, it must clearly define its objectives and assess both the internal and external situation then proceed to formulate its strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track. The aforementioned actions entail the strategic planning process. This strategic

planning process is cyclic in nature and should be entrusted to a team of persons who understand the environment of the concerned organization (Atkinson, 2006). Ideally, strategic planning is a five step process involving setting of the mission and objectives of the organization, scanning of the internal and external environment and formulation of strategic plans.

The first step is defining the goals of the organization. These goals may have single or multiple objectives. The objectives generally involve increasing or maximizing effectiveness and efficiency. The mission statement describes the company's business vision, including the unchanging values and purpose of the firm and forward-looking visionary goals that guide the pursuit of future opportunities. Guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation.

The second step involves environmental scanning. The environmental scan includes: Internal analysis of the firm, analysis of the firm's industry (task environment) and external macro-environment (political, environmental, social and technological factors). The external environment can be profiled as Strengths, Weaknesses, Opportunities, and Threats (SWOT) (Chris & Pierre, 2009). An industry analysis can be performed using a framework of Porter's five forces: Entry barriers, bargaining power of suppliers, bargaining power of customers, threat of substitute products and industry rivalry (Howard, 2007).

Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To

attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation. Michael Porter identified three industry-independent generic strategies from which the firm can choose i.e. cost leadership strategy, differentiation strategy and focus strategy. (Howard, 2007)

2.2.2 Strategic Plan Development Process

Strategic plan development involves acting on what has to be done internally to put the chosen (formulated) strategy into place and achieve the targeted results. Strategies and policies are translated by management into action through the development of programs, budgets, and procedures. Strategic management by itself is a process and it refers to a set of decisions and actions that result in the formulation and development of long term designed plans to achieve organizational objectives (Pearce and Robinson, 1997). According to Niville, L. (2002), strategic management is the process that encompasses strategic planning, development and evaluation. In their view, strategic management process is a way of considering, dealing, and realizing already formulated strategies.

On the other hand strategic plan development involves allocation and management of sufficient resources, establishing a chain of command or some alternative structure, assigning responsibility of specific tasks or processes to specific individuals or groups. Implementing strategies successfully is vital for any organization public or private. Without development, even the most superior strategy is useless. The notion of strategic plan development might at first seem quite straightforward: the strategy is formulated and then it is implemented. Implementing would thus be perceived as being about allocating resources and changing organizational structure. However, transforming strategies into action is a far more complex and difficult task (Martin, 2012).

In the face of a high level of uncertainty and change within competitive environments, strategic plan development should represent a continuous and simultaneous process (Cole, (2004). This requires strategic plan development to be treated as part of individual responsibilities throughout the organization as opposed to a central function. By transferring the ownership of strategy in this way the quality of knowledge used for strategy formulation will be substantially improved while potential conflicts and the timeframe for strategic plan development will be dramatically reduced. The former approach represents a series of steps, which follow one another, while the latter represents a concurrent approach of identifying opportunities in competitive environments and evaluating them in the light of the organization's existing and potential future competences together with the level of resource commitment necessary to exploit such opportunities.

The simultaneous approach brings about three major benefits to organizations when compared with the sequential approach. First, it reduces the time window between opportunity identification and exploitation which is one of the most important considerations when operating in a highly dynamic environment (Meyer and Wit 2001). Second, it reduces risk. This is because the sequential approach requires committing at a very early stage investments in terms of capital, people and time, whereas the simultaneous approach continually evaluates and dynamically adjusts resource commitments. Third, the simultaneous process continually adjusts strategies according to the changes in the competitive environment.

Further, the process might involve changes within the overall culture, structure, and/or the management system of the organization (Kit, 2004). When there is a proper alignment between strategy, administrative mechanisms and organizational capabilities, it will be easier to implement and execute the strategy and to achieve the desired objectives (Les, 2002).

However, a well-developed service strategy does not automatically mean well implemented (Marius & Rachel, 2011). Strategic management gradually is shifting from paying 90 per cent attention to strategy formulation and 10 per cent to strategy development, to paying equal attention to both (Howard, 2007).

The development of the strategy must be monitored and adjustments made as needed. Evaluation and control consists of the following steps: First the planner out to define parameters to be measured then proceed to define target values for those parameters. Thirdly, the planner performs measurements of the results of the implemented plan and proceeds to compare measured results to the pre-defined standard. Lastly, the planner makes necessary changes to the strategic plan to ensure attainment of the desired results.(Gaddis, 2002).

2.2.3 Strategic Plan Development

Managing the development and execution of strategy is an operations-oriented, make-things-happen activity aimed at shaping the performance of core business activities in a strategy-supportive manner. Management's handling of the strategic plan development process can be considered successful if things go smoothly enough that the company meets or beats its strategic and financial performance targets and shows good progress in achieving management's strategic vision geared towards efficient and effective service delivery to its intended clientele (John, 2003).

It should go without saying that top management support and involvement is necessary for the success of any strategic plan development. However, this is especially critical to the success of a conventional approach. Though poorly developed from methodological standpoint, developers' analysis and approach now belongs to the long list of virtues and catchwords reigning over the field of development (CBS, 1999).

Bloom (2000) notes that it is well recognized that broad-based stakeholders' involvement and commitment is crucial to successful strategy and action plan development and therefore to sustainable organizational development. Therefore, such broad-based stakeholders' involvement is grounded on three important principles of stakeholder analysis: Inclusiveness (ensure inclusion of the full range of different stakeholders, including marginalized and vulnerable groups); Relevance (includes only relevant stakeholders- those who have a significant stake in the process (i.e., not everyone is included)); and Gender Sensitivity (both women and men should have equal access within the participatory decision making process).

On the basis of these principles, different stakeholders will seek different levels of involvement and various categories can be defined. Listeners are those who need to be informed but do not feel a need to be actively involved in policies and projects. Observers, while not actively involved, are watching the policy assessment process and may become active if access to information is cut off or if they are surprised by events in the assessment. Reviewers actively watch the assessment process and will review ideas and materials. Advisers contribute their own time and energy and are willing to be actively involved. Their high level of interest and concern must be matched by equally high commitment and efforts by the organization strategy team. Originators are so involved that they help create options. This is a high level of involvement and may be difficult to sustain. Decision-makers are stakeholders who seek a level of involvement where they have a vote in or some control over the decisions made (Bloom, 2000).

Notable literature on strategic plan development was examined in order to identify potential strategic plan development problems. Research by Alexander (1985) identified twenty-two

major obstacles to strategy development, of which ten were cited by over 50% of firms sampled as major problems. In a similar study, Marius & Rachel, 2011 researched 15 development problems and found that six strategic plan development problems were experienced by over 70% of the sample group of firms. Based on case studies, Matthew, (2009) identified additional development problems as a) failing to periodically alter the plan or adapt it to changes in the business environment b) deviation from original objectives and c) lack of confidence about success. According to Cole, (2004), all development aspects during the planning phase are fundamental for execution as there is no time to do that during execution. It is critical that everyone in the team understands and agrees upon the details of the plan.

Management must make the commitment to stay focused on the agreed upon plans and should only make significant changes to the plan after careful consideration on the overall implications and consequences of the change. The organization should maintain a balance between ongoing business activities and working on new strategic initiatives. i.e problems with development often occur when companies concentrate on new strategic plan development and in the process forget their main line of business that underlie within previously formulated business strategies. Welbourne (2000) posits that strategy is execution. He discussed four cases of strategy execution: flawed strategy & flawed execution, sound strategy & flawed execution, flawed strategy & sound execution, and sound strategy & sound execution. Only when the strategy and the execution are sound the organization has a pretty good chance for success, barring aside environmental and competitive influences. Further, he contends that executing the wrong strategy is one of the major problems leading to unsuccessful development of strategies.

Downes (2001) states that the kinds of execution obstacles most companies run into fall into two categories: problems internal to the company and problems generated by outside forces in its industry. These internal and external issues are affected by the extent of flexibility companies have to launch strategic initiatives successfully. DeLisi (2001) examined “the six strategy killers” of strategy execution, pinpointed by Martha,(2006). He found that four of these factors particularly hamper or destroy strategy execution. These are: a) ineffective senior management b) top-down or laissez-faire senior management style c) Unclear strategies and conflicting priorities and d) Poor coordination across functional boundaries. Moreover, DeLisi research also revealed several other potential reasons for the failures in strategy execution. These included: Lack of knowledge of strategy and the strategy process; no commitment to the plan; the plan was not communicated effectively; people are not measured or rewarded for executing the plan; the plan is too abstract, people can’t relate it to their work; people are not held accountable for execution; senior management does not pay attention to the plan; reinforcers, such as culture, structure, processes, IT systems, management systems and human resource systems, are not considered, and/or act as inhibitors; people are driven by short-term results.

Johnson (2002) in his survey found that the five top reasons why strategic plans fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Matthew,(2009) in his research on development problems notes that “ignoring to anticipate future problems” hinders successful strategy execution.

Hrebiniak (2005) recognized the difficulty of strategy execution and the reward from doing that correctly. He discussed various factors that can lead to incorrect development of any strategy similar to those already discussed in the above literature discussion. Additionally,

Hrebiniak's research survey of 400 managers contributed to the identification of additional factors that may cause obstacles to successful strategic plan development included: Lack of feelings of "ownership" of a strategy or execution plans among key employees; not having guidelines or a model to guide strategy- execution efforts; lack of understanding of the role of organizational structure and design in the execution process; inability to generate "buy-in" or agreement on critical execution steps or actions; lack of incentives or inappropriate incentives to support execution objectives; insufficient financial resources to execute the strategy.

Brannen's (2005) study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational/cultural barriers. Brannen's survey unearthed another significant obstacle to effective strategic plan development namely, "failing to Empower or give people more freedom and authority to execute." Hrebiniak (2005) observations of items on "what's getting in the way of execution" point to "habit and past experience reflects on new strategy" as another factor that could affect strategy development.

In Kenya, many scholars have undertaken studies on strategic plan development in organizations. Kasimbu (2007) focused on strategic plan development among Non Governmental Organizations (NGOs) in Nairobi. His findings indicated that the main stakeholders in the management of NGOs included the community, sponsors and the government. The findings indicated that the community determined the nature of operations, quality of products and services that were offered by the NGO's. The sponsors also affected the nature of operations and had much influence on the budgetary allocations among the

different operations of the NGOs. The findings indicated that the role of government was supervisory and creation of a conducive environment for the operation of the NGOs.

Kisinguh (2006) studied the role of stakeholders in the strategic plan development in public organizations in Kenya. His findings indicated that stakeholders of public organizations included the government, citizens, civil society and financiers. The findings indicated that the government had the giant share of control of public organizations through its policy making institutions like parliament and technocrats in various government ministries. The citizens' influence was identified as weak and was executed through the elected representatives. The findings also indicated that the role of civil society was majorly executed through agitation for better governance and petitions to parliament to amend laws and enhance monitoring of the operations of public organizations. The financiers including World Bank and International Monetary Fund (IMF) and other development partners exercised their influence through conditions, policies and sanctions that ensured that public organizations complied with their stipulations.

Bariti (2009) whose focus was on management perception of strategic plan development Nature Kenya and Gekonde (2011) who assessed the role of stakeholders in determining the content of the strategic plan at Nature Kenya where they established that stakeholders never put emphasis on strategic plan development.

2.3 Conceptual Framework of the Study

This study conceptualized that the independent variables (influence of human resource, information systems and organizational culture) will affect the dependent variable (strategic plan development among SMEs in Kenya). The strategic plan development of the SMEs were evaluated in terms of human resource, information system and organizational culture.

Independent Variables

Dependent Variable

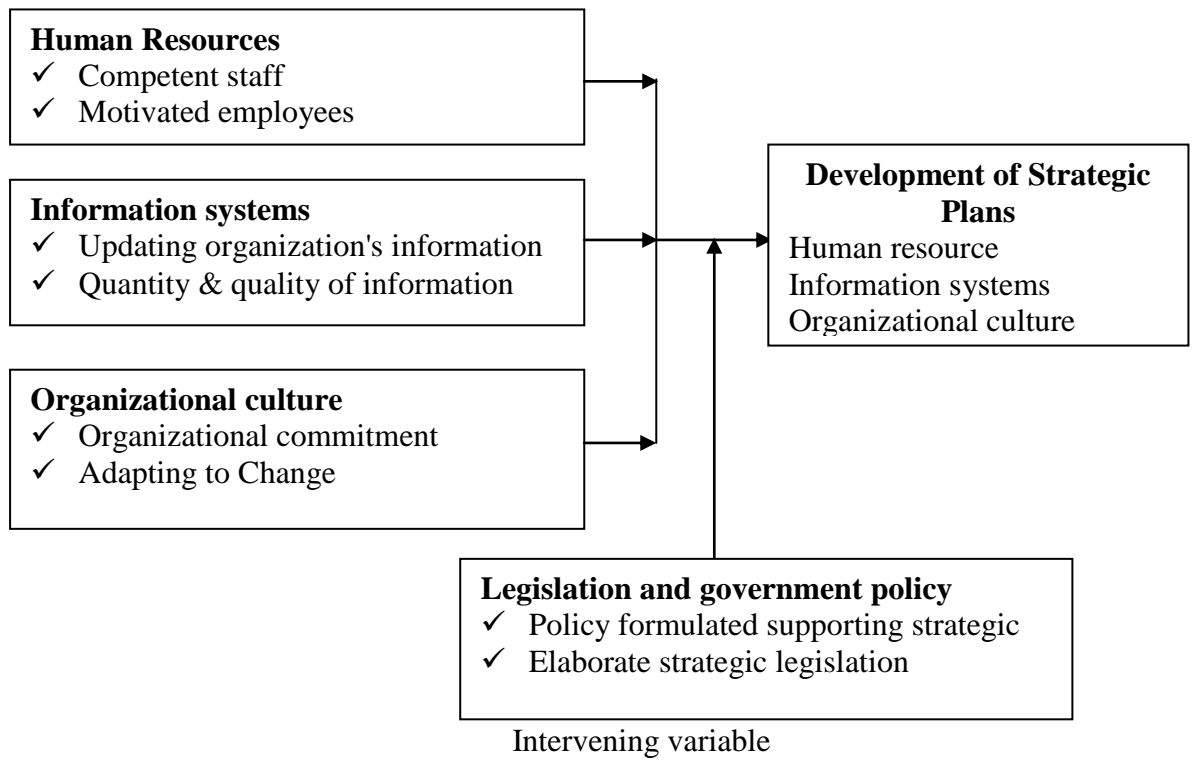


Figure 2.1 Conceptual Framework of the Study

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter discusses the way the study was planned, conducted and the procedures and techniques utilized to address the research problem and research hypothesis. It also describes the tools used for carrying out the study. Specifically, it addresses: the research design, the target population, sample design which contains sampling techniques, data collection instruments and pilot test, and data analysis and presentation.

3.1 Research Design

Descriptive survey design was employed in carrying out this study to achieve the set objectives. According to Kothari (2008) descriptive research includes surveys and fact-finding enquiries and describes the state of affairs as it exists at present. A descriptive research design helps to ascertain and describe the characteristics of the variables of interest in a situation, portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility. The descriptive research design enables the researcher to summarize the findings in a way that will provide information on the organizational factors influencing the development of strategic planning among SMEs in Kenya.

Descriptive survey research designs is used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification (Neuman, 2011). Mugenda & Mugenda (2003) on the other hand give the purpose of descriptive research as determining and reporting the way things are. Barbie and Mouton, (2008), noted that descriptive survey research is intended to produce statistical information about aspects of strategic plan development that interest policy makers. The ideal setting for

any study should be easily accessible to the researcher and should be that which permits instant rapport with the informants.

3.2 Population

A population is a group of individuals, objects or items from which samples are taken for measurement. The target population was made of all the SMEs in Machakos Town licensed by the Government of Kenya as at 31st December 2013. The total number of SMEs is 50. These included micro, small and medium enterprises.

3.3. Sample Frame

Machakos County Government SMEs records were the sample frame for this study. All SMEs in Machakos Town participated in the study since they are only 50.

3.4 Sample and Sampling Technique

To determine sample size for respondents, this study used census method where all SMEs were selected for study. This is because the study intended to collect facts as opposed to perception. This presented a sample size that would be necessary for given combinations of precision, confidence levels, and variability.

The need for this study was to get information from managers or proprietors and hence led the researcher to employ all professional means in pursuit of this. Additional information used in the study was obtained from interview guide and document analysis form filled by one employees in every SMEs. The department heads were deemed to have necessary information on SMEs. (Sushil, 2010).

3.5 Instruments

The study made use of primary data and secondary data. For primary data collection, instruments like questionnaire, interview guide and document analysis form were used. Some secondary data was obtained from the Machakos county and National government offices. Mugenda & Mugenda (2003) define secondary data as any publication by an author who was not a direct observer or participant in the events described.

3.5.1 Questionnaire

The major tool of data collection for this study was the questionnaire for primary data. Neuman, (2011) asserts that questionnaires give respondents freedom to express their views or opinion and also to make suggestions. Researchers use questionnaires so that they can obtain information about the thoughts, feelings, attitudes, beliefs, values, perceptions, personality, and behavioural intentions of the research participants in a large population. Questionnaires provide data in the same form from all respondents. The content and organization of a questionnaire will correspond to researcher's research objectives (Barbie & Mouton, 2008).

Accordingly, Section A gathered demographic information of the respondents, Section B examined the first research objective ; the influence of human resource in development of strategic plans. Section C examined the influence of Information systems on strategic plan development, Section D examined the influence of organizational culture and strategic plan development and section E examined the dependent variable; the development of stragic plan.

This study was a survey and therefore questionnaire was appropriate because a questionnaire would explore the perceptions, attitudes, feelings and behaviour of the respondents. This afforded comparison of data by respondents, which made it easier to categorize the data. The managers were asked to evaluate the extent to which the oranaizational factors affect strategic

plan development. Respondent choice ranged from 1 to 5 where 5 = strongly disagree 4 = disagree, 3= not sure, 2 = agree and 1 = strongly agree.

3.5.2 Interview Schedule

A structured interview guide was used on all respondents so as the researcher would be able to reliably aggregate the answers and make comparisons with confidence between the various respondents. The questions were on the three thematic areas and were a translation of the questionnaire in a more understandable language to the respondents who could not understand the questionnaire due to low levels of education. The managers were also taken through an interview guide due to the nature of their work as they might not be able to get all the time to fill in questionnaires.

3.5.3. Documentation Analysis

Documents from relevant authorities and sources were reviewed to shed light on the areas being examined. County government records, national government agencies that include line ministries' records were examined to gather more information on various aspects of strategic plan development.

3.6 Data Collection Procedure

Data was collected by use of questionnaires (Appendix ii). The questionnaires were administered to the respondents through drop and pick technique by the researcher and collected 2 days after administration. The respondents were managers in charge of strategy at the various SMEs. The data collection tools enabled a trade-off between cost, speed, accuracy, detail, comprehensiveness, response rate, clarity and anonymity which are useful for validity and reliability. Permission to disseminate questionnaires will be sought through an introduction letter (Appendix i).

3.7 Pilot Test

This entailed administering some questionnaires to a small number of respondents to test the reliability and validity of the research instruments

3.7.1 Reliability

Reliability is about stability, consistency and dependability of data; this is when the measurements are not only accurate but also trustworthy, in such a way that somebody else using the same measuring instruments should obtain same or similar results. In other words, a reliable instrument is one, which if consistent produces the same results if used with same respondents on different occasions. Thus, reliable data is replicable; the study can be repeated and will yield same findings (Sapsford, 1999; Neumann, 1997; Babbie, 1979).

To measure reliability, five SMEs in Machakos Town were requested to tick if the item in the questionnaire addressed the influence of organizational factors on strategic plan development in Machakos town, Kenya. The responses were ascertained by using the Cronbachs' alpha reliability coefficient (α) of the data gathered from the pilot study. Field (2014) contended that Cronbach's alpha value that is at least 0.70 is for a reliable research instrument. In this study a threshold of 0.70 was used to establish the reliability of the data collection instrument. This was computed with the assistance of Statistical Package for Social Sciences (SPSS). A coefficient of above 0.70 was obtained and this indicated questionnaires were reliable instruments in gathering data on the topic under study.

3.7.2 Validity

Validity is the extent to which inferences made on the basis of numerical scores are appropriate, meaningful and useful. Validity of the study is assessed depending on the purpose, population and environmental characteristic in which measurement takes place (Cohen et al 2007). Kothari (2004), states that validity is the most critical criterion and indicates the degree

to which an instrument measures what it is supposed to measure. Cohen et al. (2007) states that to demonstrate content validity the research instrument must show that it fairly and comprehensively covers the domain or items that it purports to cover.

To test the validity of the research instrument a pilot study was carried out to identify the research instrument that is ambiguous. This involved distributing samples of the research instrument to five respondents, hence the response and understanding of the questions analyzed. Ambiguity and irrelevant information noted in the questionnaire were modified for validity purpose. The respondents were also requested to respond on the clarity of the questions presented to them. As defined by Kothari (2004) reliability is the extent to which a research instrument yields measures that are consistent each time it is administered to the same individuals or yields consistent results.

Internal consistency reliability was done after all items had been constructed. A pilot study was carried out among 5 employees from 5 randomly selected SMEs in Machakos town to identify some of the short comings likely to be experienced during the actual study and hence enhance reliability (Kombo & Tromp, 2006). Split half method was used where the questionnaire items were divided in two: odd and even items and a reliability coefficient calculated. This method is preferred because it required only one testing session and it helps the researcher to eliminate chance error which can be occasioned by other methods like the test re-test method. Cronbach Alpha formula in the SPSS computer programme was used to calculate the correlation coefficient. In this study if the alpha coefficient of correlation obtained is 0.6 and above then the questionnaire is accepted as reliable to be used in the study. The alpha coefficient of correlation obtained was 0.7 and hence the questionnaire was accepted as reliable and used in this study (Boudens and Abbott, 2005).

3.8 Data Processing and Analysis

Data analysis refers to examining what has been collected and making inferences and deductions, (Kombo and Tromp, 2006). Qualitative data was analyzed which involved summarizing key findings, with the researcher focusing on frequent responses to the issues.

A narrative report enriched with quotations from key informants and other respondents was then written down. Quantitative data analysis involved data sorting which was the separation of the responsive questionnaires to those which are not. Data was then edited and coded so as to minimize errors during data entry and processing. This was done using SPSS version 20.0 and this generated the means and standard deviations of the various variables. A multiple regression model analysis was conducted to determine the factor loadings of each of the three independent variables with respect to the dependent variable. Regression coefficients were calculated to determine the level of significance of each of the variables to the development of strategic plans among SMEs in Machakos town. ANOVA was also used determine whether there were any significant differences between groups at the selected probability level.

Data was then entered into a spreadsheet as per the assigned codes and then cleaned to check for accuracy, completeness and consistency. Data presentation involved organizing and assembling the selected data into diagrammatic displays which were presented in the form of percentages and tables using descriptive statistics. The use of such displays allowed the researcher to make comparison between the elements of data that were included in it and to identify any relationship, key themes, patterns, and trends that were evident.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 Introduction

Data analysis entails separation of data into constituent elements and examining separately in relation to the whole (Kombo & Tromp, 2006). They further assert that data analysis refers to examination of what has been collected in order to make deduction and inference i.e. scrutinizing the acquired information and making inferences. Mugenda & Mugenda (2003) defines data analysis as the process of ordering and restructuring data from the field in order to grasp the overall meaning in relation to the hypothesis, the purpose of which is to illustrate the issues.

The general objective of this study was to establish the organizational factors influencing development of strategic plans among SMEs in Machakos Town. The current chapter describes the analysis methods that were employed in order to answer the research questions. Detailed descriptive statistics such as frequencies, percentages, mean and standard deviation and inferential statistic such as Pearson's correlation coefficient and multi regression analysis were used to present the key research findings.

4.2 Characteristics of the Sample

The research sample consisted of all SMEs in Machakos town, bearing proper business names and registered with the Machakos county government as at 31th December 2013.

4.2.1. Response Rate

This section sought to establish the response rate of the respondents. The returned and dully filled questionnaires were 50 representing 100 per cent response. Accordingly, the response

rate was good enough giving credence to the findings. The results were presented on table 4.1

The response rate was as follows:

Table 4.1. Response Rate

Rating	Frequency
Responded	100
Non-response	0

From Table 4.1, the total number of questionnaires that were administered was 50 and all of them representing 100% were fully answered and returned. From the study it can be concluded that the response rate was high to give credence to the findings.

4.2.2 Demographic Features

This section sought to collect information on the respondents' age, gender, education level and the duration under which the organization has been in existence.

Table 4. 2. Demographic Analysis

Respondent Characteristics	Characteristics Details	Frequency	Percent	Valid %	Commulative
Age	1.18-25	0	0	0	0
	2.26-35	2	4	4	4
	3. 36-45	6	12	12	16
	4. 46-55	30	60	60	76
	5. Above 55	12	12	24	100
Gender	1.Male	36	72	72	72
	2.Female	14	28	28	100
Education level	1. Primary	0	0	0	0
	2. Secondary	4	8	8	8
	3. Certificate	21	42	42	50
	4. Diploma	25	50	50	100
	5. Bachelor's Degree & above	0	0	0	0
Duration of existence of SMEs	1.Above 1 year	4	8	8	8
	2.Between 1-2	6	12	12	20
	3. Between 3-5	36	72	72	92
	4. Between 6-8	4	8	8	100
	5. Over 8 years	0	0	0	0

The respondents demographic information collected included age, gender, highest level of education and duration of existence of the SMEs. Graphical presentation was used to summarize the study findings as shown on table 4.2 Accordingly, majority of the respondents were aged between 46-55 years as accounted for by 60% followed by 12% who were aged between 36-45 years. Analysis for gender indicated that majority of the respondents were male accounting for 72% while female were 28%. The group's composition adheres to the constitutional provision which stipulates that no gender should be less than a third in a group composition. Organizations or associations which are gender sensitive tend to make balanced decisions.

In addition, the study sought to find out the highest level of education attained by the respondents. Results of the study indicated that 50% had attained diploma certificate as the highest level of education while 42% had attained certificate as the highest level of education. Education plays a very crucial role in the social and economic development of a country and therefore high education achievement is the cursor to the same. In this case, majority of the respondents have diploma education as highest education level and could read and write hence respond to questionnaire adequately. The implication is that the respondents are educated enough to respond to the questionnaire and that the organizations have a competent workforce to perform their individual responsibilities towards achieving the desired objectives and set goals.

On the existence of the organization, 72% of SMEs, 12% of and 8% of SMEs had been in existence between 3-5 years, 1-2 years and 6-8 years respectively. The interpretation is that majority of the organizations have not been in existence long enough to have structures in place to develop strategic plans.

4.2.3 Kind of Business Ownership

This section sought to establish the kind of business ownership. The results are as shown on table 4.3.

Table 4.3. Kind of Business Ownership

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Sole	32	64.0	64.0	64.0
Partnership	12	24.0	24.0	88.0
limited company	6	12.0	12.0	100.0
Total	50	100.0	100.0	

From table 4.3, 64% of the businesses are owned under sole proprietorship, 24% owned under partnership while 12% are limited companies. The implication is that most SMEs are owned individually making development of strategic plans not mandatory since some of the business owners might not be well educated to realize the importance of business planning. Besides, other business owners might perceive strategic plan development as peripheral.

4.2.4 Sector Involved in

This section sought to establish the sector in which the various SMEs belong.

Table 4.4. Sector involved in

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Manufacture	4	8.0	8.0	8.0
Trade	27	54.0	54.0	62.0
Service	19	38.0	38.0	100.0
Total	50	100.0	100.0	

The results are as shown on table 4.4. As indicated on the table 54% of the SMEs were trading, 38% were service providers and 8% were manufacturers. The interpretation is that most businesses engage in trading which is a general type of business that might not put premium on

strategic plan development since some of the business activities are seasonal hence making strategic planning not feasible.

4.2.4 No. of Employees

This section sought to establish the number of employees each of the sampled SME employed.

Table 4.5. No. of Employees

	Frequency	Percent	Valid Percent	Cumulative Percent
	less than 5	10	20.0	20.0
	6 to 10	14	28.0	48.0
Valid	11 to 15	22	44.0	92.0
	16 and above	4	8.0	100.0
	Total	50	100.0	100.0

The results are as shown on table 4.5. As indicated in the table above 44% of the businesses had between 11 to 15 employees, 28% had between 6-10 employees while 20% had less than 5 employees. The interpretation is that most SMEs had fewer employees and this could be the reason SMEs are not keen on strategic plan development in order to save on cost of employing more staff. The chance of not having competent employees in technical areas like strategic plan could be massive and hence compromising efficiency and effectiveness.

4.2.5 Initial Capital Invested

This section sought to establish the amount of money each of the SME used as a start up capital.

Table 4.6. Initial Capital Invested

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 50,000	4	8.0	8.0
	51,000 to 100,000	8	16.0	24.0
	101,000 to 150,000	20	40.0	64.0
	151,000 to 200,000	12	24.0	88.0
	above 200,000	6	12.0	100.0
	Total	50	100.0	100.0

The results are as shown in the table 4.6. From the table 40%, 24% of the SMEs invested between Ksh.101, 000 to 150,000 and between 151,000-200,000 as initial capital respectively. The implication is that initial capital is such meager to invest in projects like strategic plan development that are deemed non-essential.

4.2.6 Sales Turnover per Year

This part sought to establish the annual sales turnover.

Table 4.7. Sales Turnover Per Year

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 100000	8	16.0	16.0
	101,000 to 150,000	14	28.0	44.0
	151,000 to 200,000	17	34.0	78.0
	201,000 to 250,000	7	14.0	92.0
	250,000 and above	4	8.0	100.0
	Total	50	100.0	100.0

The results are as shown in the table 4.7. From the table 34% and 28% of the SMEs had a turnover of between Ksh.151,000 and 200,000 and 101,000 and 150,000 respectively. The implication is that such turnover is very little for a firm to invest in programmes like strategic planning which require highly qualified employees.

4.2.7 Current Net worthy of the Organization

This section sought to establish the current net worthy of the organization.

Table 4.8. Current Net worthy of the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
less than 50000	8	16.0	16.0	16.0
50,000 to 100,000	20	40.0	40.0	56.0
101,000 to 150,000	12	24.0	24.0	80.0
151,000 to 200,000	6	12.0	12.0	92.0
above 200000	4	8.0	8.0	100.0
Total	50	100.0	100.0	

The results are as shown on table 4.8. It is evident noting that 40%, 24% of the SMEs had net worthy of between 50,000 to 100,000, 101,000 to 150,000 respectively. The interpretation is that the SMEs have too little income to hire highly qualified staff to engage in technical activities like strategic plans.

4.3 Empirical Findings

This section articulates the responses on the three aspects of the Strategic plan development as practised in Machakos town.

4.3.1 Human Resource Influence on Development of Strategic Plans

This section presents the first objective of the study which was to find the influence of human resource on strategic plan development among SMEs in Machakos town.

A general question with 'Yes' and 'No' options was posed to respondents on whether human resource factor influences strategic plan development in your organization and 88% answered in the affirmative that it does influence while 12% had a divergent view.

The first objective of the study sought to find the influence of human resource on Strategic Plan Development . On this key objective question of the study, the responses were generated on a five point Likert scale; 1= Strongly agree, 2= agree, 3= Not Sure, 4= disagree and 5= Strongly disagree. The respondents were required to state their level of agreement by ticking on the appropriate space. The study findings are as shown on Table 4.9.

Table 4.9. The Influence of Human Resource Strategic Plan Development

Human Resource	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Standard deviation
Competent staff	4	4	4	22	16	3.84	1.201
Motivated Employees	4	4	4	32	6	3.64	1.064

**SD=strongly disagree D=Disagree N=Not sure A=Agree SA=Strongly Agree f=Frequency.*

Descriptive statistics frequencies, mean and standard deviation were used to summarize the study findings as shown on Table 4.9. From the findings, respondents disagreed that SMEs have competent staff to assist in developing a strategic plan as shown by the mean of 3.84 and standard deviation of 1.201. This represents a variation of 31%. In addition respondents disagreed that there are motivated employees as represented by mean of 3.64 and a standard deviation of 1.064 representing a variation of 29% . The implications of these finding are that there is no competent staff and motivated employees to participate in Strategic Plan Development.

These findings are in agreement with Brannen’s (2005) study that concluded that, in order to improve execution certain issues have to be tackled. These include inadequate or unavailable

resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational or cultural barriers.

4.3.2 The influence of Information Systems on Strategic Plan Development

This section presents the second objective of the study which was to ascertain the influence of information systems on Strategic Plan Development among SMEs in Machakos Town. Table 4.11 reflects the study finding under objective two.

Table 4.10. Information Systems and Strategic Plan Development

Information System	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Standard deviation
Updating organization's information	4	4	0	34	8	3.67	1.080
Quantity & quality information	4	6	6	28	6	3.52	1.111

**SD=strongly disagree D=Disagree N=Not sure A=Agree SA=Strongly Agree f=Frequency.*

Table 4.10 show that the respondents representing a mean of 3.67 and standard deviation of 1.080 disagreed that SMEs updated organization's information. Further, the results showed that respondents representing a mean of 3.52 and a standard deviation of 1.111 disagreed that Quantity & quality information was available in the organization. This represents a variation of 29% and 31% respectively which is too low hence the SMEs in Machakos town need to update the information and maintain quantity and quality information. The updating of organization's information and quantity and quality information is key to strategic plan development as it is this information that informs strategic plan development.

Research by Alexander (1985) concurs with the findings of this study where information system was identified as one of the twenty-two major obstacles to strategy development.

4.3.3 The influence of Organizational Culture on Strategic Plan Development

The third objective of the study sought to establish the influence of organizational culture on Strategic Plan Development in Machakos Town, Kenya.

Table 4 .11. Organizational Culture and Strategic Plan Development

Organizational Culture	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Standard deviation
Organizational commitment	6	4	4	28	8	3.56	1.215
Adapting to Change	4	6	4	28	8	3.60	1.143

**SD=strongly disagree D=Disagree N=Not sure A=Agree SA=Strongly Agree f=Frequency.*

Table 4.11 show that respondents representing a mean of 3.56 with a standard deviation of 1.215 disagreed that there exists organizational commitment, while the respondents representing by a mean of 3.60 and a standard deviation of 1.143 disagreed that SMEs are adaptive to change. These represent a variation of 34% and 31% respectively The interpretation is that organizational commitment and adaptation to change are never given priority at the SMEs implying strategic plan development is impractical at these SMEs.

These results were in agreement with the views of Johnson (2002) who argued that management’s handling of the strategic plan development process can be considered successful if the same management cultivates climate of adaptation to change and willingness to work towards strategic vision geared towards efficient and effective service delivery to its intended clientele.

4.3.4 Strategic Plan Development

This section sought to establish the influence of various aspects on Strategic Plan Development.

Table 4.12.Strategic Plan Development

Organizational Culture	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Standard deviation
Human resource	36	14	0	0	0	1.28	.454
Information systems	26	24	0	0	0	1.52	.505
Organizational culture	25	24	1	0	0	1.49	.505

**SD=strongly disagree D=Disagree N=Not sure A=Agree SA=Strongly Agree f=Frequency.*

Table 4.15 show that majority of the aspects on this thematic area received affirmative responses. For instance, all respondents strongly agreed and agreed that human resource, information systems and organizational culture influence Strategic Plan Development.

4.4 Hypothesis Testing

The result under the three thematic areas were further subjected to ANOVA to confirm the findings of the study.

4.4.1. H_{01} : There is no significant relationship between Human Resource and Strategic Plan development among SMEs in Machakos town.

To further test the influence of human resource on strategic plan development, the data on Table 4.9 were subjected to ANOVA to test the hypothesis that the there is no significant relationship between human resource and strategic plan development among SMEs in Machakos Town. The ANOVA results are summarized on Table 4.13

Table 4.13: Summary of ANOVA on Human Resource and Strategic Plan Development

	Sum of squares	df	Mean Square	F	α
Between groups	20.671	15	1.477	$F_o = 7.468$	$\alpha_o = .050$
Within groups	6.133	35	.198	$F_c = 2.663$	$\alpha_c = .000$
Total	26.804	50			

Note:

df = degrees of freedom

F = Anova

α = level of significance

F_o = calculated value of F

F_c = the critical value of F

α_o = calculate value of α

α_c = the critical value of α .

This means that there is significant relationship between human resource and strategic plan development among SMEs in Machakos Town. The hypothesis that there is no significant relationship between human resource and strategic plan development among SMEs in Machakos Town was therefore rejected and the alternative hypothesis accepted. This was because the F_o was higher than F_c . Thus there is significant relationship between human resource and strategic plan development among SMEs in Machakos Town implying human resource affects strategic plan development.

4.4.2 H₀₂: There is no significant relationship between information system and strategic plan development among SMEs in Machakos Town.

The data on Table 4.10 were subjected to Anova to test the hypothesis that there is no significant relationship between information system and strategic plan development among SMEs in Machakos Town. The results are summarized on Table 4.14.

Table 4.14: Summary of ANOVA on Information System and Strategic Plan Development

	Sum of squares	df	Mean Square	F	A
Between groups	1.707	15	.908	$F_o = 1.789$	$\alpha_o = .050$
Within groups	15.750	35	.508	$F_c = 2.663$	$\alpha_c = .080$
Total	28.457	50			

Note:

df = degrees of freedom

F = Anova

α = level of significance

F_o = calculated value of F

F_c = the critical value of F

α_o = calculate value of α

α_c = the critical value of α .

From the table 4.12 there is significant relationship between information system and strategic plan development among SMEs in Machakos Town. The hypothesis that there is no significant relationship between information system and strategic plan development among SMEs in Machakos Town was therefore accepted and the alternative hypothesis rejected. This was because the F_c was below the F_o . This means that information system does not influence strategic plan development among SMEs in Machakos Town.

4.4.3: H₀₃: There is no significant relationship between organizational culture and strategic plan development among SMEs in Machakos town.

The data on Table 4.11 were subjected to Anova to test the hypothesis that there is no relationship between organizational culture and strategic plan development among SMES in Machakos Town. The results are summarized on table 4.15

Table 4.15: Summary of ANOVA on Organizational Culture and Strategic Plan Development

	Sum of squares	df	Mean Square	F	α
Between groups	19.796	15	1.414	$F_o = 2.921$	$\alpha_o = .050$
Within groups	15.008	35	.484	$F_c = 2.663$	$\alpha_c = .049$
Total	30.804	50			

Note:

df = degrees of freedom

F = Anova

α = level of significance

F_o = calculated value of F

F_c = the critical value of F

α_o = calculate value of α

α_c = the critical value of α .

It can be concluded that there was significant relationship between organizational culture and strategic plan development among SMES in Machakos Town. The hypothesis that there is no significant relationship between organizational culture and strategic plan development among SMES in Machakos Town was therefore rejected and the alternative hypothesis accepted. This was because the F_o is greater than F_c at 2.921 and 2.663 respectively. This means that organizational culture greatly influences strategic plan development among SMES in Machakos Town.

4.5 Correlation Analysis

Further the study applied Pearson's Product Moment technique to establish the relationship and the direction of the relationship between strategic plan development and the three organizational factors under investigation. The study findings are shown on Table 4.16.

Table 4.10. Correlations between Dependent and Independent Variables

		Correlations			
		Human Resource	Information System	Organizational Culture	Strategic Plan Development
Human Resource	Pearson Correlation	1	-.320*	-.409**	.505**
	Sig. (2-tailed)		.023	.003	.000
	N	50	50	50	49
Information System	Pearson Correlation	-.320*	1	.220	.042
	Sig. (2-tailed)	.023		.125	.774
	N	50	50	50	49
Organizational Culture	Pearson Correlation	-.409**	.220	1	-.074
	Sig. (2-tailed)	.003	.125		.613
	N	50	50	50	49
Strategic Plan Development	Pearson Correlation	.505**	.042	-.074	1
	Sig. (2-tailed)	.000	.774	.613	
	N	49	49	49	49

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

**.. Correlation is significant at the 0.01 level (2-tailed).

The table shows that there is a positive relationship between Human resource development and Strategic Plan Development (0.505). This implies that an increase in human resource incompetence will decrease strategic plan development chances in Machakos Town. In addition, the study findings showed that there is a significant positive relationship between Strategic plan development and information systems (0.042). This implies that an increase in organizational culture will decrease the chances of Strategic plan development among SMEs in

Machakos Town and the opposite is true. Finally, there was a significant positive relationship between organizational culture and and strategic plan development in Machakos Town (-.074) implying an increase in organizational culture will increase chances of strategic plan development among SMEs in Machakos Town .

4.6 Regression Analysis

In order to understand the relationship between the independent and depend variables as shown in the conceptual framework and articulated in the research objectives, the researcher conducted a multiple regression analysis so as to assess the relationship between the independent and depend variable. The regression equation is;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$$

β_0 = constant

Where Y = Strategic plan Development

X_1 = Human resources

X_2 = Information systems

X_3 = Organizational culture

Table 4.11.Regression Analysis

Model	Coefficients ^a				T	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
	(Constant)	1.002	1.024	0.978 ⁰	9.604	.000
1	Human Resources	-.303	.054	-.684	-5.572	.000
	Information systems	-.111	.068	-.203	-1.635	.109
	Organizational Culture	-.240	.070	-.373	-3.410	.001

a. Dependent Variable: Strategic Plan Development

The goodness of fit was tested using the F statistics (F=14.022 and P-value <0.05) this implies at least one of the beta coefficient is not equal to zero therefore there is a significant

relationship between the Strategic Plan Development and the three Strategic Plan Development aspects. Results of the study showed that the explanatory power (coefficient of determination) was 0.978 which means that 0.978 of Strategic Plan Development can be explained by human resource, information systems and organizational culture when combined. The remaining percentage can be explained by other factors not included in the analysis.

4.7 Analysis of variance

The probability value (p-value) of a statistical hypothesis test is the probability of getting a value of the test statistic as extreme as or more extreme than that observed by chance alone, if the null hypothesis H_0 is true. The p-value is compared with the actual significance level of the test and, if it is smaller, the result is significant. The smaller it is the more convincing is the rejection of the null hypothesis.

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance, because the data are noisy and the regression line doesn't fit the data points exactly, each reported coefficient is really a point estimate, a mean value from a distribution of possible coefficient estimates. So the residuals e (the remaining noise in the data) are used to analyze the statistical reliability of the regression coefficients.

Table 4.12: ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	4.247	15	1.416	2.094	.011 ^b
1	Residual	29.753	35	.676		
	Total	34.000	50			

Note:

df = degrees of freedom

F = Anova

α = level of significance

F_o = calculated value of F

F_c = the critical value of F

α_o = calculate value of α

α_c = the critical value of α .

a. Dependent Variable: strategic plan development

b. Predictors: (Constant), human resource, information system and organizational culture. The above summary of the basic logic of ANOVA is the discussion of the purpose and analysis of the variance. The purpose of the analysis of the variance is to test differences in means (for groups or variables) for statistical significance.

The accomplishment is through analyzing the variance, which is by partitioning the total variance into the component that is due to true random error and the components that are due to differences between means. The ANOVA analysis is intended to investigate whether the

variation in the independent variables explain the observed variance in the outcome – in this study the strategic plan development.

The ANOVA results indicate that the independent variables significantly $F (df_b, df_w) = 2.094$ $p < 0.05$; $F(5, 150) = 2.094$ $p < 0.05$ explain the variance in strategic plan development. In this context, as have been presented in the table above, the dependent variable is the strategic plan development while the independent or the predictors, human resource, information system and organizational culture. The variables stated have a level of significance of 0.011 which is less than 0.05 and therefore reject the null hypotheses. In conclusion organizational factors influence strategic plan development in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The current chapter presents the summary of the data findings on the current status of Strategic Plan Development among SMEs in Machakos Town. The chapter is structured into the summary of the findings, conclusion, recommendation and suggestion for further studies.

5.2 Summary of the Research Findings

The overall objective of the study was to explore the influence of organizational factors on Strategic Plan Development among SMEs in Machakos Town . The research had three specific objectives; to find the influence of human resources on strategic plan development among SMEs in Machakos Town, Kenya, to ascertain the influence of information systems on strategic plan development among SMEs in Machakos Town, Kenya and to establish the influence of organizational culture on strategic plan development among SMEs in Machakos Town. A sample of 50 respondents was selected from the target population with similar characteristics; all issued questionnaires were filled and returned. A combination of descriptive statistics and inferential statistics were used to analyze the quantitative data.

On the demographic features where the age, gender, educational level and the duration of existence of SMEs was sought, majority of the respondents were aged between 46 – 55 years as accounted for by 60% followed by 12 % who were aged between 36 – 45 years. On gender, male dominated the number of respondent with 72% while female were on 28%. Analysis for the highest level of education indicated that 50% of the respondents had attained diploma certificate while 42% had a college certificate. On the existence of the organization 72% of

the SMEs , 12% and 8% had been in existence between 3- 5 years, 1 – 2 years and 6 – 8 years respectively.

Further the results indicated that 64% of the SMEs were owned under sole proprietor, 24% under partnership and only 12% are limited companies. On the sector involved in, 54% of the SMEs were in trading, 38% are service providers and 8% were manufacturers. Analysis on the number of employees engaged in each SMEs showed that 44% of the SMEs had between 11 to 15 employees, 28% had between 6 to 10 employees while 20% had less than 5 employees. On the capital invested, 40% had invested between 101,000 – 150,000 and 24% had invested between 151,000 – 200,000. Result on Sales Turnover per year indicated that 34% and 24% of the SMEs had a turnover of between 151,000 – 200,000 and 101,000 – 150,000 respectively. Finally it was established that on the current Networth of the organization, 40%, 24% of the SMEs had a net worth of between 50,000 – 100,000, 101,000 – 150,000 respectively.

The study identified that there is a negative relationship between Strategic Plan Development and the human resource among SMEs in Machakos Town. All aspects of this thematic area received non-affirmative responses. Respondents disagreed that SMEs have competent staff and motivated employees to participate in strategic plan development as was shown by mean and standard deviation of 3.84, 1.202, 3.64, 1.064 respectively. This implied that there is no human resource competent in strategic plan development among SMEs in Machakos Town. Further tests lead to the rejection of the research hypothesis (H_{01}) that there is no significant relationship between human resource and strategic plan development among SMEs in Machakos town. This was because the F_c was less than the F_0 at 2.263 and 7.468 respectively.

On the relationship between information system and Strategic Plan Development, respondents representing a mean of 3.67 and stand deviation of 1.080 disagreed that SMEs updated

organization's information while a mean of 3.52 and a standard deviation of 1.111 showed that respondents disagreed that SMEs maintained quality and quantity information. Further test on the results lead to the acceptance of the research hypothesis (H_{02}) ($F_c = 2.663$, $F_o = 1.789$) that there is no relationship between information system and strategic plan development among SMEs in Machakos town. However, updating of organization's information and maintaining quality and quantity information is key to strategic plan development as it is this information that informs strategic plan development.

On organizational culture and Strategic Plan Development various aspects of this theme received non-affirmative responses. Respondents representing a mean of 3.56 with a standard deviation of 1.215 disagreed that there exists organizational commitment while representing a mean of 3.60 and standard deviation of 1.143 disagreed that SMEs are adaptive to change. It was established that the organizational culture tenets hamper Strategic Plan Development.

Further tests which included regression analysis showed that 97.8% of strategic plan development is contributed by organizational factors discussed in this study while the remaining 2.2% is contributed by other factors not included in this study.

5.3 Conclusion

The overall finding of the study was that organizational factors that influence strategic plan development are poorly practiced among SMEs in machakos town thus strategic plan development is never embraced among these SMEs.

5.4 Recommendations

Based on the findings and conclusion of the study, it is recommended that; The government through the ministry of trade and ministry of labour should frequently organize training programmes to education the SMEs managers on strategic plan development. The managers

should also initiate motivation schemes for their employees in order to encourage them to participate in strategic plan development in their respective SMEs.

The managers through the ministry of information and technology should be enlightened on the need to embrace modern information systems. Financiers of these SMEs like Faulu Kenya, Rafiki, Kenya Women Trust Fund should educate the managers on the need for updating organization's information and maintaining quantity and quality information because this informs to strategic plan development.

Finally, the owners of the various SMEs should formulate policies that would promote citizenship behaviour and job performance. This should include Job security, empowerment of employees and distribution of leadership while at the same time reducing role stress by providing flexible working environment. The managers should practice participative management and also practice contingency approach to management.

5.5: Suggestions for Further Studies

Since the current study was carried out in Machakos Town similar studies should be carried out in other towns to establish whether there are similarities or differences. The role of human resource competency should be investigated in isolation since it is very crucial to Strategic Plan Development.

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APPENDICES

Appendix I: Letter of Introduction

Ruth Wayua
P.O. Box 1665, 90100
MACHAKOS, Kenya.

21ST October 2014

Dear Sir/Madam,

REQUEST FOR RESEARCH ASSISTANCE

I am a Postgraduate student in South Eastern Kenya University, pursuing Masters of Business Administration degree, Strategic Management Option. I am undertaking a research project in partial fulfillment of the Masters Degree. The research topic is: Organizational factors Influencing Strategic Plan development among SMEs in Machakos town.

I am kindly inviting you to participate in this research study by answering the questions in the attached questionnaire as briefly and accurately as possible. In order to ensure that all information will remain confidential, please do not include your name anywhere on the attached questionnaire.. The data collected will strictly be used for the purposes of this study and your confidentiality shall be guaranteed.

Yours faithfully,

Ruth Wayua Kimanthi
Researcher

Appendix ii: Questionnaire

Please fill this questionnaire openly and honestly. Confidentiality will be strictly adhered to, and there will be no mention of your personal name or any information that identifies you. Please provide the following information as required. The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

Instructions

Please answer these questions to the best of your knowledge.

Write your response in the space provided.

Please put a tick where appropriate or indicate the code number i.e. 1, 2 or 3...

Part A: Demographic Information

Respondent Characteristics	Characteristics Details	Frequency
Age	1.18-25	
	2.26-35	
	3.36-45	
	4.46-55	
	5.Above 55	
Gender	1.Male	
	2.Female	
Education level	1.Primary and above	
	2.Secondary	
	3.Diploma	
	4.Bachelor's Degree & Above	
Years of service	1 Less than one year	
	2. 1 to 2 years	
	3. 3 to 5 years	
	4. 6 to 8 years	
	5. More than 9 years	

Duration organization has been in operation	1. Less than one year	
	2. 1 to 2 years	
	3. 3 to 5 years	
	4. 6 to 8 years	
	5. More than 9 years	

Section B: Human Resource

Does the human resource factor influence strategic plan development in your organization?

Yes No

To what extent do you agree with the following on aspects of human resource in assisting strategic plan development in your organization? Indicate your answer based on a 5-point scale where: 5= Strongly disagree; 4= Disagree; 3= Not Sure; 2= Agree; 1= Strongly agree.

(Use a tick (√) or X to mark the applicable box)

Indicator	Strongly agree (1)	Agree (2)	Satisfactor y (3)	Disagree (4)	Strongly disagree (5)
Competent staff					
Motivated employees					

Section C: Information systems

To what extent do you agree with the following aspects of organization Information systems in assisting strategic plan development within your organization. Indicate your answer based on a 5-point scale where: 5= Strongly disagree; 4= Disagree; 3= Not Sure; 2= Agree; 1= Strongly agree.

(Use a tick (√) or X to mark the applicable box).

Indicator	Strongly agree (1)	Agree (2)	Satisfactory (3)	Disagree (4)	Strongly disagree (5)
Updating organization's information					
Quantity & quality information					

Section D: Organizational Culture

Does organizational culture influence strategic plan development in your organization?

Yes No

To what extent do you agree with the following aspects of organizational culture in assisting strategic plan development in your organization? Indicate your answer based on a 5-point scale where: 5= strongly disagree; 4= Disagree; 3= satisfactorily; 2= Agree; 1= strongly agree.

(Use a tick (√) or X to mark the applicable box).

Indicator	Strongly agree (1)	Agree (2)	Not sure (3)	Disagree (4)	Strongly disagree (5)
organizational commitment					
Adapting to Change					

Section E: Measurement of Dependent Variable

Indicate the influence of the following on Strategic Plan Development.

Variable	Strongly agree (1)	Agree (2)	Not sure (3)	Disagree (4)	Strongly disagree (5)
Human resource					
Information systems					
Organizational culture					

Thank You

Apendix iii: Interview Guide

Do the human resource factors influence strategic plan development in your organization?

Do information systems influence strategic plan development in your organization?

Does organizational culture influence strategic plan development in your organization?

Appendix iv: Document Analysis Form

Name of the organization.....

Sector involved in

No. of employees.....

Initial capital invested.....

Sales turnover per year.....

Current Network of the organization.....

APPENDIX v: LIST OF SMEs IN MACHAKOS TOWN, MACHAKOS COUNTY

N	NAME	BOX
1	KITANGA ROADS/ GENERAL	1059 MACHAKOS
2	MARKETING CONSTRUCTIONS CO. LTD	1442 MACHAKOS
3	LEISHA ENTERPRISES	1126 MACHAKOS
4	KAMWELE FURNITURE	N/A
5	CREATIVE DEVELOPMENT INITIATIVES	15063 MACHAKOS
6	MARC MOTORS	1236 MACHAKOS
7	SIMUNDE SUPPLIES	275 MACHAKOS
8	BENSTORES HARDWARE	505 MACHAKOS
9	TITRUS CONSTRUCTION COMPANY LTD	762 MACHAKOS
10	TOPROC CONTRACTORS LIMITED	580 MACHAKOS
11	EKIMA ENGINEERING WORKS	702 MACHAKOS
12	LABELLA ENTERPRISES	133 MACHAKOS
13	NJINET ENTERPRISES	136 MACHAKOS
14	PENTOIL PETROLEUM LTD	1527 MACHAKOS
15	FAITH CYCLE MART	1770 MACHAKOS
16	VISITORS SHOP	226 MACHAKOS
17	EBENEZER GOSPEL MUSIC CENTER	2023 MACHAKOS
18	DEPA ENTERPRISES	648 MACHAKOS
19	KINGSWAY CONSOLIDATED	730 MACHAKOS
20	AGAPE GENERAL STORE	145 MACHAKOS
21	MAGIC FSHION ENTERPRISES	1360 MACHAKOS
22	MUMANZI ENTERPRISES LTD	125 MACHAKOS
23	FAYU STORES	80 MACHAKOS
24	AMAZON NEAT WEAR BOUTIQUE	818 MACHAKOS
25	MACHAKOS CO OPERATIVE UNION (B)	83 MACHAKOS
26	BERNATA HOLDINGS	1064 MACHAKOS
27	FRONT FACE CONSULTANTS	611 MACHAKOS
28	SCOTT BOOK CENTRE	49 MACHAKOS
29	PARADIGM COMMUNICATIONS	1878 MACHAKOS
30	CHAMKIM PRIDE AGENCIES	1375 MACHAKOS
31	WIKWATYO PHARMACY	1522 MACHAKOS

32	APPOLO BUTCHERY	136 MACHAKOS
33	BARAKA PHARMACY	699 MACHAKOS
34	EAST KENYA CONSTRUCTORS & H/W	1540 MACHAKOS
35	STANBOOK EMPORIUM	234 MACHAKOS
36	JUMBOTEX TYRE CO.	460 MACHAKOS
37	TYRE WORLD (K) LTD	214 MACHAKOS
38	BATA SHOES (K) LTD	23 MACHAKOS
39	GENERATIONS ELECTRONICS	936 MACHAKOS
40	JOY ENTERPRISE	936 MACHAKOS
41	BROADWAYS B. LTD	1024 MACHAKOS
42	KITUI KARIBU ENTERPRISES	253 MACHAKOS
43	VINYA ENTERPRISES	22 MACHAKOS
44	COSY SODA DISTRIBUTORS	1103 MACHAKOS
45	KILIMANI SUPPLIES	66 MACHAKOS
46	CHINESS GENERAL SHOP	1665 MACHAKOS
47.	MASAKU CHEMIST	103 MACHAKOS
48	MASINGA BOOKSHOP	243 MACHAKOS
49	NZAU MILLERS	5367 MACHAKOS
50	T.TOT RESTAURANT	118 MACHAKOS

Source: Government of Machakos County (2013)

