

Influence Of Human Resources On The Strategic Plan Development Among Smes In Machakos Town

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Abstract

The purpose of this study was to establish the influence of human resource development on the strategic plan development among SMEs in Machakos Town in Kenya. Statement problem of this study evolved on the fact that SMEs have suffered in one way or the other from lack of or poorly developed strategic plans and are well aware of the negative impact. Past and previous studies were reviewed with the aim of identifying research gap and endeavored to fill the knowledge through this current study. This study was achieved by employing descriptive survey design on a sample of SMEs in Machakos for representativeness. Using questionnaire, document analysis and interview guide on selected participants from a population of the SMEs, research data was collected using questionnaires and interviews guides. Automatic inclusion and purposive sampling were employed sampling all respondents at the selected SME firms in Machakos Town. The data was analyzed descriptively with the use of analyzing techniques like inferential statistics among others of the SPSS and findings presented through tables and percentages. The conclusions evolved recommendations which included: training employees on strategic plan development and initiating motivation schemes to encourage employees to participate in strategic plan development.

Keywords: *Human Resources Development, Strategic Plan Development, SMEs & Machakos Town.*

1.0 Introduction

1.1 Background of the Study

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

Kenyan SMEs' strategic planning is guided by the organization's value system, or culture, which is manifested not only in the organization's mission statement, policies, and strategic goals, but also in the behavior of top management and other key managers in the organization. For instance, if a an SME wishes to address issues of service delivery and performance management based on strategy focus, then service delivery must become one of the values of

that an SME and the managers and employees must be seen to live that value in their everyday lives and for this to happen, there needs to be a well thought strategic management system working throughout the institution (Neale, 2004). Strategy researchers, writers and practitioners largely agree that every strategy context is unique. Moreover, they are almost unanimous that it is usually wise for strategists to adopt the strategy process and strategy content to the specific circumstances prevalent in the strategy context (Wit & Meyer, 2001)

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

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

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

1.2 Statement of the Problem

There are many factors that hamper strategic plan development in Kenya. Inadequate resources, unfavorable organizational culture among others are some of the organizational factors that this study will seek to investigate. Scholars in Kenya have undertaken studies on strategic plan in organizations. Among the local studies include Kasimbu (2007) who focused on strategic plan development among Non-Governmental Organizations (NGOs) in Nairobi where the study established that community determines the nature of operations and the quality of products and services offered by NGOs and that sponsors influence on the budget allocation while the government plays a supervisory role and creation of conducive environment for the NGOs to work in. Kisinguh (2006) who laid focus on stakeholders' involvement in the strategic plan development in public organizations in Kenya where the study established that most NGOs never put premium on strategic development. Bariti (2009) whose focus was on management perception of strategic plan development Nature Kenya and

Gekonde (2011) who assessed the role of stakeholders in determining the content of the strategic plan at Nature Kenya where they established that stakeholders never put emphasis on strategic plan development.

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

While studies have availed evidence of strategic plan development in various organizations, the researcher has not come across a study with a specific focus on human resources influence on strategic plan development among SMEs. Hence this study sought to fill the identified research gap by establish the influence of human resources on the strategic plan development among SMEs in Machakos Town.

1.3 Objective of the Study

To find the influence of human resources development on the strategic plan development among SMEs in Machakos Town.

1.4 Research Hypotheses

H₀: There is no significant relationship between human resource development and strategic plan development among SMEs in Machakos Town.

2.0 Literature Review

2.1 Theoretical Framework

2.1.1 Strategy Theory

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

The role of strategy is to ensure that the pursuit, protection, or advancement of these interests which are achieved through the application of the instruments of power to specific objectives to create strategic effects in favor of the interest based on policy guidance is accomplished in a coherent and optimal manner. Strategy is fundamentally about choices; it reflects a preference for a future state or condition and determines how best to get there. In doing so, strategy confronts adversaries, allies, and other actors; and it addresses resource and organizational

issues; even then some factors simply will remain beyond control or maybe unforeseen (Donald, 2005). Rational choice, chance and probability, irrational actors, allies, and competitors are all part of the strategic paradigm. Strategy is inherently comprehensive; its foremost purpose is to favorably influence the complex and volatile strategic environment by providing direction for the judicious application of power toward achievement of policy-driven objectives.

2.1.2 Institutional Theory

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

2.2 Empirical Review

2.2.1 Strategic Plan Development Process

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

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

2.2.2 Strategic Plan Development

Hrebiniak (2005) recognized the difficulty of strategy execution and the reward from doing that correctly. He discussed various factors that can lead to incorrect development of any strategy similar to those already discussed in the above literature discussion. Additionally, Hrebiniak's research survey of 400 managers contributed to the identification of additional factors that may cause obstacles to successful strategic plan development included: Lack

feelings of "ownership" of a strategy or execution plans among key employees; not having guidelines or a model to guide strategy- execution efforts; lack of understanding of the role of organizational structure and design in the execution process; inability to generate "buy-in" or agreement on critical execution steps or actions; lack of incentives or inappropriate incentives to support execution objectives; insufficient financial resources to execute the strategy.

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

Brannen's (2005) study concluded that in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities, and organizational/cultural barriers. Brannen's survey unearthed another significant obstacle to effective strategic plan development namely, "failing to Empower or give people more freedom and authority to execute." Hrebiniak (2005) observations of items on "what's getting in the way of execution" point to "habit and past experience reflects on new strategy" as another factor that could affect strategy development. Bariti (2009) whose focus was on management perception of strategic plan development Nature Kenya and Gekonde (2011) who assessed the role of stakeholders in determining the content of the strategic plan at Nature Kenya where they established that stakeholders never put emphasis on strategic plan development.

2.3 Conceptual Framework

This study conceptualized that the independent variable (influence of human resource) will affect the dependent variable (strategic plan development among SMEs in Kenya). The strategic plan development of the SMEs was evaluated in terms of human resources.

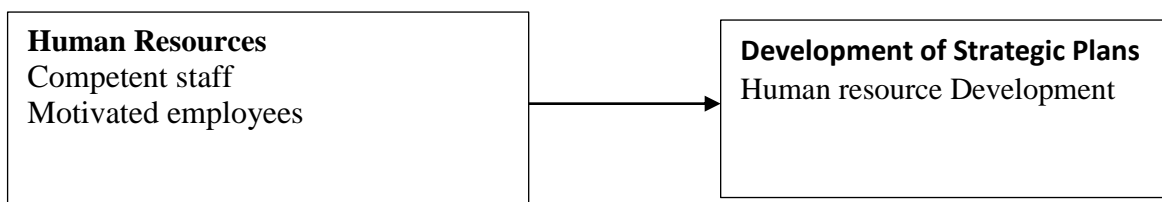


Figure 1: Conceptual Framework

3.0 Research Methodology

Descriptive survey design was employed in carrying out this study to achieve the set objectives. The target population was made of all the SMEs in Machakos Town licensed by the Government of Kenya as at 31st December 2013. The total number of SMEs is 50. These included micro, small and medium enterprises. To determine sample size for respondents, this study used census method where all SMEs were selected for study. This is because the study intended to collect facts as opposed to perception. For primary data collection, instruments like questionnaire, interview guide and document analysis form were used. Some secondary data was obtained from the Machakos county and National government offices. The major tool of data collection for this study was the questionnaire for primary data. A structured interview guide was used on all respondents so as the researcher would be able to reliably aggregate the answers and make comparisons with confidence between the various respondents. The statistics generated was descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the inferential statistics included a simple regression model and Pearson correlation. The simple regression models were used to measure the relationship between the independent variables and the dependent variable that are explained in the model.

4.0 Results and Discussion

4.1 Descriptive Statistics

4.1.1 Human Resource and Strategic Plan Development

This section presents the objective of the study which was to find the influence of human resource on strategic plan development among SMEs in Machakos town. A general question with „Yes“ and No“ options was posed to respondents on whether human resource factor influences strategic plan development in your organization and 88% answered in the affirmative that it does influence while 12% had a divergent view.

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

Table 1: The Influence of Human Resource on Strategic Plan Development

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

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

Descriptive statistics frequencies, mean and standard deviation were used to summarize the study findings as shown on Table 1. From the findings, respondents disagreed that SMEs have competent staff to assist in developing a strategic plan as shown by the mean of 3.84 and standard deviation of 1.201. This represents a variation of 31%. In addition, respondents disagreed that there are motivated employees as represented by mean of 3.64 and a standard

deviation of 1.064 representing a variation of 29%. The implications of these finding are that there is no competent staff and motivated employees to participate in Strategic Plan Development.

These findings are in agreement with Brannen’s (2005) study that concluded that, in order to improve execution certain issues have to be tackled. These include inadequate or unavailable resources, poor communication of the strategy to the organization, ill-defined action plans, ill-defined accountabilities.

4.2 Hypothesis Testing

4.2.1. H0: There is no significant relationship between Human Resource and Strategic Plan development among SMEs in Machakos town.

To further test the influence of human resource on strategic plan development, the data on Table 1 were subjected to ANOVA to test the hypothesis that the there is no significant relationship between human resource and strategic plan development among SMEs in Machakos Town. The ANOVA results are summarized on Table 2.

Table 2: Summary of ANOVA on Human Resource and Strategic Plan Development

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

Note:

df = degrees of freedom

F = Anova

α = level of significance

Fo = calculated value of F

Fc = the critical value of F

α_o = calculate value of α

α_c = the critical value of α .

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

4.3 Correlation Analysis

Further the study applied Pearson's Product Moment technique to establish the relationship and the direction of the relationship between strategic plan development and Human resource development and Strategic Plan Development. The study findings are shown on Table 3.

Table 3: Correlations between Dependent and Independent Variables Correlations

| | | Human Resource | Strategic Plan Development |
|----------------------------|---------------------|----------------|----------------------------|
| Human Resource | Pearson Correlation | 1.000 | .505** |
| | Sig. (2-tailed) | | 0.000 |
| | N | 50 | 49 |
| Strategic Plan Development | Pearson Correlation | .505** | 1.000 |
| | Sig. (2-tailed) | 0.000 | |
| | N | 49 | 49 |

*. Correlation is significant at the 0.05 level (2-tailed).
 **. Correlation is significant at the 0.01 level (2-tailed).

The Table 3 shows that there is a positive relationship between Human resource development and Strategic Plan Development (0.505). This implies that an increase in human resource incompetence will decrease strategic plan development chances in Machakos Town.

4.4 Regression Analysis

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

$$Y = \beta_0 + \beta_1 X_1 + e$$

$$\beta_0 = \text{constant}$$

Where Y = Strategic plan Development

X1 = Human resources

Table 4: Regression Analysis

| Model | Unstandardized Coefficients | Standardized Coefficients | T | Beta | Sig. |
|-------|-----------------------------|---------------------------|-------|-------|------|
| 1 | (Constant) | Std. Error | | | |
| | 1.002 | 1.024 | 0.978 | 9.604 | .000 |

Human Resources 0.303 .054 -.684 -5.572 .000

a. Dependent Variable: Strategic Plan Development

The goodness of fit was tested using the F statistics (F=14.022 and P-value <0.05) this implies at least one of the beta coefficients is not equal to zero therefore there is a significant relationship between the Strategic Plan Development and Human resource development. Results of the study showed that the explanatory power (coefficient of determination) was 0.978 which means that 0.978 of Strategic Plan Development can be explained by human resource.

4.4 Analysis of variance

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

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

Table 5: ANOVA

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

Note:

df = degrees of freedom

F = Anova

α = level of significance

Fo = calculated value of F

Fc = the critical value of F

α_o = calculate value of α

α_c = the critical value of α .

a. Dependent Variable: strategic plan development

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

The accomplishment is through analyzing the variance, which is by partitioning the total variance into the component that is due to true random error and the components that are due to differences between means. The ANOVA analysis is intended to investigate whether the variation in the independent variables explain the observed variance in the outcome – in this study the strategic plan development.

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

5.0 Conclusions

The study concluded that human resource influences strategic plan development and are poorly practiced among SMEs in Machakos town thus strategic plan development is never embraced among these SMEs. Respondents disagreed that SMEs have competent staff and motivated employees to participate in strategic plan development. This implied that there is no human resource competent in strategic plan development among SMEs in Machakos Town. Further tests lead to the rejection of the research hypothesis (H01) that there is no significant relationship between human resource and strategic plan development among SMEs in Machakos town. This was because the F_c was less than the F_o at 2.263 and 7.468 respectively.

6.0 Recommendations

Based on the findings and conclusion of the study, it is recommended that; the government through the ministry of trade and ministry of labor should frequently organize training programs to education the SMEs managers on strategic plan development. The managers should also initiate motivation schemes for their employees in order to encourage them to participate in strategic plan development in their respective SMEs. Finally, the owners of the various SMEs should formulate policies that would promote citizenship behavior and job performance. This should include Job security, empowerment of employees and distribution of leadership while at the same time reducing role stress by providing flexible working environment. The managers should practice participative management and also practice contingency approach to management.

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