INFLUENCE OF STRATEGIC MANAGEMENT MODES ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MACHAKOS TOWN, KENYA

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS AND ECONOMICS IN PARTIAL FULLFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINSTRATION (STRATEGIC MANAGEMENT) OF MACHAKOS UNIVERSITY

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DECLARATION

This research project is my original work and has not been presented for assessment in any other University or College for a Degree,Diploma or Certificate.

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This research project has been submitted for examination with our approval as the University supervisors.

Signature…………………….   **Date……………………………**

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DEDICATION

This research project is dedicated to all SMEs in Kenya. It has to be appreciated that many SMEs fail to grow and excel due to lack of sound policies, concepts, procedures and guidelines among others, which are all embedded in the strategic management modes and practices. All the barriers to their development will be broken to achieve their full potential and contribute to social, economic and political development of Kenya and its environs.

ACKNOWLEDGEMENT

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DEFINITION OF TERMS

Strategic modes – These are actual kinds of approaches or practices taken by managers in formulating and implementing strategies (Peters, 2010)

Deliberate mode – This is measured by presence of formal written down plans and strict adherence (Arie, 2007)

Emergent mode – This is measured by absence of formal means and reliance on past experience and industry tradition (Mcgee 2005))

Reactive mode –This is measured by both absence of formal means and reliance on interventions when   issue arise (Otieno,2013)

Small and medium enterprises – These are firms employing less than 20 workers with an investment of KSh.200,000   to Ksh2,000,000   excluding land and buildings (GOK, 2012)

ACRONYMNS AND ABBREVIATIONS

SMEs   Small and Medium Enterprises

NEMA   National Environmental Management Authority

KRA   Kenya Revenue Authority

NHIF   National Hospital Insurance Fund

NSSF   National Social Security Fund

IO   Industrial-organization

RBV   Resource-based Theory or View

TQM   Total Quality Management

ROQ   Return on Quality

KEPHIS   Kenya Plant Health Inspectorate Services

IMF   International Monetary Fund

SWOT   Strength Weakness Opportunities Threats

PESTEL   Political Economic Social Technological Environmental and Legal

ABSTRACT

The aim of the study was to investigate influence of strategic management modes on performance (sales) of SMEs in Machakos Town, Machakos County. The specific objectives of this study were to establish influence of deliberate mode on performance of SMEs, to determine the influence of emergent mode on performance of SMEs and to investigate the influence of the reactive mode on performance of SMEs in Machakos town. Descriptive research design was used to ensure a complete description of the situation of SMEs performance in Machakos town. The target population was 16,399 licensed SMEs in Machakos Town.The expectation was that each of these SMEs had one manager; therefore, the target population was 16,399 SME's managers in Machakos town. These SMEs were grouped into eight categories Barber shops and saloon, chemists and clinics, Medium size retail shops, Hotels and restaurants,Boutiques and textile shops, Bookshops and uniform shops and Consultancy firms.Using stratified random sampling method,a sample of 390 respondents was selected from the target population. Data was collected using questionnaires designed to obtain accurate information from respondents.The rearch instruments were tested for reliability using test re-test method to ensure they were clear to the respondents.The data collected was analyzed using both qualitative and quantitative techniques. Under descriptive statistics frequencies and percentages were used where applicable and the findings presented using tables and figures.Due to non-normality and non-homogeneity of the dependent variable, a non-parametric test (Mann-Whitney U test) was preffered instead of a parametric test (t-test).Under this test,the data was categorized into low users of each strategy and high users of each strategy. The study results indicated sufficient evidence to show that SMEs which applies higher numbers of deliberate and emergent strategy practices tend to have higher performance ranking.Thus the study concludes that deliberate and emergent strategy practices positively influence performance of SMEs in Machakos Town.The test results also indicated that there was sufficient evidence to show that SMEs which applies higher numbers of reactive strategy practices tend to have lower performance ranking.The study findings indicate that SMEs managers can strengthen their operations to ensure that the SMEs have a competitive edge to match their counterparts across other counties.The study recommends the SME manager be advised to embrace deliberate and emergent strategies as opposed to reactive strategies in their management so as register positive performance.The study also recommends that there is need to have owners/managers of the small and medium enterprises undertake basic business and management skills training valuable in their daily operations.

CHAPTER ONE: INTRODUCTION

1.1Background of the Study

This chapter includes the background to the study, statement of the problem, purpose of the study, objectives, research questions, significance of the study, limitations, assumptions and theoretical framework.

1.1.1 Strategic Management

 This study defines strategic management as the art, science and craft of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives(Bunyasi et.al(2014). The term strategy refers to a framework for making decisions about how you operate in the business world (Latham 2017) for making management modes   involves the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve the afore mentioned objectives and then allocating resources to implement the policies, plans, projects and programs. Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term goals . Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term.The embracing of strategic management gives the Small and Medium Enterprises a new vein of survival in the Economic growth and Development.The small and medium enterprises have used strategic management as a weapon to protect themselves from   unstable business surroundings to ensure no stagnation so as to survive and grow (Donaldson,W.E 2014).

It should be noted there is always a management process even though there seems to be no formality and that decision-making process is normally present whether a formal process is employed or not. The study was guided by three theories which have literature relating the strategic management practices to performance.The theories include   Profit – maximisation theory ,Resource-based Theory and Contingency Theory.The profit-maximisation Theory advances the argument that business objective is to maximise profits both in the short and in the long –run .The Resource –based Theory emphasizes that the strategy embraced by a firm is determined by the resources held and has effect on the competitive advantage and performance The Contingency Theory also puts emphasis on the argument that high performance in the firms is associated with the suitability of contingencies such as organizational sizes,Technology level ,management strategy and

environment.Adjusting the structures to fit conditions will yield higher performance of SMEs.The study observed that embracing the three theories;profit-maximisation,resource-based theory and contingency theory is of great importance in strategic management of small and medium enterprises.The objective of the firm is anchored on the Profit-maximisation theory The motivation of strategic managers is to make maximum profit. The Resource-based theory focus is on whether the business has resources and capabilities either,physical,human and tangible assets.The business enterprise can translate the resources and capabilities into a strategic advantage, and if they are valuable ,rare the business enterprise can reorganize these resources .The Contingency theory also is an eye openner to the Strategic Managers for it gives them a variety of ways to react to problems and significant discretion in their decision making.

Mintzberg,H.and Waters J.(1998) views strategic management as a specific manoevre intendend to outwit an opponent or competitor.Their perspective of the different strategic management has been broadly focused here in; first and foremost deliberate strategy mode which is a top- down approach to strategic planning that places emphasis on achieving an intendend business objective (Dili 2017) Michael porter brought up the concept of deliberate strategy is about making choice ,trade offs and its purposing to be different.Deliberate strategy gives room for explicit and transparency of purpose on the set objectives. Deliberate strategy gives vision towards strategy formulation in strategy management in an organization that emphasizes the benefits of getting purposeful,plan and think before act.(Nakola 2015)It doesn't deduce deliberate strategist are completely blind to unexpected developments and events .Deliberate strategy has numerous benefits ie Organizations need direction without objectives and plans they drift and employees would know what to do;Plans allow organizations to mobilize themselves build capacity and commit to major investiment;A well crafted organizationto act as a whole and make coordinated decision moves;Good plans enable optimal resources allocation of scarce resources to the promising business units; Programming strategic planning enables organization to run like a computer,precise,reliable without errors and efficient.Strategic Managers should create a deliberate strategic plan as a strategic response to challenging business environment complexities .However deliberate strategy has been criticised as it promotes tunnel vision within a firm which narrows the businesses scope and hinders flexibility.As a result ,new and possible more profitable opportunities are not seized upon.Eisenhardt et.al (1998) argued that deliberate strategic planning gives Manager almost no help in gaining insight about the future. It can be detrimental to managing the

future when the plans are too rigid.In favour of this point Goold and Quinn (1990) made the squabble regarding detailed and exact plans and strategies stating that they do not support the typical work environment nowadays .This relates to the fact that decisions in the business world are often messy and political and firms need to be flexible enough to take advantage of new opportunities (Bowell & Chermark ,2009) .

Mintzberg further explains that a wise management team will adapt its strategy which is now known as Emergent strategy.Emergent is the view that emerges over time as intentions collide with and accommodate a changing reality. Emergent strategy is a set of actions or behaviour ,consistent over time ,a realized strategy (that)was not 'expressly intendend' .Emergent strategy mode can be seen as responses to unexpected opportunities the initial planning of strategy.Emergent strategy implies that an organization is learning what works in practice (Moore,2012) .This is at the point when consistencies arise in actions and behaviour of an organization over a given period ,even though these consistencies were never explicitly intended.(e.g Pfizer's Viagra).It advisable that before an organization adopts emergent strategy to do an internal study and ensure that the right measures are in place that can give room for emergent strategy to be patent.Of esssence is that the managers on the ground should be given the sovereignty to react quickly to any significant changes . Businesses cannot sustain any competitive advantage without space for emergent strategy (Mintzberg et.al.1998).

 Organisations must allow for the opportunity of emergence and have plans in place to deal with these should This strategic mode works better in organizations with flat or horizontal structure where managers have powers to act without going to consult top managers. B.L.King (2008) states that emergent strategy is therefore a pivotal element in the current hectic business environment and it cannot be left out, management of problems are usually developed from the locations not at corporate headquarters .The decisions that emerge from complex processes the individual managers interpret the intended changing external strategy and adapt to changing external circumstances (Mcgee,et.al 2005).There are two extreme types of organizations,the ones that have only deliberate and the ones with only emergent strategies .The two pure types are of processes very rare and perhaps there is no business that has one of these pure types of processes . For an organization to have pure intentions with relative solid level of aspect. This plan has to be carried out exactly over time but without any intentions .

Mintzberg and Waters also studied a strategy known as Umbrella strategy there are general guidelines for behaviour ,defined boundaries and other actors in the organization can manoevouvre within them. This means that strategies can emerge within these boundaries. The Umbrella strategy can not only be labelled as deliberate and emergent but also deliberate emergent in the sense that central leadership creates conditions which allow strategies to emerge.Like entrepreneurial strategy there is a certain vision emanating from central leadership ,but in the Umbrella they don't only control the realization.A further reflection on another strategy by Mintzberg,et.al (1998) The other strategy is the unconnected strategy which originates from one part of the organisation sub-unit or sometimes even an individual is able to realize its own pattern in its stream of action .since does not come from the central leadership or from the whole organization they can be considered relatively emergent .But for the sub-unit /individual they clearly can be deliberate or emergent depending on the prior to existence of intentions . Thus unconnected strategy may be deliberate or emergent from the perspective of the organization.Process strategy is a strategy which is similar to the umbrella strategy .Leadeship functions in an organization in which actions must have considerable decision to determine the result.The reason being the environment is unpredictable and uncontrollable .Instead of controlling the strategy on ageneral level with boundaries and target ,the leadership Infuences the strategy indirectly in other words they control the process of strategy making instead of the context of the strategy respect .This results in behavior that would be deliberate in one respect but emergent in another.The leadership designs the system from which patterns of action evolve from.

Reactive strategy mode was also addressed as one of vital strategies worth understanding .These are those techniques used in a disaster or catastrophe situation .its normally unanticipated events ,since no one can anticipate every situation only after it occurs ,about offensive elements on the defence (Kinyua 2014)).

The SMEs contribute a lot in the labour market,in terms of employment it offers both globally and locally.Its on this basis that it has attracted interest on factors that influence their performance ranging from,capital ,technology ,strategic management of SMEs.In Australia, SMEs are enterprises employing between 5 and 301 employees ,in Indonesia, they are business enterprises with 5-99 employees; in Uganda, SMEs are defined as business firms employing 5-50 people (small scale) and 51-500 people (medium scale). In Kenya a small enterprise with 11-50 employees; and a medium enterprise with between 50 to 100 employees while large enterprises have over 100 employees (Economic Survey,

2017). In all the definitions from different countries, small and medium enterprises (SMEs) are identified to broadly cover production, buying, selling and provision of services, therefore this study defines SMEs in Kenya as range of enterprises employing not more than 100 employees at any given period (Kenya Bureau of Statistics 2015).

The development of the private sector should be encouraged, and more so in Africa where a modern wage job is rare opportunity to come by. The inroads made by the private sector so far is insurmountable, it has created jobs to the majority youth in the formal and informal sector alike. The informal sector has grown but not in full rate because of poor policies from the government and lack of necessary skills needed by the entrepreneurs to properly run the SMEs in the right direction (Kiruthi 2001). South Africa is a good example because it has a tremendous and steady leadership buoyed by policies that have favoured private sector to support its economy, since independence 1994.

In Kenya, there are 1.56 million licensed Small and Medium enterprises (SMEs) and 5.85 unlicensed SMEs (Economic survey, 2017). This constitutes close to about 96 per cent of all business enterprises in the country (Economic Survey, 2009). SMEs represent the largest sector in the economy employing up to 75% Kenya's workforce and contributing up to 18.4% of the country's Gross Domestic Product (GDP) (Economic Survey, 2009). The SMEs in Kenya fall under the popular informal sector called Jua Kali the name that reflects the fact that they largely start in the open sun under no roof. It is indicative of the severe conditions under which micro-entrepreneurs and their employees labour (Kinyua, 2014). This sector comes into existence as result of the incapacity of formal and regulated industries to absorb new entrants. The SMEs encompasses small scale entrepreneurs and workers who lack access to enough credit, property rights, training, and good working conditions. Originally restricted to artisans, the term has come to include a number of professions, including auto mechanics and market vendors. The sector employed 83.1% of Kenyan workforce in 2016 and 89.7 percent of new job created in the same year were in SMES sector (Economic survey, 2017 report). It is estimated that, Kenya's SMEs sector constitutes 98 percent of all businesses in the economy, has an employment growth rate of 12-14 percent and contributes 30 percent of total employment and 3 percent of GDP. This is after this sector received a lot of government attention through women and youth funds to alleviate the unemployment problem in the country. The SMEs sector is increasingly viewed as an important engine for employment creation and economic growth. This has been necessitated by the increasing awareness within the government that large projects in the industrial sector are less likely to generate the requisite employment opportunities,

given the high capital-intensity of output in the sector as opposed to labour intensive output in SMEs (Kinyua, 2014).

The Jua kali informal sector has proved that it can be a factor that can boost economic growth in Kenya. In this sector, practical skills are being developed at low cost and with financial support; various types of small scale technologies can be developed for labor-intensive enterprises that could absorb hundreds of young job seekers. However, those who run the businesses in this sector lack adequate strategic management skills that could be mainly attributed to low levels of education. It is not sufficient to know how to produce a high quality product. The producer must be a skilled business man or woman who must be skilled enough to handle all aspects of the business like selling, marketing, and financial controls (Munyiva, 2012).

SMEs are the major source of innovation In Kenya, between 1990 and 2001, Small and Medium Size Enterprises (SMEs) was the most innovative sector, with a total of 116 patent applications at Kenya Industrial Property Institute (KIPI). They were followed by Industry with 45 patent applications. Research and Development Institutions had 14 applications; individuals from universities had 2 applications, while secondary schools had one application. Public universities were conspicuously absent (Agada, 2006).The Kenyan's Vision 2030 (development blue-print) estimates a 10% GDP growth rate from 2012 onwards (has not yet happened) to support a vibrant economy towards a newly industrialized state by 2030. A major driver is the informal sector of SMEs giving way for the fully established enterprises.

SMEs which falls into informal sector are crucial for the economic prosperity, however, there are number of challenges that these SMEs face in the process of operations and performance. It is generally recognized that Small and Medium Enterprises face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development to the economy. Despite the big role SMEs play in the economy past statistics indicate that three out of five businesses fail within the first few years of operation (Bunyasi et al, 2014). The reasons for the failure include limited market access, limited access to information, finances, technology, unfavourable policy from government and regulatory environment among others. There are various other challenges that have continued to have a negative impact on the growth of SMEs in Kenya. These challenges include, but may not be limited to, poor infrastructure, insecurity and high cost of energy, strategic management skill, as they are disadvantaged to attract high skilled personnel (Klass et al 2002). Kenya's financial sector

has expanded rapidly over the last decade and lending to businesses including small and medium size-with an ability to channel credit affordable and efficiently for sustained economic development. World Bank-FSD Kenya team found that still it is a challenge to development of SMEs (Donaldson, 2014).

Governments around the world are placing increasing importance upon the success of SMEs by providing increased resources to support them. To its credit, Kenya, unlike most developing countries, has official development policies recognizing informal enterprise as more than a residual employer for the survival of poor households. In its Sessional Paper Number 2 of 1992, Small and Medium Enterprise Development in Kenya, the government identifies the small-scale and 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. The government's small and medium enterprises development strategy key elements are access to technical and sttategic managerial training, work sites, involvement of Small and Medium Enterprises in technological innovation and creation of a positive enabling environment (Sakwa, 2010). More so in the current Kenya government have a number of initiative to improve the performance of the smsll and medium enterprises some of which are youth and women funds and 30 percent of government procurement be awarded to youth who mostly run Small and Medium Enterprises. In the area of Small and Medium Enterprise financing, Gok (2012), revealed that involvement of Kenyan banks in the Small and Medium Enterprise segment has grown remarkably between 2009 and 2013 and that the growth has been driven mainly by domestic banks. The total SME lending portfolio in December 2013 was estimated at KSh332 billion, representing 23.4% of the banks' total loan portfolios.

The legal requirements to operate any business in Kenya can be summarized to include registration of the company name with the Registrar of Companies, acquiring a Personal Identification Number (PIN) and Value Added Tax (VAT) with the Kenya Revenue Authority (KRA), Trade License with the ministry of Trade, and finally the Local authority licenses. Employees are registered for Pay AsYou Earn (PAYE) with KRA with monthly deductions depending on one's salary, the National Social Security Fund (NSSF), NHIF contribution by employee and submitted by employer (Kenya law). To start a business in Kenya is not easy although the government has tried to hasten the process. There is no one-stop in doing business and various institutions are involved but as a way of promoting Management of SMEs they only require County Government licenses. Many others are involved depending on the line of business. However for foreign

investors, Ken Invest offers facilitation and hastens the process. Intellectual property protects applications of ideas and information that are of commercial value.

The importance of Small and Medium Enterprises in contributing to job creation and output growth is now widely accepted in both developed and developing countries and then regarding SMEs as the backbone of the economy (Kenya bureau of statistics). The Growth of Small and Medium Enterprises is a major driver for economy in many countries in the world because Small and Medium Enterprises contribute to employment growth at a higher rate than larger firms (European Statistical Data Support,2008).The SMEs in Machakos continue to suffer from stiff competition from large business,and premature closure due to poor performances. Against this background this study embarked on investigating influence of strategic management modes on Small and Medium Enterprises (SMEs) in Machakos Town. There are a number of ways of measuring the SMEs performance. This study has used sales as a measure of performance because most of SMEs record their annual sales that can be aggregated to annual sales (Kinyua2014).

1.1.2 Overview of SME's in Machakos Town

The general objective of this study was to investigate the influence of strategic management modes on performance of SMEs in Machakos Town and clearly highlight the gaps, which need to be addressed to determine the factors that influence of strategic management modes on performance of SME's in the area of study. Machakos town is the headquarters of Machakos County that borders Nairobi County and Kiambu County to the west, Embu County to the north, Kitui County to the east and Makueni County to the south. Machakos town has a total population of 16,399 SME's. These SME's are categorised as barber shops and saloons, chemists, agrovets and clinics, hardwares, medium size retail shops, hotels and restaurants, boutiques and textile shops, bookshops and uniform shops and consultancy firms (Machakos County report, 2017). Many of these SME's are characterised by poor performance and limited financial supply, they are also dominated by men with only a few women taking part in businesses such as boutiques and textile, bookshops and uniform shops and medium size retail shops (Gichuki, 2012). In Machakos town, these businesses play a critical role in the economic development of the town as the subsector has absorbed 85% of the workforce (SME Act 2012). Many SMEs in the town close down three years after opening while others do well even after 5 years of operation. This is due to the use of some management strategies that are adopted in the Management of Small and Medium Enterprises. Many of the most successful ones have partnered with other organizations to maximize on their performance (Machakos County

report, 2017). Many of the Small and Medium Enterprises have been in partnerships with other organizations like Non-Governmental Organizations, business associates, and voluntary organizations. Despite this assistance programmes, the growth and performance of Small and Medium Enterprises has been unsatisfactory as ventures collapse soon as the assisting partners pull out, the remaining ones have remained small and non-performing (Memba et al. 2012). These Small and Medium Enterprises use strategic management modes in many of their operations and this has brought the question of how these management modes are influencing performance of these SME's in Machakos town in order to identify the strategic management practices which could be adopted to improve their performance.

1.2 Statement of the Problem

There has been increasing consciousness since early 1970s that SMEs are important for economic growth and development.It is for this reason SMEs in Kenya were prioritized in vision 2030, as a key factor in development through industrialization and alleviation of poverty. According to economic survey 2017, 14.9% Kenyans draw their livelihood direct and indirect from SMEs. SMEs in Kenya employing up to 75% Kenya's workforce and contributing up to 18.4% of the country's Gross Domestic Product (GDP) (Economic Survey, 2009). The sector employed 83.1% of Kenyan workforce in 2016 and 89.7 percent of new job created in 2016 was in SMEs sector.

Kenya, through Sessional Paper Number 2 of 1992, deliberately and officially developed policies recognizing informal enterprise as more than a residual employer for the survival of poor households. Recently ,Kenyan Government came up with a number of initiatives to improve the performance of the SMEs, some of which are youth and women enterprise funds and 30 percent of government procurement to be awarded to youth who mostly run SMEs. Government of Kenya too encourages banks through policies and regulations to have credit products that suite SMEs needs and their ability. This has been a steady growth of SMEs in the region in terms of performance, up to 23.4% of the banks' total loan portfolios were taken by SMEs by the year 2013. However, SMEs face many challenges in the process of operations and performance, which affect their growth and profitability and hence diminish their ability to contribute effectively to sustainable development of an economy.

Despite the big role SMEs play in the economy, past statistics indicate that three out of five businesses fail within the first few months of operation and barely live to grow to become fully established firms (Bunyasi et al, 2014). The reasons for the failure include

limited market access, limited access to information, finances, technology, unfavorable policy from government, poor infrastructure, insecurity and high cost of energy, (Sakwa, 2010).

Thus despite the high rate of stagnation and failure of SMEs in the country no comprehensive study has probed the strategic management challenges faced by these SMEs. It is still which response strategies that have been adopted by the SMEs to counter the challenges in the ever changing and turbulent business environment with a view of improving performance.Previous studies have indicated that there are still many entrepreneurs of SMEs still not informed of strategic management concept and does not show much interest to use since they think it can only be of gain for large entreprises.They persist on the old operational modes instead of doing strategic management for they have no idea what the bright future has in store for them.On the other hand the business owners limit employees participation into the process of strategy making /structuring thus impede their creativity being used allowing only the top executive to set up strategic mission .Moreover the Small and Medium Enterprise are more flexible than larger firms but the limitations right from limited capital resources, lack of technological knowledge and lack of a formal strategic management as a result of which they lack patience and passion to find the most suitable way to support itself hence impede their economic growth.

However these past studies being case studies are limited in their generalization and more and more comprehensive study is needed, while these studies compare well with the current study ,they focused on general problems without addressing the response strategic modes and practices in place to counter the challenges to have better performance.The continued trend of stagnation and failure of SMEs Within the first few years of operation is of great interest,it is with this background that the study sought to investigate therefore the influence of the strategic management modes adopted by SMEs and determine the correlation between the adopted strategy and performance of SMEs in Machakos town. From the study findings recommendation can be drawn on the most exclusive strategic management for Small and Medium Enterprises in kenya.The study findings has shade some light on strategic managenent to embrace for better performance to avoid continuous stagnation and failure trends.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to investigate the influence of strategic management modes on performance of SMEs in Machakos Town.

1.3.2 Specific Objectives

The specific objectives of this study were

i. To establish the influence of deliberate strategy modes on performance of SMEs in Machakos town.

ii. To determine the influence of emergent strategy modes on performance of SMEs in Machakos town.

iii. To investigate the influence of the reactive strategy mode on performance of SMEs in Machakos town.

1.4 Hypothesis

i. Ho_1: the mean performance of low and high application of deliberate strategy mode are equal

$$Ho_1: \alpha1 = \alpha2$$

Ha: the mean performance of low and high application of deliberate strategy mode are not equal

$$Ha: \alpha1 \neq \alpha2$$

ii. Ho_2: the mean performance of low and high application of emergent strategy mode are

equal

$$Ho_2: \alpha1 = \alpha2$$

Ha: the mean performance of low and high application of emergent strategy mode are not equal

i. $Ha: \alpha1 \neq \alpha2$

iii. Ho_3: the mean performance of low and high application of reactive strategy mode are equal

i. $Ho_3: \alpha1 = \alpha2$

Ha: the mean performance of low and high application of reactive strategy mode are not equal

$$Ha: \alpha1 \neq \alpha2$$

1.5 Research Questions

This study aimed at answering the following research questions:

    i.   What is the influence of deliberate strategy mode on performance of SMEs?

    ii.   What are the impacts of emergent strategy mode on performance of SMEs?

    iii.   What is the influence of reactive strategy mode on performance of SMEs?

1.6 Significance of the Study

By studying the influence of strategic management modes on performance of SMEs, the study helps the government of Machakos County to bring forth policies and regulation that can boost them to increase their performance hence increase the county revenue. The SMEs benefits if they use strategic management modes in their operations increase performance and better understanding of their role in the growth of SMEs in Machakos town and identify the areas of improvement for them to improve their performance thereby expanding and creating more job opportunities in line with the government policy of creating employment for its citizens. The government also using this study will formulate policies to be used by all the Towns in promoting the growth of SMEs.

1.7 Scope of the Study

The study was conducted on SMEs in Machakos Town that have been in operation for five years. It focused on the influence of strategic management modes on performance of small and medium enterprises in Machakos town,Kenya. Machakos town is located 63kilometers south-east of Nairobi and is the capital of Machakos County. It lies on alatitude of 0° 10' 36.73" N and a longitude of 37° 54' 29.98" E (IEBC, 2012). The study targeted 16399 SMEs licensed to operate within the town. It was convenient due to its proximity to the researcher's area of residence. Kothari (2004) noted that the settling for any study sample should be easily accessible to the researcher and should be that which permits instant rapport with the informant. The study was carried out using structured and semi structured questionnaire to find out the influence of a deliberate modes, emergent modes and reactive modes on performance of SMEs in Machakos town. The study was carried out in 2018.

1.8 Study Limitations

Some respondents were not willing to give information on their businesses for fear of being exposed to victimization and business competition. However they were assured that the information about their business is confidential and was to be treated as such and is to be used for study purposes only.The empirical and theoretical literature on strategic

management widely available but however there is limited empirical on the relationship between the strategic management practices and SME performance both internationally and in Kenya.This study was therefore limited by insufficient literature in generalization of study model and study variable for comparison. Data collection was a key limitation since the studied businesses were private obtaining information was not easy ,however the purpose of the study was thoughly explained and the respondents were assured of maximum confidentiality .The study relied on qualitative data which was collected with the aid of a questionnaire ,as much as the respondents were given the assurance providing accurate responses was not guaranteed .The gathered data was coded facilitate to analytical analysis a process which is normally quite subjective.

<center>**CHAPTER TWO: LITERATURE REVIEW**</center>

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review/past studies, empirical literature, Literature overview and Research gaps.

2.2 Theoretical Review

2.2.1 Profit Maximizing Theory

According to Becker(2007) Profit maximization theory the short-run or long-run process by which a firm determines the price and output level that returns the greatest profit is termed as profit maximization. The approaches used in this process are the total revenue – total cost perspective which relies on the fact that profit equals revenue minus cost with its main focus being in maximizing the difference. The other perspective is the marginal revenue – marginal cost perspective in which profit reaches its maximum point where marginal revenue equals marginal cost. Costs incurred by a firm may either be fixed costs or variable costs. The fixed costs are costs that a firm must incur at any level of output including zero output. The variable costs change with the level of output increasing as more output is generated when a business combines fixed costs and variable costs it gives them the total cost (Friedman, 1970).

Revenue is the amount of money that a company receives from its normal business activities usually from the sale of goods and services (as opposed to monies from security sales as equity or debt issuances). Marginal cost and revenue are defined as either the change in cost or revenue as each additional unit is produced or is a derivative of cost or revenue with respect to quantity of output. For instance taking the first definition, if it costs a firm 400 USD to produce 5 units and 480 USD to produce 6 the marginal cost of the sixth unit is 80 dollars, (Porter 1985).
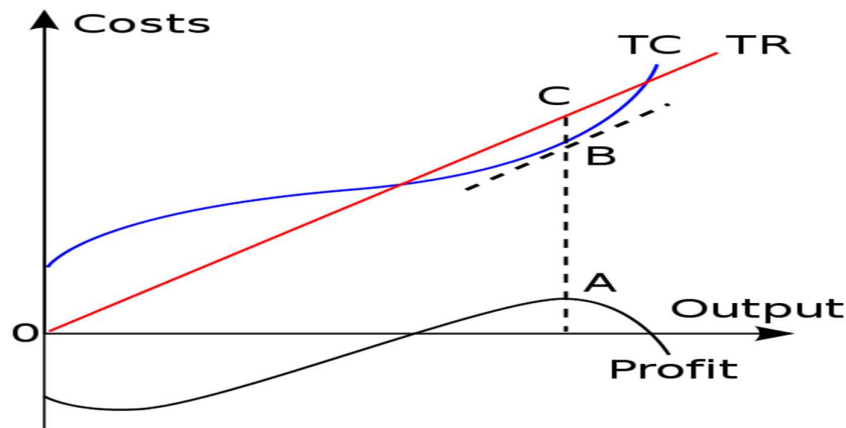
Figure 2.1: Graph of profit against costs in profit maximization theory

To obtain the profit maximizing output quantity, we start by recognizing that profit is equal to Total Revenue (TR) minus Total Cost (TC). Given a table of costs and revenues at each quantity we either compute equation or plot the data directly on a graph. The profit maximizing output is the one at which this difference reaches its maximum. In the accompanying diagram, the linear total revenue curve represents the case in which the firm is a perfect competitor in the goods market, and thus cannot set its own selling price. The profit maximizing level is represented as the one at which total revenue is the height of C and total cost is the height of B, the maximum profit as CB. This output level is also the one at which the total profit curve is at its maximum. If contrary to what is assumed in the graph. The firm is not a perfect competition in the output market, the price to sell the product at B can be read of the curve the firm's optimal quantity of output (Sakwa, 2010).

The assumptions of the profit-maximisation theory are ;The objective of thefirm is to maximize its profits where profits are the differences between the firmr'revenue ,the entrepreneur is thesole owner of the firm,tastes and habits of consumers are given and constant,Techniques ofprodusation ction are given ,The firm produces single perfectly divisible and standard commodity,The firm has has complete knowledge about the amount of output which can be sold at each price,The firm's own demand and costs are known with uncertainity ,New firms can enter the industry ,only in the long –run it is not possible for firms to the enter the market in the short-run,The firm maximizes its profits over some time horizon,and profits are maximized the long-run and in the short run.

According to Fiedler (2010) The profit-maximisation theory has been criticized ;The principle of profit-maximisation assumes that firms are certain about the levels of their profit-maximisation but profits are most irregular for they accrue from the difference between the revenue and costs in the future therefore not possible for firms to maximize

profit under conditions of uncertainity,No relevance to internal organization;this objective of the firm bears little or no undeviating relevance to the in-house organization for instance some managers incur disbursement apparently in excess of those that would maximize wealth or profits of owners of their firm .They observed to emphase growth of total of the total assets of the firm and its sales as objectives of management actions.Profit-maximisation Theory has further been criticized as based on hypothesis based on assumption that all firms have wide knowledge about the conditions under which they operate .They always operate under conditions of uncertainity and profit-maximization is weak in that it assumes that firms are certain about everything .The empirical evidence on profit-maximisation is said to be vague.Most firms don't rank profitsas the major goal.The working of modern firms is so complex that they do not think merely about profit-maximisation ,their main problem is control and strategic management. (Fred 2010)

Application of this theory in SME businesses was pretty straightforward, the objectivef of turning around a business is to change the business situation from bad to good if not better in terms of performance. And the only option is to enhance the SME's profitability. This means that the main objective and perhaps the only objective firms are certain about for the turning around of SME is making profits.Hence this theory is directly related to the field of SME turnaround and should be considered in the implementation of strategic management modes in SMES so as to succeed in enhancing the levels of their profit performance of SMEs thereby increasing their survival and competitive advantage (Donaldson, 2014).

2.2.2 Resource Theory

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. Thecognitive resource theory is a leadership theory of industrial and organizational psychology. The theory focuses on the influence of the leader's intelligence and experience on his or her reaction to stress.The essence of the theory is that stress is the enemy of rationality, damaging leaders' ability to think logically and analytically. However, the leader's experience and intelligence can lessen the influence of stress on his (or her) actions: intelligence is the main factor in low-stress situations, while experience counts for more during high-stress moments.The cognitive resources of a leader refer to their experience, intelligence, competence and task-relevant knowledge (Barney, 1991).

This study concentrated on modes of managements employed by managers of SMEs.If all firms in the market have the same stock of resources, no strategy is available to one firm that would not also be available to another firm in the market (Cool, Almeida Costa and Dierick, 2002).

The resource-based theory is an efficiency-based explanation of performance to deliver greater benefits to their customers for a given cost. Performance in most cases is viewed as profits in excess of the cost of capital, and it depends upon the attractiveness of the industry in which the firm or SME operates and the SMEs competitive advantage. SMEs having a competitive advantage do not necessarily have a higher performance in comparison with a breakeven competitor in the same sector rather the competitive advantage is appropriated by the SMEs product price. On the other hand, informal strategic management modes involve choosing a product price, which is influenced by the environment particularly the bargaining power of the customers, and the current prices of competitors (Peteraf 2003)

Resource based theory is applicable to this study in that the theory argues that resources owned by firm depending how they are used can give the firm the comparative advantage and hence excel in performance. As many SMEs in Machakos town are struggling to improve on their performance, their choice of management strategies will have a positive effect on their performance. Therefore, it was chosen for this study in order to help the researcher in identifying the influence of management strategies on performance of SMEs.

2.2.3 Contingency Theory

Fielder(2010)describes the main ideas underlying contingency in a nutshell: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 be concerned, above all else, with achieving alignments and good fits. Different types or species of organizations are needed in different types of environments.Fred Fiedler's contingency model focused on a contingency model of leadership in organizations. This model contains the relationship between the strategic management style and the favorable-ness of the business situations. Situational favorable-ness was described by Fiedler in terms of three empirically derived dimensions:Leader-member relationship – high if the leader is generally accepted and respected by followers. Degree of task structure high if the task is very structured.

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It can be concluded that there is 'no one best way' or approach in management or doing things, different situation calls for different approach to handle, manage, and solve the arising issue concerned. Management and organization is an 'Open system', which embrace anomalies or challenges every now and then, which requires 'adaptable' and 'situational' solution in order to overcome or solve the problem or issue concerned.Other situational or contingency factors are 'changes in customer demand for goods and services, change in government policy or law, change in environment or climate change, and so forth.The industrial-organization perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional perspective offered strategic management a systematic model for assessing competition within an industry, Raduan(2009).

On the other hand, the resource-based theory which stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses.The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance. However, the contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing.

Therefore, in this study, besides the systems perspective, contingency approach and the other main strategic management theories mentioned above, the resource-based theory or view (RBV) of the firm's competitive advantage in particular will be the underlying theoretical foundation applied and fundamental basis of the variables and their ensuring relationships that are being studied, Porter (1985).The contingency theory argues that high performance is associated with the suitability of contingencies such as organizational size, technology level, management strategy and environment, organization structure, changes in size and structure would render the structure to be unfit with the organization and this will lead to lower performance. Adjusting to the structure need to regain the fit condition which will lead to higher performance of organizations.

In contingency theory, the effect of one variable towards another depends on the contingent factor of moderating variables. This applied to strategic management has a

positive effect on competitive advantage and performance (Donaldson, 2001).The contingency theory gives managers a wide range of to react to problems ,it also gives the substantial preference in their judgment.Contingency theory is very vital to Managers in that it gives them a variety of strategic ways to respond to problems ,it also gives the important discretion in their decision making. Busineness owners who implement Contingency Theory should allow their managers to be flexible when it come to implementation of policies even override it if the circumstances dictate.

The SME managers should be able to interpret the business policies and regulations slackly yet still observe to the business values and visions .When making strategic management decisions ,important to note is that as much as you give the managers this type of discretion don't overlook the fact that contingency theory is all about adaption to changing situations without adopting to one –sized fits all approach. The Business owners who have often given their managers this type of freedom results in increased confidence to makedecisionshence feel empowered and entrusted to do their jobs without needing constant approval to act.

The contingency theory of management has several criticisms; first there is inadequate literatures the contingency approach has not freely spelled out the various actions which can be taken under difficult strategic management situations which in ideal situations should provide remedy for every situation and unless that is done the approach is not of any assistance,researchers act in consultation but still wanting. Secondly it is said to be complex in that strategic managers have always found determination of actions to be taken involves analysis of alarge number of variables with multi-dimensandsometimes managersare tempted when short of time to ignore the thorough analysis of varriables and may end up in shortcuts and less difficult way.

The third criticism is the difficult in empirical testing due to complexity of the contingency theory making it hard to test because its methodology involves too many factors .The fourth criticism is that contingency approach is reactivein nature therefore managers are left to manage business environment in such away that they avoid the undesirable aspects of environment .

The Contingency Theory is relevant in strategic management because it offers managers a wide-ranging choice of ways to counter problems. It also gives them significant discretion in their decision making .The Business owners who embrace contingency Theory must give their managers the power bend policy or even supersede it when circumstances mandate. The turning around SMEs from failure to performing, the development of

recovery strategies should be made in line with particular cause of decline. Workforce training and enhancing management strategies help improve conditions of the turnaround SMEs. Since there are many SMEs that fail early in their developmental stages, many researchers (Murmannet al, (2003); Cragg, (2002); Khairuddin, (2005), found that contingency theory significantly help improved conditions of the turnaround SMEs. The application of contingency theory in turnaround of SMEs that are declining or failing to perform has been heavily encouraged by researchers.

This theory of contingency is applicable to this study in that the theory argues that resources owned by firm depending how they are used can give the firm the comparative advantage and hence excel in performance. As many SMEs in Machakos town are struggling to improve on their performance, this theory informed this study on the best strategic management modes that can help SMEs to improve their performance. Therefore it was chosen for this study in order to help the researcher in identifying the influence of management strategies on performance of SMEs.

2.3 Review of Theoretical Literature on Research Variables

2.3.1 Organizational Performance

Intellectuals and policy makers have continued to give special emphasis on Small and Medium Enterprises. Their main interest on growth of enterprises and for there seems to bea trend Small and Medium enterprises stagnating in same size and position and some dying after few years of practice (Otieno 2013). Strategic Management Practices play a key role in performance of Small and Medium Enterprises but the ownere.s/managers hardly emphasise on the significance of having a Strategic Management which could lead to better performance.Most Small and Medium Enterprises focus on their daily actions

and what they are able to earn .Conversely the state has put emphasis on financing Small and Medium enterprises to boost employment opportunities with minimal attention on strategic management aspect (Government Of Kenya 2013). A study on Small Scale Enterprises in Nigeria affirmed that there is infact a strategic Management in place even when people engage unawares that it is a Strategic Management.Asurvey on a section of Small and Medium Enterprises scrutinized the Influence of StrategicManagement on organizational performance,the study concluded that strategic Management can help improve organizations' profit as well as market share (Agwu 2014).

In the study on incidence of strategic planning in small businesses, Nimalathasan (2009) looked at pre-conceived notions of strategic planning in small businesses using secondary data from research monographs, books and journals, the study aimed at contributing to the existing literature of strategic planning in small businesses. The study concluded that strategic planning significantly contributed to the relationship with overall performance of small businesses.Maria (2012) in the study strategic management in Chinese Manufacturing SMEs sought to find out whether and how strategic management is employed in the Chinese manufacturing SMEs. The study also explored the main characteristics of strategic management process in the said SMEs to improve and utilize the tools of strategic management for SMEs future. The study used personal interview on 15 SMEs which were Chinese manufacturing and the data collected analyzed using qualitative research method. The study concluded that the senior managers consider strategic management as an important mechanism in SMEs development and that the strategic management process was carried out in an informal and simpler pattern.

Small and medium enterprise performance has been focused considerably by researchers and policy makers around the World, (Kinyua, 2014). The point of interest in SMEs has been to identify characteristics that differentiate businesses which grow from those with stunted growth or fail. Strategic management modes of practice and organization performance in SMEs go together but most SMEs do not place a lot of emphasis in making effective strategy for improved performance. A lot of effort in many small and medium enterprises is being directed towards routine operations with the senior leadership mostly acting with initiative and there is a tendency of being autocratic in their decision making(Kamunge2014). This study focuses to produce documentation of Strategic Management modes influence on performance of Small and Medium Enterprises and make a contribution in both theory and practice .

2.3.2 Deliberate Strategic Mode and performance of Small and Medium Enterprises

Deliberate practice entails repetitive performance of a cognitive or psychomotor skill in a focused domain explains deliberate practice as those activities, which are highly relevant to improving performance and require significant personal effort to initiate and maintain. The framework of deliberate practice recognizes the importance of goals, feedback, and the role of trainer. Deliberate practice is the key activity that must be used in the acquisition of expert performance. Some strategies have dual characteristics of both deliberate and emergent therefore referred to as deliberately-emergent (Mintzberg and Waters1985). A strategy can be described as deliberate when the collective vision, goals and intentions of an organization are determined by its leadership and articulated broadly in many details as possible for implementation within the organization. In order to realize a given outcome for deliberate strategies such as planned and imposed strategies, it can be argued that this approach has the advantage of clarity of purpose as opposed to emergent strategies where the management's intentions are clearly and explicitly spelt out. It becomes easier to understand, identify and work towards a common collective purpose at a minimized level of deviation from the intended objective. Focus on a particular desired outcome is enhanced and the organizations participants are provided with a clear and unambiguous sense of direction. This approach to strategy has its disadvantages; being fixated on a specific outcome may increase organizations rigidity and lower its speed of responsiveness in the event of changes in their operating environment or negative feedback received from the pursuit of a particular strategy as opposed to the flexibility offered by emergent strategies (Sakwa,2010). Deliberate mode is a learning strategy that works best when the individual is highly motivated and is centered on a set of well-

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defined tasks (Farmer & Williams, 2005). These deliberate practice activities should be performed on a regular basis with the explicit goal of improving one's competence (Njeru2015). The perception that a person is innately talented in a domain directs that individual to an early start of deliberate practice should be of a limited duration in the beginning and slowly extended over a period can encourage their employees to develop regular practice habits and the value of deliberate practice by noticing improvements in their performance. As become more involved in the activities of the domain, competitions and public Ericsson et.al 2012). This study has shade some light on influence of deliberate modes on performance of SMEs in Machakos town.

2.3.3 Emergent Strategic Mode and Performance of Small andMedium Enterprises

Emergent mode is described as unpredictable, often unintentional, can come from anywhere, and involving relatively informal self-organizing. It is also iterative. Change emerges simultaneously as actors organize work in given structures and it involves improving the existing enabling conditions in the organizational environment (Sifunjo,2014) suggests most organizations these days operate at the 'edge of chaos and far-from-equilibrium' with instability and stability intertwined and difficult to separate. As natural systems, organizations need to learn to operate within these conditions since too much stability and control will cause the organization to become unresponsive to its environment and decline (Karime2013).argues, disequilibrium is a necessary condition for the growth of dynamic systems. Change becomes conceptualized then as continuous and emergent change occurs 'in real time' and therefore fosters ongoing re-alignment with the environment, ongoing learning and strategy making. Further benefits of emergent change theories emphasize the procession nature of organizing (Hosking and Auka,2016).

Thus, the way people's interactions lead to unpredictable outcomes and difficulties in predicting and therefore planning beforehand the path that change initiatives will take. One such example is the volunteer group that sprung up spontaneously after the destruction of the World Trade Center (World trade organization2005). Volunteers developed a new pattern for coordinating action after the need for doing so was explicitly recognized and accepted. A further example is the innovation processes as explained by Karime (2013) where customers, suppliers and venture partners become all 'important sources of innovation'. Withthe use of new technologies (e.g. Facebook, Twitter) organizations are starting to leverage stakeholders input quickly and effectively.These examples suggest that change interventions need to go beyond the episodic change

formulated by KurthLewin's defreeze-change-refreeze model to incorporate notions of emergence, emergent developments and self-organization. A number of recent research projects have aimed to understand the interplay between planned and emergent change Gathenya (2013), Gichuki(2012) and Kamunge(2011)advocate the use of planned and emergent change processes concurrently.

In practice, planned change often produces unintended consequences and relations that lead to non-linear emergent change. (Agwu2014) provides an example of a Swedish telecommunication company whose planned attempt to implement a new manufacturing unit was derailed by an unanticipated recession that thwarted their original plans and transformed them into a more emergent approach to change. Cordano (2010) also discuss the socialistgovernment's planned, top-down regulatory change being combined successfully with emergent, entrepreneurial efforts that incorporate Western management techniques in such a way that "agents and structure interact to produce the social innovationsrequired in the face of environmental change". Managers being the change agents would be suited to enable the unknown and coping with paradoxes that emergent change brings about(world Trade Organization,2005). This study is to evaluate influence of unanticipated events, which become facilitators of sales performance yet were not in business initiatives.

2.3.4 Reactive Strategic Mode and Performance of Small and Medium Enterprises
According to Agwu (2014). These are interventions, which are used only once the behavior occurs. They are consequences (or reactions) to the behavior. The goal is to cut short the behavior, to minimize the damage Agwu suggested that the severity of episodes of challenging behavior should be tracked as a dependent variable in behavior outcome. In many business settings, it is however readily apparent that it is the use of more traditional and reactive strategies that prevails. Donaldson (2014) described a series of studies that attempted to identify predictors of reactive strategy use. Although making comparisons across studies was difficult as a consequence of varying methodologies, it was possible to identify a range of important indicators.

Birger and Ruediger(2012) further in their study recognized the importance of behavior management within an overall framework of positive approaches. Reactive strategy is a helpful analogy in fire management. Fire departments use both proactive and reactive strategies to protect people and properly from harmful effects of fire. Firemen teach fire safety courses to children and families (proactive), they inspect building to insure

compliance with code they sponsor educational advertisement on television (proactive). When there is a fire, they put out the fires and try to save lives and property (reactive).

Karime (2013) in his study categorized investments into proactive and reactive approaches; he argues that reactive investments are triggered by failures that require remedial action. Peters (2013) argues that rather than over investment proactively, some organizations wait to observe attack and use this knowledge to better allocate security spreading. He further suggests that increasing uncertainty results in reactive investment, reactive investment focus on cost effectiveness, rather than performance ,of course recovering from repeated failures does not lead to customer satisfaction. However recovering from a few failures through rapid remedial action typically avoids significant dissatisfaction and in some cases can build customer confidence. Thus in our current study have tested how reactive strategy influence performance of small and medium enterprises in Machakos town, Machakos county.

2.4 Empirical Literature Review

This section discussed the empirical literature around the globe on SMEs performance and growth and the end will provide the overview of literature

Terziovski (2010) investigated innovation practice and its performance implications in small SMEs in the manufacturing sector using survey design, systematic random sampling procedure with sample of 600 manufacturing SMEs. The study found that it is possible that high SMEs performance could be driving the successful implementation of product and process innovation practices and SMEs performance is likely to improve as they increase the degree which they mirror large manufacturing firms with respect to formal strategy and structure .Mokter (2015) examined the current research on open innovation in SMEs and found that studies are mostly performed based on panel data and only a few included sophisticated statistical analysis. Moreso the study revealed that most studies are conducted in the European context along with some studies in China and Korea while studies in the context of North America and Africa are scant.Hsius-Li Chen (2004) using an enterprise diagnostic model found that the SMEs' most effective strategy to enter established global marketing would entail the formation of strategic marketing alliances by setting up sales service centers, establishment of joint distribution warehouses, regional product development and marketing and alliance concentrating upon building domestic and global retail distribution channels.

Birger (2012) investigated asset specificity and foreign market entry mode choice of SMEs by introducing knowledge safeguards like international experience, host-country networks, and imitation and also institutional safeguards whereby found knowledge safeguards and institutional safeguards weaken the effect of asset specificity on the choice of equity foreign market entry modes. Obadia (2006) examined the phenomenon of opportunism as a key factor behind international market-entry failure of SMEs using integrated modes of entry. Using exploratory research design principles collected and analyzed field data and found out that the SME's insufficient monitoring of its foreign venture leads to the information asymmetry between the parent SMEs and its overseas affiliate.

Kinyua (2014) investigated the factors affecting the performance of SMEs in the *Jua Kali* Sector in Nakuru Town, specifically the extent to which SMEs access finance; management skills; macro-environment factors and infrastructure using survey research design and descriptive statistics to analysis and presented using figures, tables and percentages. The study found that access to finance, management skills and macro environment factors positively affect performance of SMEs while infrastructure did not significantly affect performance of SMEs in the study area. Bunyasi (2014) sought to assess the effect of access to business information on the growth of SMEs in Kenya using mixed research design where both qualitative and quantitative methods were employed and found that access to business information had a significant effect on the growth of SMEs.

Huka (2015) sought to find out the influence of entrepreneurial skills, credit access, government policy and market access on the growth of youth owned small and medium enterprises in Nairobi County. The study adopted a descriptive research design and stratified random sampling method to select a sample size from the target population. The study established that entrepreneurial skills influence the growth of youth owned SMEs most followed by market access, government policy and access to credit facilities. The study also found that some youth who had started SMEs had no training on business at all, a good number of SME owners did not have access to credit, short repayment period and high interest rates were a challenge in obtaining a loan for their business and that government policies like business registration process, licensing and registration requirements and certification from various ministries affect the growth of SMEs negatively. Agwu (2014) did a study on issues, challenges and prospects of (SMEs) in

Port-Harcourt City, Nigeria. The study analyzed using descriptive statistics while formulated hypotheses were tested using z-test. Results indicated that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxation were major challenges confronting SMEs in Port-Harcourt City.

Kamunge (2014) sought to establish the influence of access to business information access to availability of managerial experience, access to infrastructure on performance of SMEs at Limuru town market of Kiambu County. The study employed a descriptive research design. The study found that access to finance and availability of management experience are the key socio-economic factors affecting the performance of businesses in Limuru Town Market, other key factors that were found to affect businesses in Limuru Town Market positively are access to business information, access to infrastructure and government policy and regulation. Nyakundi (2014) examined the effect of internal control systems on financial performance of small and medium scale business enterprises in Kisumu City, Kenya and observed that there has been controversy as to why there is a declining business survival trend among Small and Medium scale Enterprises despite government's commitment to availability of funds. There was concern that 90% of the business start-ups do not operate beyond their third anniversary.

Using cross-sectional survey research design, stratified and simple random sampling techniques the study revealed that a significant change in financial performance is linked to changes in internal controls systems (ICS) where majority of SMEs do not have financial procedure manuals, especially one on internal control systems. The study found that there is a significant relationship between the level of knowledge on ICS and growth rate in revenue and profitability.

Gathenya (2013) explored the degree to which women led SMEs embrace the entrepreneurial strategic planning practices (ESPP) dimensions of Entrepreneurial Orientation (EO), Scanning Intensity (SI), Planning Flexibility (PF), Planning Horizon (PH) and Locus of Planning (LP) to enhanced firm performance. The study revealed that the attitudes towards entrepreneurial orientation by both the top management and the employees had a positive relationship and played a major role on the average sales growth. The entrepreneurs' age and education were important factors to consider when deciding the depth in focus of planning and had a significant impact on return on assets. Ngugi (2013) examined the influence of Intellectual Capital (IC) and growth of SMEs where the study sought to explain the extent in which managerial skills, entrepreneurial skills,

innovativeness, structural capital and customer capital influence the growth of SMEs in Kenya. The study found that intellectual capital components (managerial skills, entrepreneurial skills, innovativeness, structural capital, and customer capital) have a great positive influence on the growth of SMEs. Oppong (2014) studied SMEs development in Ghana. The study revealed that there has been a growth in the number of SMEs but the SMEs growth in Ghana has been prevented by structural and environmental changes and they have performed dismally compared to other countries.

Sifunjo (2014) sought to investigate the effects of micro-credit, micro-savings and training on the growth of small and medium enterprises in Machakos County. The study used survey research design and, multiple regression analysis to determine the relationships between micro-credit, micro-savings, training and growth of SMEs. The study found out that micro-credit, micro-savings and training jointly contribute positively to SMEs growth. However impact of training is not statistically significant. This was attributed to training that is not based on the true needs of SMEs. The study concluded that the growth in SMEs is due to changes in micro-credit and micro savings.

Okeyo (2014) aimed at establishing how market access, procurement services and infrastructure facilities affect performance of small and medium manufacturing enterprises in Kenya. The study adopted a cross sectional survey design and employed inferential statistics to interrogate relationships between independent variables and performance while descriptive statistics were used to determine distribution, central tendency and dispersion to establish conformity to linear regression requirements. The results for market access did not show any relationship but procurement services and infrastructure facilities each had a positive and significant influence on performance of the enterprises. Joint effect of the three variables on performance of studied firms was found to greater than their individual effect. The study concluded that since procurement services and infrastructure facilities showed a positive influence on performance of small and medium manufacturing enterprises in Kenya.

Cordano (2010) did a study which focused on environmental decisions involving the adoption of voluntary management systems SMEs using descriptive survey design. The study found out that managers within the simple structures of these SMES are responsive to attitudes, norms, and pressures from internal stakeholders and that voluntarily established EMP increased the success of firm's implementation of energy conservation and recycling practices.Ochanda (2014) using descriptive and exploratory design and

stratified sampling technique found that access to credit has become easier since 2009 for SMEs in Nairobi due to increased number of financial institutions leading to more competition and improved financial products and processes, financial innovations have a great positive influence the growth of SMEs, the study indicates that financial sector regulation influences the growth of SMEs.

Gathungu (2013) sought to investigate the effect of entrepreneurship on development of SMEs in Gathunguri District in Kenya. The study used exploratory research design. The study established that entrepreneurs were able to market their products within the district but not around the county, the study also revealed that entrepreneurs were able to do simple daily keeping of business transactions but were not able do complex financial statements. Nakola (2015) carried out a study focusing on the effect of strategic orientation on performance of small and medium enterprises in Nandi. The study was informed by resource view theory, the study adopted exploratory research design. The population of study comprised 2053 registered SMEs in Kapsarbet Town Kenya .Cluster sampling technique was used to select a sample size of 335 SMEs .Descriptive statistics which include frequency distribution, percentages, means and standard deviation was used to analyse data. Inferential statistics was also used to draw implications from the data with regard to the regression model .The study found out that customer orientation had significant and positive effect on SMEs performance.

Njeru(2015) took a study which sought to determine thestrategic managementpractices adopted by the top one hundred SMEs in Kenya and influence of strategic management practices adopted on organization performance. The study used descriptive design, structured questionnaire was used to collect data, and the target respondents were the senior managers. Data was coded andanalyzed; results were represented in tables and figures. The study found that top one hundred SMEs had adopted strategic management practices relation to situational analysis, strategy formulation ,implementation and evaluation .The SMEs had adopted participatory mechanisms in strategic management practices hence ensure success of strategic management practice. The study also found that adoption of strategic management practices influence organization performance.Njoroge (2015) investigated marketing strategies and performance of SMEs at Matuu Town in Machakos. The study used descriptive research design. The data was collected using a semi-structured questionnaire. The data collected was analyzed using descriptive and inferential statistics using the statistical package for social science (SPSS)

.To establish the relationship between the dependent variable and independent variable the classical linear regression model was used. The study established that customer relationship, marketing strategies and technology used have a positive insignificant influence on performance of SMEs in Matuu Town while innovative marketing strategies have a significant negative relationship with the performance of SMEs in Matuu Town. The study concluded that marketing strategies influence the performance of SMEs.

Auka (2016) examined the effects of strategic planning on performance of SMEs in Nakuru. The study used correlational study survey design. The data was collected using structured questionnaire , data collected was both quantitative and qualitative .The effects of environmental analysis, organizational direction and strategy formulation on firm performance were tested using pearson correlation analysis while multiple regression analysis was used to test the combined effect of environmental analysis, organizational directional strategy formulation on performance of medium enterprises in Nakuru Town. The study indicated that strategic planning significantly influences organizational performance.

2.4.1 Overview of Literature

There has been quite substantial amount of studies in the area of SMEs. The definition of SMEs varies among the studies but importantly the area of focus. Therefore the literature is in four strands. The first strand investigated factors affecting the growth of SMEs. Some of these are Bunyasi (2014) examined business information, Agwu (2014) examined financing, social infrastructures, managerial skills and multiple taxation, Nyakundi (2014) studied knowledge on ICS, Gathenya (2013) examined entrepreneurial orientation, Ngugi (2013) investigated Intellectual Capital (IC), Sifunjo (2014) examined micro-credit, micro-savings and training, Ochanda (2014) studied access to credit, Gathungu (2013) examined entrepreneurship.

The second strand investigated the factors influence the SMEs performance. The authors in this strand includes Auka (2016) investigated strategic planning, Njoroge (2015) investigated marketing strategies, Nakola (2015) studied strategic orientation to customer, Terziovski (2010) investigated innovation practice, Kinyua (2014) investigated access to finance, management skills, macro-environment factors and infrastructure, Kamunge (2014) investigated access to business information access to availability of managerial experience, access to infrastructure.The third strand of study examined other issues concerning the SMEs like development, market access, environmental factors, and foreign

market entry among others and authors in this area include Birger (2012), Oppong (2014), Okeyo (2014), Cordano (2010) among others.Therefore there is no study that has been done on SMEs at Machakos town investigating strategic management modes on performance. Therefore there is need to carry this study to fill this literature gap and in support of Mokter (2015) found that most studies on SMEs are conducted in the European context along with some studies in China and Korea while studies in the context of North America and Africa are scanty.

2.5 Research Gap

In Kenya today, small- medium enterprises that employ between 1 to 99 people account for about 48 per cent of all businesses, with a majority of these being managed or owned by individuals. Three out of five of these businesses fail within the first three years of operation and those that continue, 80 per cent fail before the fifth year (GOK, 2007). The failure in the performance of these SME's are marked by poor return, poor management and leadership skills and bankruptcy proceedings (Njonjo, 2010). As the SME's are important in the economic development of a town or a country, leadership must be effectively increased to respond to the challenges of creating productive and sustainable employment opportunities besides the overall performance of SME's (Karamu, 2013). Although there has been an increase in the effort to promote SME's countrywide, not much has been achieved. These promotions have been through the Youth Enterprise development fund (YEDF) in 2007 and the youth and women empowerment programme (UWEZO) in the 2013/2014 budget that allocated 6 million as a revolving fund loaned to the youth and women to start SME's and the presidential directive of thirty per cent access to government procurement opportunities for youth and women (King'ori, 2012). Many organizations in the SME's category still use the informal strategic management modes in their businesses without learning from the ones that have already closed or are non – performing. Many studies done (Karime, 2013, King'ori, 2012, Njonjo, 2010, Kiruthi, 2001) in SME's in Kenya today have touched on performance of SME's but none has looked at the influence of strategic management modes on performance of these SME's. This study therefore seeks to fill this gap to ensure that all the SMES started are successful world over.

2.6 Conceptual Framework

In this study, the independent variables are deliberate mode, emergent mode and reactive mode while the dependent variable is sales performance as shown in figure2.2 Performance has often been measured by sales, turnover, market share and profitability. In this study, performance was measured by sales turnover, that is when sales turnover improves then the strategic management has been achieved. The independent variables for this study were the strategic management modes. According to Mcgee (2005) the strategic management modes are relatable in business management. Emergent strategies are strategies that are characterised by absence of formal plans and reliance on past experience and business tradition. Emergent strategies appear without preconception, unpredictable, often-unintentional plans. Since many SMEs tend to focus in daily operations with strategies emerging from practice. However, in the face of crisis SMEs manager may employ a reactive mode in decision making and implementation. A reactive strategy are strategies which involve unintended activities by management due to pressure from the current situation and later incorporated as strategies if the actions were found to work towards the attainment of the goal. In most cases the SMEs supervisor regularly comes up with deliberate strategies in the process of managing the small and medium enterprises. Deliberate strategies experiences are measured by presence of formal written down plans and strict adherence to these plans.In this study deliberate, emergent and reactive strategies are conceptualized as the combination of strategies that may be viewed as organizational when modelled together as patterns to improve performance of the enterprise. Deliberate strategies measured by presence of formal written plans and reliance of learning from past experiences. The reactive strategies are measured by both absence of formal plans and reliance on instinct as strategic issues come up.

According to Menzel (2007) success of successful SME strategy formulation and implementation is strongly related to the firm's characteristics, owner's personal factors and the external environment in which the small and medium enterprise operates. In this research, business characteristics were measured by range of operations, in respect to operational capacity, decision making system, size and small number of employees.

Independent Variable   **Dependent Variable**

```
┌─────────────────────────────────────────┐
│  Deliberate mode                        │
│                                         │
│     • Stock taking                      │
│     • Giving leave to employees         │
│     • Developing possible solutions     │
│     • Receiving constant feedback       │
│     • Laying off staff                  │
│                                         │
└─────────────────────────────────────────┘

┌─────────────────────────────────────────┐
│  Emergent mode                          │
│                                         │           ┌──────────────────────────┐
│     • Ready to learn on activities      │           │  Performance of SMEs     │
│     •  Gather data during action        │  ───────► │  (sales,profits)         │
│     • Reflect on gathered data          │           │                          │
│     • Adjust course of action           │           └──────────────────────────┘
│                                         │
└─────────────────────────────────────────┘

┌─────────────────────────────────────────┐
│  Reactive mode                          │
│                                         │
│     • Respond to change after external  │
│       factors                           │
│     •  Change in tools and equipment    │
│     • Improvement on business technologies │
└─────────────────────────────────────────┘
```
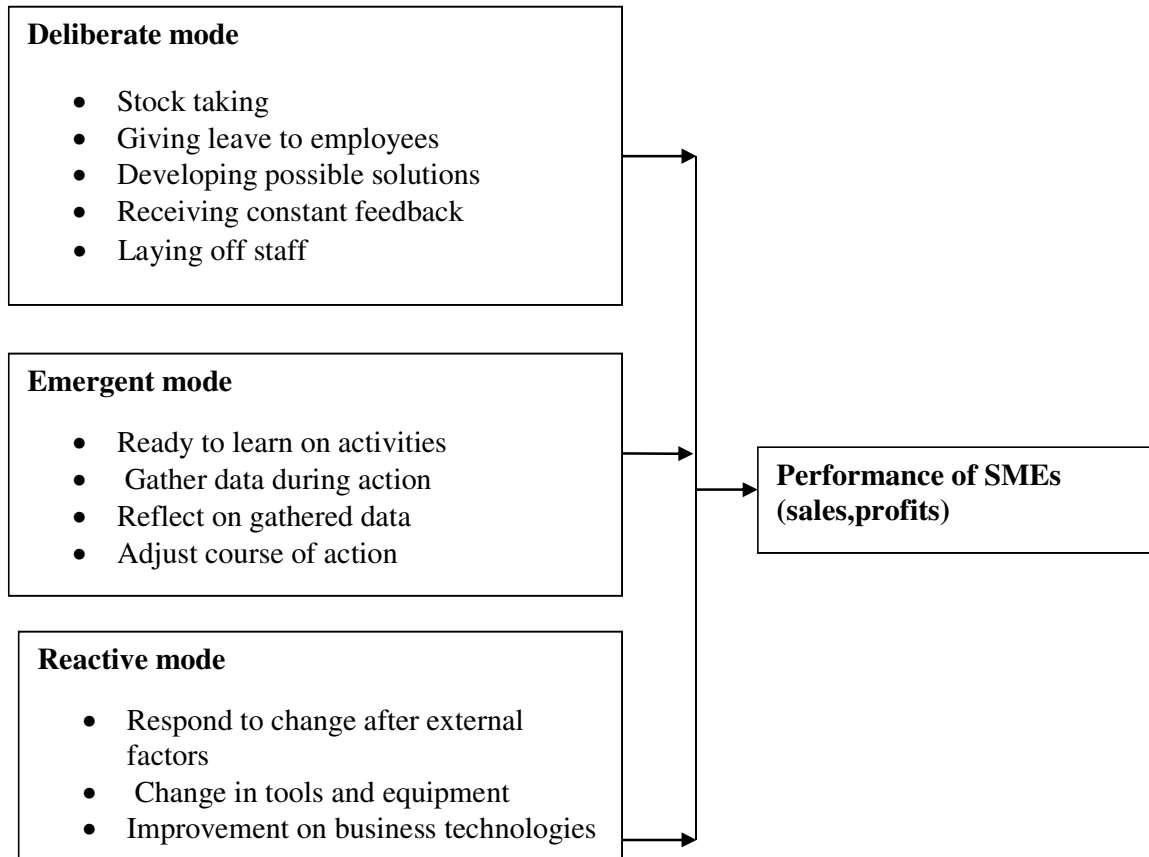
Figure 2.2 Conceptual Framework

Source; Adapted from Mintzberg, H. and Waters J. (1985)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. This includes the research design, target population, sample frame, sample and sampling technique, data collection instruments,and   their administration.It also describes   how the data was analyzed ,presentend and displayed.

3.2 Research Design

This research design adopted by this study is descriptive design. Descriptive research design is a scientific method, which entails observing and describing the behavior of a subject without influencing it in any way where they will express freely their views, opinions. A descriptive study is concerned with finding out the what, where and how of a phenomenon. The subject was observed in a completely unchanged natural environment Descriptive research allows the researcher to describe record, analyze and report conditions that exist or existed. This design is preferred because it gives detailed information about a situation that is in existence and it facilitates description of trends, attitudes or opinion of large groups which helped the study to learn how strategic management modes influence performance of small and medium enterprises in Machakos Town, Kenya.This research design is supported by (Kothari, 2007).

3.3 Jusitification of the Research Design

The selection of a research design methodology should depend on the pattern that guides the reaserch activit, Particularly the   beliefs about the nature of reliability and humanity .the theory of knowledge which informs the study and how the knowledge may be acquired (Yin 2003).The aim of this   study was to investigate influence of strategic management modes on performance of Small   and Medium Enterprises in Machakos Town .Being a descriptive cross-sectional the ontological orientation of the study in a population is that of the reality assumptions.In descriptive cross-sectional research design ,the   study   records   facts that is present in a population   but does not manipulate variables (Mugenda and Mugenda 2009). The ontological pradigm is that there is reality that can be apprehended. It is possible to determine the way things are and always discover the cause effect behind social reality happening .Ontology describes a view on the kind of certainty and categorically ,if this is an impartial reality or only a subjective reality created in one's mind (Yin 2003). The study design therefore for this study was suitable and reflected the real situation as it was on the study population.

3.4 Target Population

The population of this study were the managers of 16,399 SMEs in Machakos Town. Each of these SMES had one manager, therefore the target population was16, 399 SME managers in Machakos town.All the SMEsare registered by the County Regelowistrar of Business, Ministry of Industialization and Enterprise Development (Machakos municipal office).This is reflected in Table3.1

Table3.1: Target Population

SMEs Category	Business code	SMEs Category Name	Number	Percentage of total
100	110,115, 120	Barber shops and saloons	1,950	12
200	210, 215, 220	Chemists /agro vets and clinics	1,845	11
300	310, 315,320	Hardwares	2,602	16
400	410, 415, 420	Medium size retail shops	2,050	13
500	510, 515, 520	Hotels and restaurants	2,000	12
600	610, 615, 620	Boutiques and textile shops	1,570	10
700	710, 715, 720	Bookshops and uniform shops	2,602	16
800	810, 815, 820	Consultancy firms	1,780	11
Target population			**16,399**	100

Source: Machakos Municipal Office

3.4 Sample and Sampling Technique

The study used, stratified sampling to have a well- represented sample. In stratified sampling, the strata were formed based on the type business. In Machakos Town SMEs have been grouped into various categories.These categories are referred to as the strata in this research. Using simple random sampling, samples were taken from each strata based on the ratio of the group's size to the total population.Sampling involves determination of sample size.. as shown in table 3.1 (Source, Machakos Municipal Office)

The study used Yamane formula adopted from Kothari (2004) to determine the sample size.

The formula is:

n= N   Where N= Target population, n= sample size, e=critical value   1

$\overline{+N\ (e)^2}$

N = 16399

e = 0.05

n =   16399

1+ 16399 (0.05)²

n = 390

The computed figure for the sample size using this formula was 390. These were the number of respondents for the study. The distribution of the respondents across the strata as shown in table 3.1 above. The sample was drawn from the sampling frame of the 16,399 SMEs of Machakos Town.

A sample is subset of a population. The sampling frame describes the list of all population units from which the sample will be selected (Mugenda, 2003). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2008).

Table 3.2: Sample Frame

SMEs Category	Business code	SMEs Category Name	Total respondents Number (n)	Ratio of respondents to target population (*390/N)	Sample size
100	110,115, 120	Barber shops and saloons	1,950	0.12	47
200	210, 215, 220	Chemists /agro vets and clinics	1,845	0.11	43
300	310, 315,320	Hardwares	2,602	0.16	62
400	410, 415, 420	Medium size retail shops	2,050	0.13	48
500	510, 515, 520	Hotels and restaurants	2,000	0.12	47
600	610, 615, 620	Boutiques and textile shops	1,570	0.10	38
700	710, 715, 720	Bookshops and uniform shops	2,602	0.16	62
800	810, 815, 820	Consultancy firms	1,780	0.11	43
Total (N)			**16,399**	1.0	**390.0**

3.5 Research Instruments

The research instrument in this study was questionnaire,which is a pre-formulated written set of questions to which the respondents record the answers usually within rather closely delineated alternatives. Since this study covers a large area, questionnaires were the most appropriate instruments for the study. The questionnaires were divided into five parts: Bio data and general questions, influence of deliberate strategy mode,influence of emergent strategy mode and influence of reactive strategy mode. In the questionnaire, both open ended and closed ended questions were used.. The respondents were asked to fill in their views on questions in these sections accordingly.The choice of this tool of data collection was guided by the time available and objectives of the study(Kodhari 2007).

3.6 Data Collection Procedure

Introductory letter from Machakos University was sought from the Department of Business Administration and permission to carry out the research obtained from National Commission for Science, Technology and Innovation so as to enable the study to administer the questionnaires to the target population. The questionnaire was distributed using 'drop- and pick-later' method and in some cases the questionnaire was sent using courier services. The respondents filled in their views and returned the questionnaires within one week from date of distributing. After which the questionnaire was ready for analysis. This research relied on primary data in order to come up with accurate and objective findings on the influence of strategic management modes on performance of small and medium enterprises in Machakos town. The primary data was collected by carrying out a cross-sectional survey of the entire population. Cross-sectional survey entails conducting a survey of a sample population or entire population in a given time (Sharu and Wario2013).

3.7 Pilot Tests

The questionnaires scheduled for this study were designed carefully to avoid ambiguity and facilitate intended answers to the study questions to ensure their reliability and validity. Necessary reviews were made before the questionnaire was scheduled for piloting.

To test for reliability of the questionnaires used in this study, a test re –test method which was computed using the Karl Pearson's productmoment coefficient of correlation often given as r. The items are scored individually and aggregated to get the total score on the whole instrument for both test and re-test administrations. which in this study was o.82

(high correlationship) .This was considered as high indicating a strong relationship spiritual intelligence was reliable which was derived from the difference between test and re-test results. The correlation values when r is less than 0.20 is said to have slightly or no relationship,0.21-0.40 Low correlation definite but small relationship , 0.41-70 is Moderate correlation that is substantial relationship ,0.71-0.90 is High correlationship and0.91-alue 1.00.very high correlation very dependable relationship .Intelligence value of above 0.7 is reliable and since for this study was 0.82 it was considered reliable.

The pre-test was done on done to evaluate it for clarity,style,meaningfulness and ease or difficult on 10 respondents who did not constitute the study sample to avoid sensitization effect.The pre-test questionnaires were given to the respondents and picked the same day, the same process was repeated after two weeks check for consistency and quality prior to final distribution . On analysis of the pre-test questionnaires, was the results showed that some SME managers found difficulties in understanding of meaning terms like deliberate,emergent, and reactive modes. Revision was made of the questionnaire defining meaning of the terms in the questionnaire to ensure clarity before final distribution .This assured that the questionnaire was clear and well understood by the potential respondents(Mugenda and Mugenda, 2009),

Validty of the study instrumentswas was tested by experts who in this case were my supervisors,using expert opinion they checked the content and format of the questionnaire and agreed was appropriate. A pilot study is necessary for testing the validity and reliabilty of data collection instruments (Ojera 2011).

3.8 Data analysis

The data obtained in this study was coded and keyed in to the spreadsheet ready for analysis using SPSS version software (statistical package for social sciences). Non-parametric test (Mann Whitney Test) was used to investigate whether SMEs performance was influenced by the use of strategy practices.The responses were also analyzed using descriptive and inferential statistical methods, such as frequencies and percentages where data was subjected to further statistical analysis procedures within the statistical package for social scientists (SPSS) to find out whether there WBS significant difference in sales among the variables so as to establish the influence of various strategic management modes on performance of small and medium enterprises in Machakos Town.The use of percentages was important for two reasons, first they simplify data by reducing all the numbers to range between 0 and 100. Secondly they translate into standard form with a base of 100 for relative comparisons.The findings were presented using tables, figures,

and prose form for easier interpretation from which conclusion and recommendation were made on the influence of strategic management modes on performance of small and medium enterprises in Machakos town.

3.9 Legal and Ethical Considerations

The study had the obligation of protecting participants from any harm that could be physical, social and psychological. The study received a letter from Machakos University allowing for the collection of data, which later facilitated the granting of a permit by National Commissionfor Science Technology and Innovation (NACOSTI) to enable collection of data from the SMEs. The study ensured confidentiality and anonymity of the respondents at all costs.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATIONS AND INTERPRETATION

4.1 Introduction

This chapter gives details of data analysis, explains and discusses the results obtained, and undertakes comparative analysis of the results in relation to the previous studies in similar or closely related setting.

4.2 Response Rate

In this study out of the 390 questionnaires sent to the respondents only 301 were completed and returned for analysis. This made a response rate of 77%. According to Mugenda (2013), a response rate of 70% or higher is acceptable in social science research.

4.3 The Respondents Demographic Information

The respondents were asked questions relating to their general background information to ascertain that they had adequate information relating to the SMEs under study. These played an important role in ensuring researcher conclusively finds the effect of the strategic management modes on the performance of SMEs in Machakos Town.

4.3.1 Gender Distribution

Gender distribution refers to the proportion of males to females in a given population usually expressd per100 females .The respondents were asked to indicate their gender. The results showed that 60% were male while 40% were female as shown in Figures 4.1 From the study results it was evident that two- thirds of the SME managers were males which could be attributed to gender parity in relation to cultural beliefs. Women were associated to not owning business,women role is taking care of family and so forth. The results showed that the gender of the managers of the SMEs had no bearing on the SMEs implementation of strategic management modes and performance.This concurs with the study on influence of gender on SME performance in emerging economies(Shava ,2016), The study confirmed that male and female owned SMEs perform at similar levels given that the owners possess similar business related experience.

Gender Distribution of respondents

Female
40%

Male
60%
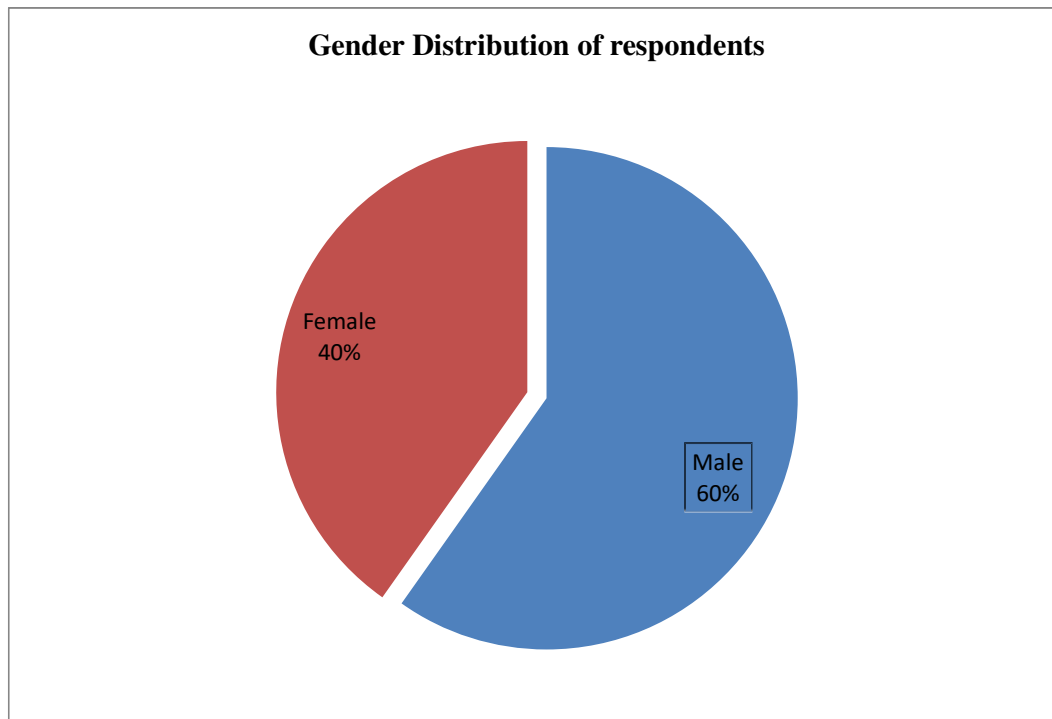
Figure 4.1: Gender Distribution

4.3.2 Age Of The Respondents

The respondents were asked to indicate their age as SME managers in Machakos Town were of different age bracket .Age is useful in determining the performance of the SMEse becausethereis a particular age the people are most aggressive are more productive , from the results, 5% were 18-24 years, 50% were 25-29 years, 30% were 30-34years, 10% were 40-44 years and 5% were above 50 years as shown in table 4.1. The study results showed that many people operating SMEs are between the ages of 25- 44. However those who were between ages 25-29 were the most aggressive as depected in table 4.1. This can be related to the high number of people finishing college at the ages between 24 and 25 who opt to open SMEs for lack of employment, some of these people eventually get employment and end up closing the SMEs thereby decreasing to 30% between 30-34 years and 10% between 40 and 44 years. The number decreases further to 5% among the respondents above 50 years It was necessary to establish the age sets because the aggressiveness at the different age sets varies,Moyeen.A.(2015).who had a premise that SMEs may design apporopriate corporate social responsibility strategies to address issues in local community which affect them and asserted SMEs operate within the local communities and therefore more aware of community and environmental issues.

Table 4.1 Age bracket of respondents

Age bracket of the respondents	Frequency	Proportion of respondents (%) of total respondents
18-24 years	15	5
25-29 years	151	50
30-34 years	90	30
40-44 years	30	10
above 50	15	5
Total	301	100

4.4 Descriptive Analysis

4.4.1 Smes Vision Statement

The table 4.2 shows the number of respondents using vision statements in their SMEs. It was evident out of the 301 SMEs 273 (91%) had vision statement and only 28 (9%) had no vision statement . They SMEs used different means to create awareness of their products and services to all other stakeholders in the businesses where 91% were using telephones 33% of the respondents used word of mouth, these ones majorly did not even have mobile phones or their mobile phones were not reliable when they wanted to communicate. Some of the Small and Medium Enterprises used posters these were 26% of the total number of respondents. Posters were used mainly in advertisements and notices where necessary to remind each other on the things they need to concentrate on in the business to achieve the business goal.This concurs with a study by Kinyua A.N. (2014) who observed that almost all businesses are started with a purpose and presence of vision statement implied that businesses have a formal or informal strategic management.

Table 4.2: Use of vision statement in SMEs

SMEs using Vision Statement			Means of creating awareness of products and services		
	Frequency	Percentage (%) of Respondents		Frequency	Percentage (%) of Respondents
Yes	273	91	Posters	78	26
			Word of Mouth	100	33
			Circulars	0	0
			Internal Memo	0	0
			Telephone	123	41
No	28	9	No vision statement	0	0

4.4.2 SMEs Business Plan

As evident from table 4.3, all the SMEs under study had a business plan. This showed that the business managers had a formal way of doing their business. At least this means that those who opened the SMEs had some formal education on the steps involved in the operations of SMEs.

Table 4.3: SMEs business plan

Business Plan Period and period of operation			Frequency using plan and Strategic management practices		
Period of operation	Frequency	Percentage (%) of Respondents		No. of respondents	Percentage (%) of Respondents
Above 5 years	14	5	Very frequent	12	35
5 years	58	19	Frequent	87	33
3 years	134	45	Occasionally	104	29
1 year	95	32	Never	98	4
Total	**301**	**100**		**301**	**100**

From the study, it was observed that 4% of businesses that operated for one year never used the strategic management practice, 29% of the SMES operated for 3 years occasionally used the business plans, 33% of the SMEs operated for 5 years frequently used business plans and 35% of the respondents above 5 years very frequently used business plans. The number of SMEs using business plans increased with the increase in number of years since they were able to learn the best practices from other business to grow theirs. From the results, most of the businesses operated between one and three years.This concurs with Auka (2016),Koech (2011), which asserted that businesses that do not use business plans from the beginning fail within few years of operation.
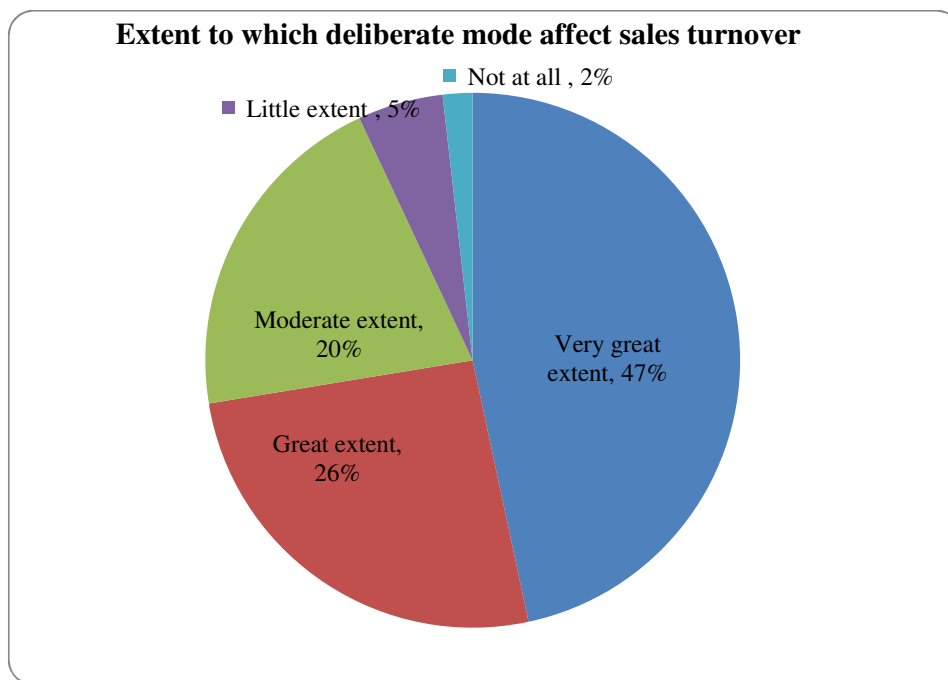
Figure 4.2: Extent to which deliberate mode affect sales turn over

4.4.3 Deliberate Strategy Modes on Performance of Small and Medium Enterprises

In the questionnaires, the deliberate practices by the top managers that were applicable to the SMEs were listed and the respondents asked to tick the ones that are used most in their SMEs. Among the ones listed is stock taking decisions, giving leave to employees, developing possible solutions to challenges experienced in the business and receiving constant feedback from the customers. 32% of the respondents said receiving constant feedback from the customers was the most frequent practice in the SMEs as most managers use this practice to improve on their businesses.Most of the feedbacks received

from these practice give good suggestions for improving the performance of the SMEs. Of essence here is how keen the management takes the feedback and the attitude toward the feedback given. Developing possible solutions from the feedback given shows how serious the top management takes the customers they serve. 33% of the respondents agreed that developing possible solutions as a deliberate mode implementable makes the SMEs increase their sales turnover. Of the respondents, 32% said receiving constant feedback was the deliberate mode used, receiving constant feedback encouraged constant improvements in their delivery strategies hence increase in performance. 15% said they used stock taking strategy and 20% said giving leave to employees was their top management deliberate mode. This is a process of its kind since many of these solutions are necessitated by the problems experienced by customers. If taken up by management, they are key in developing business practices used to improve the business turnover. This is in agreement with Njoroge (2015) whose study revealed that integrative management style comprising of transitional and transactional each had a significant effect on organizational performance.

Figure 4.3: Deliberate Mode Practices

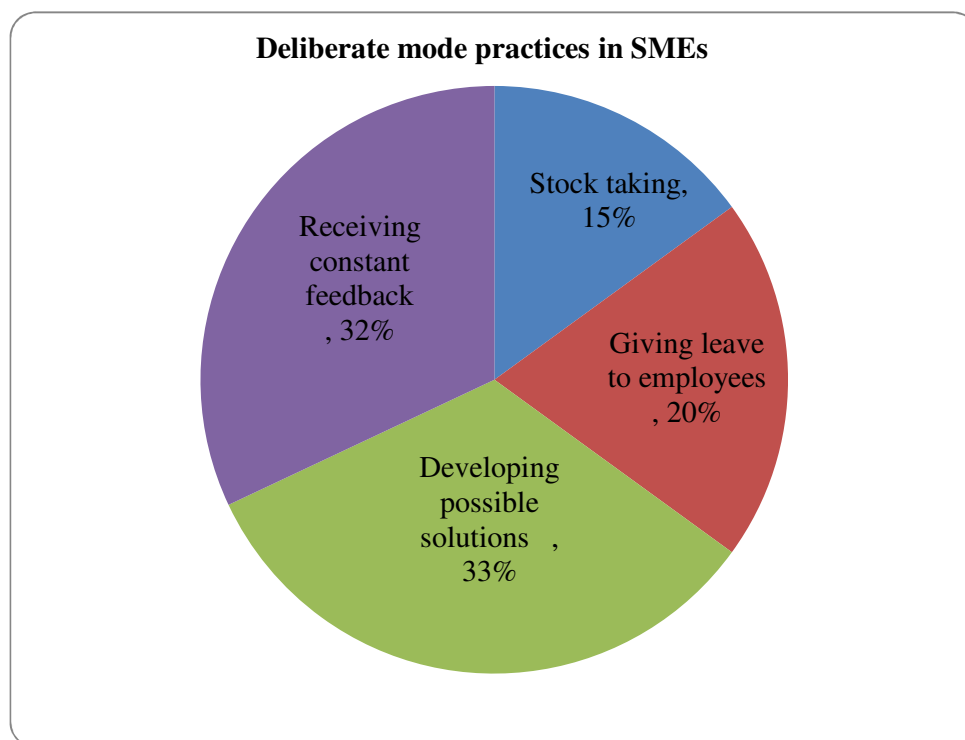The respondents did not list deliberate practices they use . This was because they used the methods listed in the quetionaires on comparison on how deliberate mode affect the sales turnover.

4.4.4 Emergent Strategy Mode and Performance of Small and Medium Enterprises

The influence of emergent mode in SMES performance was studied and the respondents were asked if the emergent modes affect the performance (sales) of SMEs most of the respondents said it affects their business, but the extent varied. This showed that these strategies are important in the performance of the businesses in Machakos town, Of the respondents, 47% said the emergent mode strategies affect the SMEs to a very great extent, 31% said it is to a great extent, 20% said it affects the SMEs moderately and only 2% said they are not affected by these emergent mode strategies. This result is as shown in figure 4.4below.

Extent to which emergent mode affect SMEs

- Not at all , 2%
- Moderate extent, 20%
- Very great extent, 47%
- Great extent, 31%
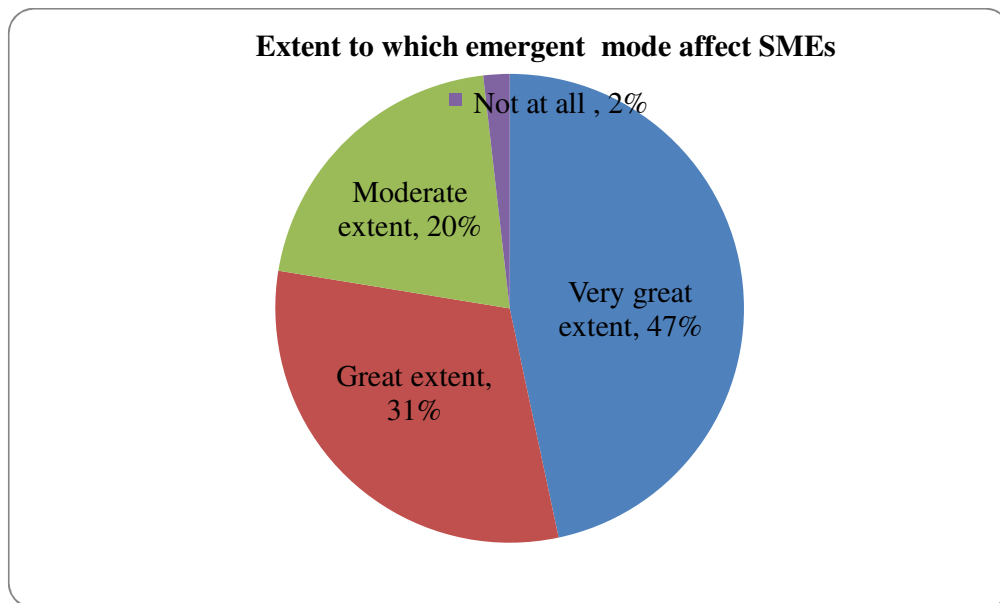
Figure 4.4: Extent to which Emergent Mode Affects SMEs

The various emergent practices that were used in these SMEs had an effect on the overall sales turnover of these SMEs It was evident that the practices confirm to studies that improvements in business technologies was the most widely used emergent mode practices which was embraced by 35% of the respondents, 28% used change in tools and equipment, 22% used response to change after external factors as an emergent strategy

while 15% used laying off staff. These practices were important in the performance of these SMEs because they had a positive effect on performance in sales.This study findings concurs with Sakwa J.D (2010) who investigated effect of strategic management practices on performance of corporate social responsibility of parastatals in Kenya.-

Emergent mode practices
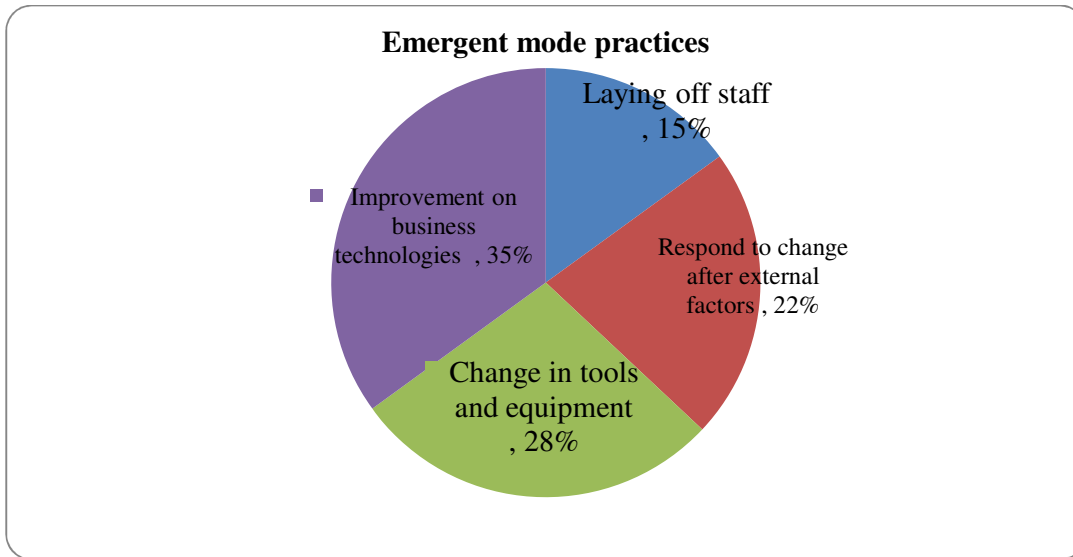
Figure 4.5: Emergent mode practices in SMEs

4.4.5 Influence of Reactive Strategy Mode on Performance of Small and Medium Enterprises

The influence of reactive mode in SMES performance was studied and the respondents were asked if the reactive modes affect the performance (sales) of SMEs most of the respondents said it affects their business, but the extent varied. This showed that these strategies are important in the performance of the businesses in Machakos town. Of the respondents, 46% said the reactive mode strategies affect the SMEs to a very great extent, 32% said it is to a great extent, 19% said it affects the SMEs moderately and only 3% said they are not affected by these reactive mode strategies. This result is as shown in fig. 4.6 below.
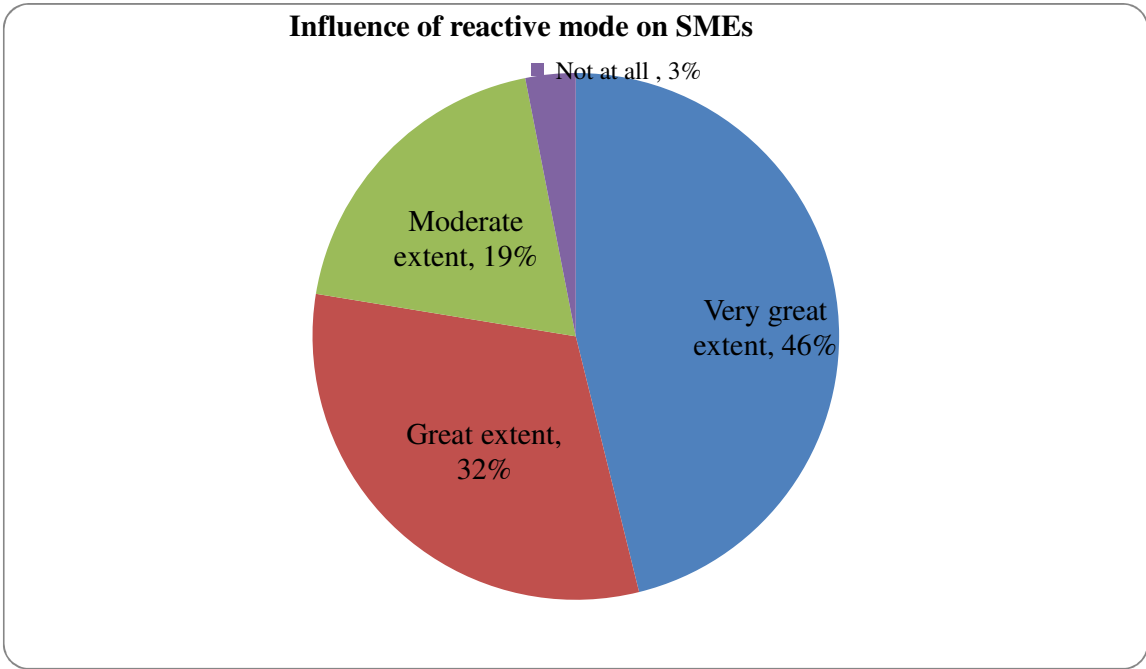
Figure 4.6: Influence of Reactive Modes Strategy on Performance of SMEs

In this study the various reactive mode practices that were used had an effect on the overall sales turnover of these SMEs. It was evident that the practices confirm to studies that use of the reactive mode practices and improvements in business strategies and technologies have a bearing on the performance of these SMEs. Adjusting the course of action in SMEs is the most used practice 36% of the respondents agreed to this.25% said reflecting on gathered data improved the performance of the SMEs and 21% said gathering data during action increased performance of the SMEs. While only 18% said being ready to learn on activities in the SMEs it was observed that with all these practices the SMEs which embraced only reactive and never combined with either deliberate or emergent modes registered the least performance. This is supported by Birgers and Rurdiger (2012) who asserted firms can rely on alternative safeguard strategy mechanism to reduce uncertainity.

.

Influence of reative mode practices of sales turnover of SMEs

- Ready to learn on activities , 18%
- Gather data during action , 21%
- Reflect on gathered data , 25%
- Adjust course of action, 36%
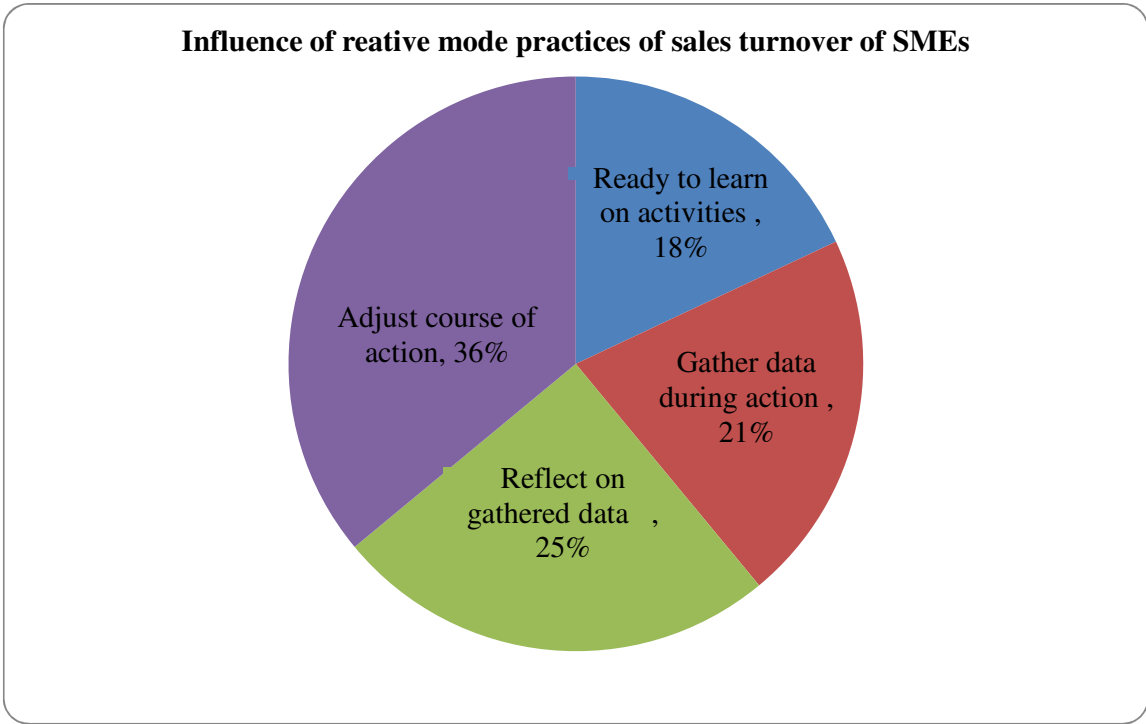
Figure 4.7: Reactive mode practices and improvements in business strategies

4.5 Inferential Statistics

The study sought to determine the extent to which the application of either deliberate mode strategy, emergent strategy mode or reactive mode strategy influence performance of SMEs in Machakos. Performance was expressed as the average relative change in the annual sales. For the extent of strategy use, the respondents were presented with four practices in each strategy mode and were asked to select the practices applicable in their businesses. If one selected less than three of the options, it indicated low application of the strategy mode and was coded as one (1). However, if one selected three or more of the practices, it indicated high use of that particular strategy mode and was coded as two (2). These presented two categories used to test if there is statistically significant difference between the groups.

4.5.1 Tests of Assumptions

4.5.1.1Independence of Observations

Since each case was categorized as either low or high application of the strategy mode with three (3) being the cutoff, there was no overlap and hence the units presented independent observations.

4.5.1.2 Normality

Table 4.4 shows that the p-value for Shapiro-Wilk test is $p < 0.05$, hence we fail to reject the null hypothesis that the two classes do not come from normally distributed population and conclude that the data come from a non-normally distributed population. Since, assumption for normality was not met, Mann Whitney test (non-parametric) was recommended instead of t-test (parametric).

Table4.4 Normality Tests

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Average.Change.in.Sales	.281	301	.000	.832	301	.000
a. Lilliefors Significance Correction						

4.5.1.3 Homogeneity

Table 4.5 indicates that the Levene's test was significant ($p<0.05$), meaning that the null hypothesis of equal variances was not supported. This violates the assumption of equality of error variances in the dependent variable. Since, test for homogeneity was not met, Mann Whitney test (non-parametric) was recommended instead of t-test (parametric).

Table 4.5 Levene's test of Equality of Error Variance

Dependent Variable: Average.Change.in.Sales			
F	df1	df2	Sig.
172.738	1	299	.000
Tests the null hypothesis that the error variance of the dependent variable is equal across groups.			
a. Design: Intercept + Gender			

4.5.2 Deliberate Mode Strategy and Firm Performance

The first study objective sought to establish the influence of deliberate strategy modes on performance of SMEs in Machakos town. The null hypothesis of the study was that the mean performance of low and high adoption of deliberate strategy mode are equal while the alternative hypothesis was that the the mean performance of low and high adoption of deliberate strategy mode are not equal. The hypotheis are expressed as follows.

Test for Hypothesis 1

H_{o1}:   the mean performance of low and high application of deliberate strategy
mode are equal

H_{o1}: $\alpha_1 = \alpha_2$

H_a: the mean performance of low and high application of deliberate strategy
mode are not equal

H_a: $\alpha_1 \neq \alpha_2$

The Mann-Whitney U test was used to compare the two performance levels to assess whether their mean ranks differ. Since the study used an ordinal scale and did not meet the assumption for normality, Mann-Whitney U test was the most applicable as an alternative to paired Student's t-test.

Table 4.6 shows that performance mean ranking for low users of deliberate strategy mode was nearly half (89.97) of high users of deliberate strategy mode (190.35). Meaning that the more SMEs apply deliberate strategy mode, the more likely the performance of the firm will be enhanced.

Table 4.6 Ranks

	DSM	N	Mean Rank	Sum of Ranks
AverageChangeinSales	1.00	118	89.97	10617.00
	2.00	183	190.35	34834.00
	Total	301		

Hypothesis testing:

P value was used in hypothesis testing to help support or reject the null hypothesis. At 95% level of confidence, an alpha level of 0.05 was set as the critical p-value for hypothesis testing. Therefore, p- values ≤ 0.05 were considered too small for the results to be random (i.e. happened by chance). That is, less than 5% probability that the results could be completely random and not due to anything else. However, large p-values (> 0.05) meant the results have high (>5%) probability of being completely random. Hence, for small p-value (≤ 0.05), we reject the null hypothesis. Meaning there is strong evidence that the null hypothesis is invalid. On the other side, a large p-value (>0.05) meant that the alternative hypothesis is weak, so we fail to reject the null hypothesis.

From Table 4.7, the p-value for Mann-Whitney tests statistics is < 0.05. Thus, we reject the null hypothesis (H_o) that the mean performance of low and high application of

deliberate strategy mode are equal. We then conclude that there is sufficient evidence that mean performance difference between the low and high application of deliberate strategy mode is statistically significant. We thus conclude that higher use of determinant strategy mode practices results in statistically significant positively influence on SME performance (p<0.05). Meaning that the more SMEs in Machakos adopt deliberate strategy practices, the more likely that they will perform better than those firms with low adoption of deliberate strategy practices.

Table4.7 Test statistics

	Average Change in Sales
Mann-Whitney U	3596.000
Wilcoxon W	10617.000
Z	-9.972
Asymp. Sig. (2-tailed)	.000
Exact Sig. (2-tailed)	.000
Exact Sig. (1-tailed)	.000
Point Probability	.000
a. Grouping Variable: DM	

4.5.3 Emergent Strategy Mode and Performance

The second study objective sought to establish determine the influence of emergent strategy modes on performance of SMEs in Machakos town. The null hypothesis of the study was that the mean performance of low and high adoption of emergent strategy mode are equal while the alternative hypothesis was that the the mean performance of low and high adoption of emergent strategy mode are not equal. The hypotheis are expressed as follows.

Test for Hypothesis 2

H_{o2}: the mean performance of low and high application of emergent strategy mode are equal

H_{o2}: $\alpha_1 = \alpha_2$

H_a: the mean performance of low and high application of emergent strategy mode are not equal

H_a: $\alpha_1 \neq \alpha_2$

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The Mann-Whitney U test was used to compare the two performance levels to assess whether their mean ranks differ. Table 4.8 shows that performance mean ranking for low users of emergent strategy mode is nearly six times (28.5) of high users of emergent strategy mode (179.00). Meaning that the more SMEs apply emergent strategy mode, the more likely the performance of the firm will be enhanced.

Table 4.8 Ranks

	ESM	N	Mean Rank	Sum of Ranks
Average Change in Sales	1.00	56	28.50	1596.00
	2.00	245	179.00	43855.00
	Total	301		

Hypothesis testing:

P value was used in hypothesis testing to help support or reject the null hypothesis. At 95% level of confidence, an alpha level of 0.05 was set as the critical p-value for hypothesis testing. Therefore, p- values ≤ 0.05 were considered too small for the results to be random (i.e. happened by chance). That is, less than 5% probability that the results could be completely random and not due to anything else. However, large p-values (> 0.05) meant the results have high (>5%) probability of being completely random. Hence, for small p-value (≤ 0.05), we reject the null hypothesis. Meaning there is strong evidence that the null hypothesis is invalid. On the other side, a large p-value (>0.05) meant that the alternative hypothesis is weak, so we fail to reject the null hypothesis.

From Table 4.9 the p-value for Mann-Whitney tests statistics is < 0.05. Thus, we reject the null hypothesis (H_o) that the mean performance of low and high application of emergent strategy mode are equal. We then conclude that there is sufficient evidence that mean performance difference between the low and high application of emergent strategy mode is statistically significant.Thus higher use of emergent strategy mode practices results in statistically significant positively influence on SME performance (p<0.05). Meaning that the more SMEs in Machakos adopt emergent strategy practices, the more likely that they will perform better than those firms with low adoption of emergent strategy practices.

Table 4.9 Test statistics

	Average Change in Sales
Mann-Whitney U	.000
Wilcoxon W	1596.000
Z	-11.918
Asymp. Sig. (2-tailed)	.000
Exact Sig. (2-tailed)	.000
Exact Sig. (1-tailed)	.000
Point Probability	.000
a. Grouping Variable: EM	

4.5.4 Reactive Strategy Mode and performance

The third study objective sought to determine the influence of the reactive strategy mode on performance of SMEs in Machakos town. The null hypothesis of the study was that the mean performance of low and high adoption of reactive strategy mode are equal while the alternative hypothesis was that the the mean performance of low and high adoption of reactive strategy mode are not equal. The hypotheis are expressed as follows.

Test for Hypothesis 3

H_{o3}:   the mean performance of low and high application of reactive strategy mode are equal

$$H_{o3}: \alpha_1 = \alpha_2$$

H_a: the mean performance of low and high application of reactive strategy mode are not equal

$$H_a: \alpha_1 \neq \alpha_2$$

The Mann-Whitney U test was used to compare the two performance levels to assess whether their mean ranks differ. Table 4.10 shows that performance mean ranking for low users of reactive strategy mode is higher (210.00) than that of high users of reactive strategy mode (134.11). Meaning that the more SMEs apply reactive strategy mode, the more likely the performance of the firm will be effected negatively.

Table 4.10 Ranks

	RSM	N	Mean Rank	Sum of Ranks
Average Change in Sales	1.00	67	210.00	14070.00
	2.00	234	134.11	31381.00
	Total	301		

Hypothesis testing:

P value was used in hypothesis testing to help support or reject the null hypothesis. At 95% level of confidence, an alpha level of 0.05 was set as the critical p-value for hypothesis testing. Therefore, p- values ≤ 0.05 were considered too small for the results to be random (i.e. happened by chance). That is, less than 5% probability that the results could be completely random and not due to anything else. However, large p-values (> 0.05) meant the results have high (>5%) probability of being completely random. Hence, for small p-value (≤ 0.05), we reject the null hypothesis. Meaning there is strong evidence that the null hypothesis is invalid. On the other side, a large p-value (>0.05) meant that the alternative hypothesis is weak, so we fail to reject the null hypothesis.

From Table 4.11 the p-value for Mann-Whitney tests statistics is < 0.05. Thus, we reject the null hypothesis (H_o) that the mean performance of low and high application of reactive strategy mode are equal. We then conclude that there is sufficient evidence that mean performance difference between the low and high application of reactive strategy mode is statistically insignificant. We thus conclude that higher use of reactive strategy mode practices results in statistically significant lower performance p -value(>0.05) of SMEs in Machakos. Meaning that the more SMEs in Machakos adopt reactive strategy practices, the more likely that they will not perform better than those firms with low adoption of reactive strategy practices.

Table 4.11 Test statistics

	Average.Change.in.Sales
Mann-Whitney U	3886.000
Wilcoxon W	31381.000
Z	-6.425
Asymp. Sig. (2-tailed)	.000
Exact Sig. (2-tailed)	.000
Exact Sig. (1-tailed)	.000
Point Probability	.000
a. Grouping Variable: RSM	

4.6 DISCUSION

The study sought to establish the effect of the extent of use of deliberate, emergent and reactive strategy modes on performance of SMEs in Machakos. The strategy mode was classified into two categories of high and low use. Dependent variable was measured as average change in sales volumes. Since the dependent variable failed to meet the assumptions of normality and homogeneity, non-parametric test (Mann Whitney test) was used to investigate whether SME performance was influenced by the level of use of the strategy practices. The test results indicated that there is sufficient evidence to show that SMEs which applies higher numbers of deliberate and emergent strategy practices tend to have higher performance ranking (Table4.6).Thus we conclude that deliberate and emergent strategy practices positively influence performance of SMEs in Machakos.Conversely, the test results indicated that there is sufficient evidence to show that SMEs which applies higher numbers of reactive strategy practices tend to have lower performance ranking(Table 4.10). Thus we conclude that reactive strategy practices negatively influence performance of SMEs in Machakos Town.Overall, use of deliberate and emergent strategy practices leads to better results while use of too much reactive strategy mode affects SMEs performance negatively.

4.6.1 Deliberate Strategy Mode on Performance of SMEs.

From the study, it was found out that deliberate mode when conceived by the top managers with rationality affects the sales performance of the SMEs. The study results indicate that giving constant feedback was one of the most commonly used practice in SMEs in Machakos Town ,with most of the feedbacks suggesting possible solutions of what ought to be done to improve SME performance.It was noted that only2% was not affected and a great percentage 98% being affected (figure 4.3). In this study the researcher listed deliberate practices applicable stock-taking decision, giving leave to employees developing possible decisions, solutions to challenges in business as well as receiving feedback constantly from customers . Improvement in the sales turnover remains in the hands of the management and the attitude towards the employees is critical in the performance of the SMEs. Moreover, based on the study findings, the impact of strategic management modes on performance of SMEs in Machakos Town has been demonstrated by the empirical data from SMEs in Machakos town. The data analysis showed that deliberate strategy whenever used had positive influence on performance   (table4.7) nevertheless not many SMEs embraced the strategy. The study asserted that management strategy is relevant to survival and higher performance of SMEs,further findings of the

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study established a significant positive correlation between a strategic management model and performance of SMEs in Machakos town.The findings of this study also reinforce the establishment by Nakola(2015) in Nigeria which observed that strategic management practices enhance both organizational performance and market share consistent with results of Oppong (2014) and Carter et.al(1997 et.al(1997).

4.6.2 Emergent Strategy Mode on Performance of SMEs

Emergent strategy mode too greatly influenced the performance of SMEs in Machakos town since various emergent modes that were used had an overall effect on the sales turnover.In this study the improvements in technologies were the most widely used emergent mode which was 35%,followed by change in tools and equipments 28%,responding to change after external factors as an emergent strategy while 15% used laying off staff (Figure4.5). The researcher observed that the respondents did not indicate in the space provided any other emergent mode besides the ones listed in the questionnaire which may be in use this explained they were using the modes in the questionnaire.These practices were important in the performance of these SMEs but may lead to extra costs and even psychological effects especially to the laid off staff.The study results are in agreement with Sakwa (2010) which had sought to establish the effect of strategic management practices on performance of corporate social responsibility of state parastatals in Kenya.The study also concurs with observation by Mintzberg and Waters (1985).

4.6.3 Reactive Strategy Mode on Performance of SMEs

The study results indicated that SMEs in Machakos Town used three strategic management modes but observed that the reactive strategy mode was relied on more than the other two deliberate and emergent strategies. Reactive had a hand on the sales returns in SMEs in Machakos town. Most of the respondents were affected but to varied extent 45% were affected to a very great extent 32% great extent 19% moderately and only 3% were not affected (figure 4.6).The SME managers acknowledged to have been adjusting course of action as the most commonly used practice being with36% of respondents, 25% reflected on gathered data 21% said gathering data during action19% ready to learn as the business is in progress (Figure 4.7). The study findings had a bearing on how the SMEs performed in overall,its important to note that the SMEs which embraced reactive strategy had the least performance(sales) unlike those that employed either deliberate,emergent or combinedthe two.This strategy requires financing which may not have been foreseen at

the start and apparently most SMEs under study were in this strategic management.The owner/managers are expected to have finance for facilitation whenever necessary otherwise many of the businesses stagnate or collapse. This assertion is in agreement with Kamunge(2014) and Agwau(2014).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives summary of the results obtained from the study draws conclusion, from the findings and recommendations for further research policy and practice.The study aimed at establishing the influence of strategic management modes on performance of small and medium enterprises in Machakos Town,Kenya based on three modes of strategic management through descriptive and inferential research techniques. Strategic management modes are important in finding the performance of SMEs thereby making significant contribution to the economic growth of Machakos town. In this study, influence of strategic management modes on performance of SMEs in Machakos town, Kenya was found to be enormous and its importance cannot be over emphasized since it can be readily depicted in this sector. This study confirms the information in literature on the development of SMEs in the country.

5.2 Summary

5.2.1 Influence of Deliberate Mode on Performance of SMEs in Machakos town.

The data analysis showed that deliberate strategy whenever used had a significant positive influence on performance (sales) $p<0.05$ (table 4.6).A greater percentage 98% of the respondents shored a positive influence from this strategy (figure 4.2). The study results indicated that deliberate strategies had a positivecontribution to the performance of SMEs followed by the emergent strategy and least in ranking is the reactive strategies.It was noted that they were awarethat deliberate strategic managementwas very vital to them as the SMEs which employed the strategy registered higher returns only that they had challenges in implementing, hence only few medium enterprises embracing it.

The study pointed out that it is unavoidable to think ahead as some adaptations en route to a realized strategy. Further analysis brought out the fact that wide-ranging plans are deliberate but the details are allowed to emerge along the way as challenges emerge and need instant reaction thus SMEs which combined deliberate and emergent registered better performance than those embraced only reactive strategy. The study also observed that there was no significant difference in the sales turnover between the SMEs operated by females and the ones operated by males. The owners of the businesses shouldn't get worried on who to employ in their businesses as there is no relationship between the sales

turnover and the gender of the people operating the business.The result in this study concur with the findings of Mintzberg and Waters (1985) and Auka (2016)

5.2.2 Influence of Emergent Mode on Performance of SMEs in Machakos Town

The study showed that emergent just like deliberate mode affects performance in SMEs in Machakos town the extent to which it affects their business is where they differ .The data analysis showed a sufficient evidence that mean performance difference between the low and high application of emergent strategy mode is statistically significant(Table4.9)Thus higher use of emergent strategy mode practices results in statistically significant positive influence on SME performance p<0.05 (Table 4.8).The study indicated that emergent mode was the most widely embraced as compared to deliberate and reactive modes.The emergent strategic management practices in their operations included ready to learn on activities, gather data during action, reflect on gathered data, and adjust course of action whenever need arises.((Figure 4.5) Interestingly respondents indicated that most of the emergent practiced employed positively impacted on performance of which practiced laying off staff resulted in very negative impact on performance.embracing another strategy like deliberate strategy alongside emergent could be a brilliant idea. The study confirms the findings of Bunyasi (2014).

5.2.3 Influence of Reactive Mode on Performance of SMEs in MachakosTown

This study sought to know the various ways reactive modes are critical in performance of the SMEs.There was sufficient evidence that mean performance difference between the low and high application of reactive strategy mode is statistically significant. We thus conclude that higher use of reactive strategy mode practices results in statistically significant lower performance of SMEs in Machakos Town (Table 4.10). SMEs using reactive strategic management modes showed insignificant performances (p>0.05). The study found out that most of them had one year plan and once they realized not succeeding, would change to whatwas not their initial plan. This is an indication that there is need to have formal strategic management so as to improve performance of SMEs and ensure continuity of the businesses. It was also noted from the study that most of SMEs that operated using a business plan decreased with number of years and the business was operated with majority of them lying between one and three years (Table 4.3). This is because most of the SMEs don't survive past three years.It was evident that the practices confirm to studies that use of reactive mode practices and improvement in business strategies and technologies have a bearing in the performance of these SMEs. The study

alsoindicated that the SMEs that embraced reactive strategy used it along side deliberate or emergent strategy mode. These findings were confirmed by the study by Agwu (2014).

5.3 Conclusion

The study sought to determine the influence of strategic management modes on performance considering which one a business selected .This creates a win situation where the customer is happy as well as the owners of the SMEs are happy.Most firms in the SME sector are affected by these management modes. This study showed that reactive strategic management modes are used in cases where some errors are detected and need to be corrected. This research showed that a number of SMEs die within the first three years which was almost of third of SME population. The study also established that the SMEs performance in Machakos is affected by strategic management. The study showed the most ideal strategy to use is deliberate strategy but the Machakos SMEs were not able to embrace it as it is with large enterprises. This is as a result of the SMEs not using any formal strategic management whereas the rest viewed it as having extra expenses which they could wish to avoid.

This study has pointed out that the SMEs in Machakos town use three strategic managements with majority of the SMEs using informal (emergent,reactive) thantheformal (deliberate) and because of the nature of strategies which are not pre-planned most of them particularly those engaging in reactive strategies stagnate and die in the process, few cases succeeded mostly those which embraced a deliberate strategy combined with either emergent or reactive.The study concluded that Strategic Management Practices influence the performance of Small and Medium Enterprises in Machakos .As the study has shown the combination of either Deliberate with emergent or deliberate with reactive in responding with strategic issue will lead to less stagnation and mortality rates of SMEs.The study also revealed engaging in pure reactive strategic management yields poor performance and therefore be embraced solely but used alongside deliberate and emergent for eventual improvement and growth in SME performance.

5.4 Recommendations

From the research that was carried out, the study recommends the SME managers be advised to embrace deliberate and emergent strategies as opposed to pure reactive strategies in their management so as register improved growth and performance . As the study reaveled SMEs which had acombination of either deliberate or emergent instance

registererd high performance .The also study recommends that there is need to have owners/managers of the small and medium enterprises undertake basic business and management skills training. Training the senior managers will have an opportunity to learn strategic issue management skills like which comes handy when unforeseen events arise for they will react appropriately. The training would be of essence for they would also learn strategy management tips so as to improve SMEs performance.strategic training would also facilitate in swapping of strategies successfully in situations when one, fails to work otherwise most SMEs in Machakos will continue to stagnate and close within the first three years of practiceas noted in the study.

There should be deliberate attempt for SME entrepreneurs /managers to engage business experts to draw business plans, vision statement for their prospective businesses and guide on how best they can be proactive so avoid being reactive because as reflectedfrom the study in the absence of these meant fire- fighting ,stagnation winding up businesses once the new strategy fails. The study indicated the SMEs which had vision statement a business plan are those which embraced deliberate strategy, in that kind of management model they frequently embraced the strategic management,further still the managers should as much as possible in transferring of information,communication of vision,mission and implemention involve employees ,for this will make them party hence easy to own it.The study found out that some SMEs have informal ways to employ the strategic management ,such entrepreneurs should be encouraged to interract with other successful businessmen by networking thus will be aspire to adopt strategies and incorporatein their business and can help to grow their business which could without twhich could stagnated and eventually died. There is need to find efficient and effective supply chain strategies as they transition from one strategic mode to another to avoid stagnation in the process. This will also ensure SMEs remain in operation longer and reduce mortality rates so as to have improvement in performance of the SMEs .

5.5 Areas of Further Research

On the basis of this study research on strategic management modes in Kenya is still at minimal and therefore the following areas of research are recommended for the study so as to enrich the demand for required materials and reference guides to improve on SMEs performance. Based on the research recommendations and the research conclusion, the following areas of further research were noted;The study explored influence of strategic management on performance of SMEs in Machakos Town so this is a reflection of

Machakos town, further research can be done on the whole county to be able to draw comparison between different towns to ascertain the relationship between strategic management and how it influences performance of SMEs.The study focused on only the strategic management how it influences performance however ,there are other aspects that influence performance which may be valuable for further studies.Further Research could be carried to determine the strategic management modes adopted by the large scale enterprises that prospered in the respective industry.

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APPENDICES

APPENDIX I: LETTER

Dear respondent all information given in this questionnaire will be kept in strict confidence.

SECTION A: BIODATA AND GENERAL QUESTIONS

1. Indicate your gender

      Male ( )   Female ( )

2. Indicate by ticketing your age bracket.

        18 – 24 years   ( )

        25 – 29 years   ( )

        30 – 34 years   ( )

        40 – 44 years   ( )

        50 and above   ( )

3. Does the SME have a vision statement? Tick appropriately.

      Yes ( )   No ( )

4. How is the vision statement communicated and creating awareness of goods and

   services across the SME?

      (a) Posters ( ) (b) Word of mouth ( ) (c) Circulars ( ) (d) Internal memo ( )

      (e) Telephone (   )

5. Does the business have a plan? How long are the planning periods?

      (a) One year ( ) (b) 3 years   ( ) (c) 5 years   ( ) (d) 5 years and above ( )

6. How frequently are the strategic practices embraced in your SME?

      (a)very   ( )(b)frequently   ( )   (c) occasionally   ( ) (d) rarely ( )

      (e) never   ( )

7. How many years has your business been in operation? ……………..........

8. In which sector(s) does this business operate in?…………………………

9. Where does your business sell its products/services?

10. Do you intent to further invest in any of the above mentioned items?…………

11. How many employees are engaged in the business?…………………..

12. What are your annual sales?

Years	Annual Sales KSHS '000'				
	100-200	200-500	500-1000	1000-2000	Above 2000
2012					
2013					
2014					
2015					
2016					
2017					

SECTION B:INFLUENCE OFDELIBERATE MODE ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MACHAKOS TOWN, KENYA

1). Does deliberate mode (this is strategy conceived by the top management with limited rationality) affects the performance (sales) of your business?

Yes   ( )   No   (   )

2).To what extent do deliberate mode practices affect the performance (sales) of your business?

a).Very great ( )   b). Great ( )   c).Moderate   ( ) d).Little   ( ) e). Not at all   ( )

3). Among the following deliberate practices tick the ones applicable in your business

• Stock taking   ( )

• Giving leave to employees   ( )

• Developing possible solutions ( )

• Receiving constant feedback   ( )

4). Please indicate any other strategic deliberate practices which aren't listed above.

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……………………………………………………………………………………………..

SECTION C: INFLUENCE OF EMERGENT MODE ON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MACHAKOS TOWN, KENYA

1. Does strategy emergent mode (this is a set of consistent actions that form an intended pattern that was not initially anticipated or intended in the initial planning phase) process affect the performance (sales) of your business?

    Yes ( )   No ( )

If yes explain …………………………………………………..............

2. To what extent do the consistent unanticipated actions/practices affect the performance (sales) of your business?

    a).Very great ( ) b). Great ( ) c).Moderate ( ) d).Little ( ) e). Not at all ( )

3. Among the following emergent practices tick the ones applicable in your business

    • Laying off staff   ( )

    • Respond to change after external factors   ( )

    • Change in tools and equipment   ( )

    • Improvement on business technologies   ( )

4. Please indicate any other emergent strategic mode in your business which are not listed above …………………………………………………………………..

SECTION D: INFLUENCE OF REACTIVE MODEON PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MACHAKOS TOWN, KENYA

1. Does strategy reactive practice (unintended activities by management due to external pressures from the environment which are later adopted as strategy if found to be effective) affect business performance (sales).

    Yes ( )   No ( )

2. To what extent does strategy reactive mode affects the performance (sales) of your business?

a).Very great ( ) b). Great ( ) c).Moderate   (   ) d).Little   ( ) e). Not at all   ( )

3. Among the following reactive practices tick the ones applicable in your business

- Ready to learn on activities   (   )

- Gather data during action   (   )

- Reflect on gathered data   (   )

- Adjust course of action   (   )

4. Please indicate any other strategic reactive practice which are not listed above

……………………………………………………………………………………..

THANK YOU FOR YOUR CO-OPERATION