

The Influence of Informal Strategic Management Modes on Performance of Small Enterprises in Kisumu County, Kenya

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Abstract: Estimates suggest that more than 95% (125 million) of enterprises across the world are small enterprises, accounting for approximately 60% of private sector employment. In Kenya, the sector created up to 85% (7.5 Million) of the total employed in the year 2012. Despite this significance, studies indicate that 75% of small enterprises fail during their first five years of operation. To this end, scholars and practitioners have encouraged the small enterprises to use formal strategic management modes to leverage their performance, but the small enterprises continue to depict informal strategic management modes, characterized by unstructured decision making processes. It is therefore important to understand the appropriateness of these formal strategic management modes to small enterprises and to clarify whether exposure to informal strategic management modes would lead to better performance of the small enterprises. The purpose of the study was, therefore, to investigate the influence of informal strategic management modes on the performance of small enterprises with specific reference to the beneficiaries of the Youth enterprise Fund in Kisumu County. The specific objective was to determine the different strategic management modes employed by the small enterprises in Kisumu County and to investigate the link between the chosen modes and performance of the enterprises. The study was guided by a conceptual framework, anchored on Mintzberg and Waters' theories on deliberate, emergent and reactive strategic management modes. The accessible population was 242 small enterprises run by the Youth Enterprise Development Fund, out of which 150 youth enterprises and 7 key informants were sampled for the study. Data on the types and choice of strategic management modes employed by the small enterprises was collected using the questionnaire method. The instruments were tested for validity and reliability through content validity index and Cronbach Alpha's internal consistency index respectively. Data on the types of strategic management modes were analyzed using frequencies and weighted means. Pearson's Correlation Coefficient was used to analyze the link between the chosen modes and performance. This study was deemed significant in its ability to reveal to policy makers, trainers and small enterprise sector players the management gaps that, if filled, would lead to better performance of small enterprises. The study found out that the small enterprises used the strategic management modes interchangeably but relied more on informal strategic management modes. The study concludes that the conventional schools of thought that focus on linear models of strategic management present viable strategies that can align small enterprises into achieving success but are not enough in the day today management of small businesses. The study recommends that practitioners and scholars of small firm strategic management take cognizance of triple nature of strategic management that combines formal and informal modes of management and devote more time in studying models that would suit small firm management.

Keywords: Informal Strategic Management, Deliberate Strategic Management Mode, Emergent Strategic Management, Reactive Strategic Management

1. Introduction

1.1 Study background

The concept of strategic management has been viewed differently by scholars of small enterprises. Indeed, an increasing amount has been written on strategic management for small enterprises (SEs), and a number of modes of strategic management have been proposed. Each of these modes, however, is unique in terms of its composition, logic and emphasis and there seems to be no consensus on how strategic management should be conducted or on whether a given plan is suitable for every small business (Hill and Gareth, 2012). Two contentious modes prevail: the Formal Strategic Management modes and the Informal Strategic management Modes.

Formal strategic management modes conform to the conventional wisdom that the strategic management modes

that managers use, the patterns in actions they develop, the positions and postures they establish and therefore the performance levels they achieve must all flow from prescribed models (Menzel & Günther, 2012). The conventional wisdom holds that successful organizations are those that conform to a typical configuration of key attributes such as purpose or mission, strategies, stringent objectives and implementation procedures, managerial roles and leadership styles, as well as predetermined control systems (Stacey, 2010). This appropriate configuration then makes it possible for an organization to determine the direction it should take to a fixed point in the long term future and to maintain controlled movement along the selected path to that point (Gica, 2012). This notion has been reinforced by classical strategic management theorists such as Ansoff (1965); Rumelt (1974); Hofer and Schendel (1978); Porter (1985); and more recently, Pearce and Robinson (2011) and Ojera, (2011).

Some schools of thought, however, have viewed strategic management as an informal, unstructured and instinctive decision making course that does not bear the rational analytical systems of the classical approaches espoused to the small enterprises by classical theorists(Carson, 1990;Minzberg, 1978, 2001; Quinn, 1980;Verreyne, 2006;). Bryson (2011) observes that the absence of formality does not mean the absence of a management process and points out that decision making process is normally present whether or not a formal process is used. Mintzberg, Ahlstrand and Lampel (1998) describes this mode of strategic management as a management posture and position in which an organization adopts a particular form of structure matched to a particular type of context which causes it to engage in particular behaviors that give rise to a particular set of strategies. This mode of mode management is informal, unstructured, and irregular, supported by insufficient and ineffective information, usually obtained through informal sources, and reactive rather than proactive but which form patterns that inform future strategic decisions (Moyeen, 1997).

The informality in the management of small enterprises has been the main contention floated by classical strategic management proponents for their under-performance (Thompson, Gamble & Strickland, 2010). But strategic management is not necessarily the continuous formal process the classical theorists have recommended it to be. Rather, as Quinn (1980) and Hill and Gareth (2012) have defined it, the most effective strategies emerge sequentially from an iterative process in which the organization probes the future, experiments, and learns from a series of partial and incremental commitments without formulations of total strategies. And as Mintzberg and McHugh (1985), and Gibbons and O'Connor (2005) observe, strategies form very differently to those assumed by prescriptive models espoused by classical theorists and that strategies can be emergent. Hill and Gareth (2009) note that strategies may be viewed as organizational when they come together as patterns and affect organization-wide behavior. In this context, informal strategic management is defined as an unstructured, stochastic and experiential decision making process that are realized and adopted (Mintzberg, Ahlstrand&Lampel, 1998).

Hill and Gareth (2012) have called for a new paradigm that recognizes the non-equilibrium nature of small scale enterprises. The assertion is that conventional prescriptions can work only in business environments that are regular, stable and harmonious. Lumpkin and Dess(2006) argue that formal planning has no potential payoff for small firms because decision making in small firms is stochastic and unstructured rather than visionary and long range. The small enterprise reacts to the environment as strategic issues arise. According to Hill and Gareth, (2008), small firms seldom have the economic or political power to control their environment They have to be flexible and adjust to changes in the resource situation of their environment. As French, Kelly and Harrison (2004) also found out, strategies are often those decisions that have been found to work overtime. This study holds that informal strategic management plays a role in the performance of small scale enterprises.

Small enterprises are the key engines of employment; alleviating poverty and improving equality (Gomez, 2008). SEs, by number, dominates the world business stage. More than 95% of enterprises across the world are SEs, accounting for approximately 60% of private sector employment (BIS, 2012). For example, SEs have become increasingly important in Asia. In China, they account for 95 percent of all Chinese enterprises and have played an indispensable role in invigorating the national economy and maintaining social stability by promoting market competition, increasing job opportunities and pushing forward technological innovation (Huang, 2011). Approximately 90% of enterprises in Indonesia are SEs (Zainol & Ayadurai, 2011). There were 4.8 million businesses in the United Kingdom (UK) in the year 2012. Over 99% of these businesses were small or medium sized businesses accounting for 53.9% of employment in the UK private sector. In the United States of America, 75% of the new jobs were created by small enterprises (Koshy, 2010). However, despite their contribution to the world economy, confusion still reigns as to the key performance indicators of small enterprises. While some countries have tied performance to qualitative characteristics of the small enterprises such as the number of employees in the establishment, others predominantly use financial measures such as profit, productivity, and return of investment to gauge the performance of the small enterprises (Gresty, 2010). This study adopted the key performance indicators used in Kenya, which describes performance of small enterprises in terms of growth in size and sales turnover (Wanjohi, 2009).

Policy towards the development of the small enterprise sector in Kenya has also varied since independence. The Sessional Paper No. 10 of 1965, released at independence, advocated a mixed economy approach to economic management. The Government policy sought to bring about the indigenization of the Kenyan economy by encouraging private enterprise (G. O. K., 1965). The Government intervention was in the form of financial, infrastructure, legal and regulatory support to the sector. A number of government financial institutions were created with this specific goal. The Kenya Industrial Estates, set up in 1967, had the objective of achieving industrialization by providing infrastructure and financial support to small indigenous entrepreneurs to enter into the manufacturing sector (Ikiara, 1988). Despite the limited success in creating modern small enterprises envisioned by the planners, official recognition of the informal sector came only after the ILO report of 1972 which extolled the virtues of the sector and its employment generation potential (Ronge, Ndirangu&Nyangito, 2002), but it was not until 1986 that a firm commitment to its growth and development was made (G.O.K., 1986)

Small enterprises are now among the major contributors to the socio-economic development of the nation; having grown tremendously over the last two decades despite the implementation bottlenecks (Stevenson & St-Onge, 2005). According to the Government of Kenya (1999), the small enterprise sector share of total nonagricultural employment in 1999 was 68.2 percent up from 48.9 percent in 1993. In 2007, employment in the small enterprises sector accounted for approximately 79 percent of total employment and an estimated 18 per cent of country's Gross Domestic Product

((UNDP, January, 2006, Government of Kenya, 2008). In the year 2012, the small enterprise sector created up to 80% of the total employment and contributed between 18 to 20% to the GDP in Kenya (Government of Kenya, 2012).

However, according to Robinson & Pearce (2011) small enterprise operations are still predominantly a local or a regional market rather than a national or international market and they tend to have a very limited share of a given market. The equity of small firms is generally owned by one person, or, at most, a very few people whose management style is greatly personalized. Further, the SEs are still characterized by high failure rates (Ministry of Planning and National Development, 2003). Other than their high failure rates, the majority of the SEs are also not growth prone as most start small and remain small. In fact, according to Mead (1994, 1999), less than 20% of SEs with four or less workers grow at all. Jiang(2009) also found that 50% of total net jobs in the small enterprise sector are created by a mere 4% of these firms. Gomez(2008) reports a similar pattern in Sub-Saharan Africa in his observation that the small enterprises that significantly contribute to employment growth are in fact just 1% of the SME universe. The ILO (2004) report supports this view when it observes that a majority of small enterprises in Ethiopia, Zambia, Tanzania and Kenya start very small and rarely grow beyond five workers. Lingelbach (2005) also notes that about 75% of new enterprises do not survive the first five years, and of those that do survive, just about 20% grow at all. Of those that grow, just about 1% to 4% actually develop to the next size category. Gomez(2008) concludes that 80% of SEs stay in business without growing at all and are focused on making only enough income to keep them running and meet the basic needs of their households.

The failure of SEs to grow is not for lack of trying by the principal stakeholders. Other than the Government, there are about 105 institutions with support programs and schemes for SEs sector in Kenya. These include commercial banks, and non-governmental organizations involved in small enterprises training and mentoring, research and access to financing among others (Ronge et al, 2002). But with a largely unstructured operational environment, it is not clear which strategic management modes small enterprises in Kenya employ nor are the factors that influence them to choose particular strategic management modes obvious. This scenario has fueled the continual enigmatic relationship between formal and informal strategic management modes leading to the contention on whether strategic management leads to superior performance of organizations. This study makes reference to the Youth Enterprise fund in Kenya to explore this relationship.

The government of Kenya established the Youth Enterprise Development Fund (YEDF) in June 2006 as one of the strategies of addressing youth unemployment. The Fund is one of the flagship projects of Vision 2030, under the social pillar. The Vision 2030 sees the Fund as a strategy of gainfully engaging the youth, a majority of whom are unemployed (G.O.K, 2007). This vision is to be achieved through provision of credit and equipping the youth with appropriate skills to creatively engage in economically viable activities (Youth Enterprise Development Fund guide, 2009). By the year 2012, the Fund had advanced loans worth Kshs.

5.2 billion to 144,000 youth enterprises. About Kshs. 545.3 million was advanced to 12,407 group projects and Kshs. 54.2 million was disbursed to 2111 individual enterprises at the constituency level. Through financial intermediaries, the Fund financed 129,385 group and individual enterprises to the tune of Kshs. 4.6 billion by the year 2011 (Amenya et al., 2011). Besides ensuring that the youth have adequate business skills, YEDF also assists the youth in identifying and tapping into business opportunities while embracing modern business management techniques. To date the Fund has provided entrepreneurship training to over 200,000 youth and supported two national business plan competitions in which over 10,000 youth entrepreneurs have been trained and winners awarded. However, according to Amenya et al (2011) a majority of groups still find it difficult to repay their loans. Besides, the YEDF is yet to make an impact in society. This is despite the famed management training and provision of funds to the small businesses. This creates doubt as to whether the continual formal strategic management skills, currently being espoused for the small enterprise sector, does not need rethinking.

1.2 The Problem

There has been a growing awareness since early 1970s that small enterprises are important for economic growth. But while they are important, their nature of operations is rather informal, unstructured and uncoordinated being characterized largely by emergent, reactive and short term deliberate management modes. Such a situation, at the face of it, lends formal strategic management modes inapplicable. This could be part of the reasons that scholars have found no clear link between strategic management and performance of small enterprises. Indeed, the small enterprise in Kenya continues to suffer high failure rates and stunted growth. Three out of five small businesses still fail within their first five years of operation, while the bulk of the surviving ones have remained the same size as when they were started. Hitherto, both theory and practice have focused on formal strategic management as a means of leveraging the performance of small enterprises. However, formal strategic management practices adopted from the formal sector have not produced the intended effect in the small enterprises probably because the small enterprises are limited in scope of operation. They are informal, unstructured, being supported by insufficient information from informal sources and are generally stochastic and short range. Despite this reality, current management practices promoted largely emphasize formal strategic management for the SEs. There is, therefore, need to determine the alternative management strategies exclusive to SEs in the informal sector that reflect their unique circumstances. Without this information, the SEs will continue to suffer stagnation and high failure rates. Given the importance of SEs in the country, it is necessary to explore if the application of informal strategic management modes would shed light on the hitherto unclear link between strategic management and performance of small enterprises. This study investigated the influence of informal strategic management modes on performance of small enterprises in Kisumu County by taking the case of SEs supported by YEDF, with a view of recommending the strategic management modes exclusive for SEs in Kenya. The specific objectives were: Determine the strategic management modes

adopted by small enterprises in Kisumu County and to establish the relationship between the adopted strategic management mode and performance of the small enterprises in Kisumu County

1.3 Conceptual Framework

Guided by the theory of emergent and reactive strategies of Mintzberg (1985), the study was modeled on the conceptual framework in figure 1. Figure 1 shows that the dependent variable study is small enterprise performance. Performance can be characterized as the small enterprise's ability to create acceptable outcomes and actions (Pasanen, 2003). However, performance has been conceptualized, operationalized, and measured in several ways (Geiss, 2003). Often, performance has been measured by growth (turnover, number of employees, market share), profitability (profit, return on investment), and survival (Dess & Robinson, 1984; Jiang 2009). In this study, performance was measured by sales turnover and number of employees, that is, when sales turnover improves or the number of employees increase, then the emergent or the reactive strategies will have been realized.

The independent variable for this study is the informal strategic management mode. Two informal strategic management modes are pertinent in business management literature: emergent and reactive. According to Mintzberg and Waters' (1985), emergent strategies are strategies which appear without preconception, since many small enterprises tend to focus on daily operations or operational activities, with strategies emerging from practice. However, in the face of a turbulent business environment or crisis, the SE manager can employ a reactive mode of decision making and implementation. A reactive strategy making and management mode involves unplanned actions by management due to pressures from the environment that are later adopted as strategies if the actions were found to work towards the achievement of the goal. Nevertheless, the SE manager will often come up with short term deliberate strategies in the course of managing the small business. In this study, deliberate, emergent and reactive strategies are conceptualized as the combination of informal strategies that may be viewed as organizational when they are modeled together as patterns to improve the performance of the enterprise. Further, deliberate strategies are measured by the presence of formal written down plans and strict adherence to those plans, while the emergent strategies are measured by absence of formal plans and reliance on Learning from past experiences. The reactive strategies are measured by both absence of formal plans and reliance on instincts as strategic issues arise

In small enterprises, however, successful strategy formulation and implementation is strongly related to the firm characteristics, owner's personal factors and the External environment in which the small enterprise operates (Menzel, 2012). In this study, firm characteristics are measured by scope of operations (in terms of markets served-Local, regional or international, scale of operations (in terms of production or operational capacity), Ownership structure (in terms of decision making system) and Size (in terms of small number of employees). The Personal

Entrepreneurial Competency (PEC) test is used to measure owner's personal factors. The test contains ten questions that have been found to measure the competency of an entrepreneur (see appendix 3). The macro environment is measured using the PESTE model (The political, Economic, Socio-cultural, technological and ecological factors). These are the moderating variables to the realization of performance as a result of the strategic management modes employed by the entrepreneurs.

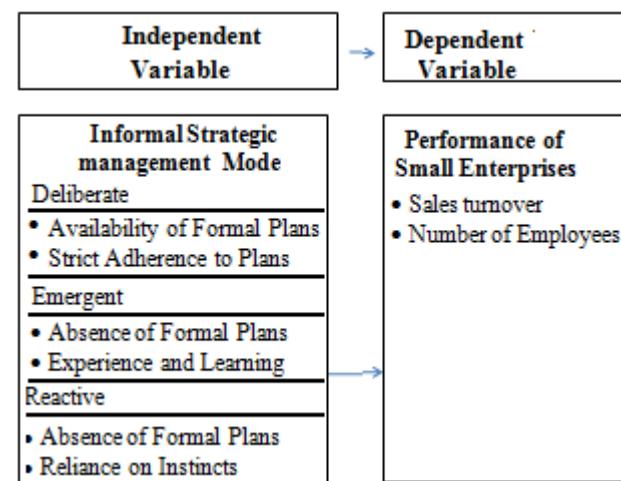


Figure 1: Conceptual Framework for Informal Strategic Management Modes of SEs (Adapted from Menzel & Günther, 2012)

2. Review of Studies Relating to Informal Strategic Management

There are different studies undertaken on what mode the strategic management process should take. While deliberate (rational) strategic management modes in which analysis and extensive access to information play a pivotal role have long been viewed as the central premise of strategic management theory, their importance to small firms is now being questioned (Lumpkin and Dess, 2006). The critics argue that traditional perspectives present an idealistic view of the strategy-making process, far removed from the practical and realistic side of strategy formulation in organizations (Gibbons and O'Connor, 2005).

Leitner (2007) carried out a longitudinal survey of small and medium-sized enterprises (SMEs) in Austria in two surveys in 1995 and 2003. The purpose of the research was to find out the role and nature of different strategy-making modes in 91 SMEs. The results revealed that most of the SMEs had, at the same time in at least one area, a deliberate strategy. Interestingly, only one company was found to be a pure emergent strategist. The conclusion was that companies were combining different strategy making modes simultaneously. These findings are consistent with findings of Menzel and Günther (2012) who also observed a lack of strategic management in SEs in their two year in-depth qualitative single-case study of 65 employees working in a medium-sized enterprise in Germany. They concurred that strategy-making in small firms is emergent, adaptive and based on personal relationships.

In another survey of 500 small and medium scale manufacturing concerns in the United States of America, Metts (2011) investigated the role of adaptive decision making and its potential significance in strategy making in small and medium-sized manufacturing companies and found that adaptive decision making plays a significant role in the formation of strategy in manufacturing SMEs. He proposes an adaptive decision making where the managers try to avoid uncertainty by searching for reactive solutions to existing problems.

On a slightly different vein, Sidaya (2006) carried out a study whose main purpose was to analyze what strategies small and medium businesses actually adopt when confronted with a major crisis such as a fire, flood or similar catastrophe, and determine what factors proved vital to the survival of the business in Australia. A qualitative approach was taken, which involved interviews and in-depth analysis of twelve case studies. To develop a model, many components of earlier models of strategic management were tested for relevance to the manager during a major crisis in the business. The study found that the owners and managers of small and medium businesses rated the development of a Crisis Management Model (CMM) as a crucial management tool to assist them to fight for the survival of their business following a crisis. Though the study findings were consistent with reactive strategies in the context of strategic issue management, it concentrated only on a one off crisis management and not on the day to day management experience of small enterprises which this study intends to reveal.

In a survey exploring the Adoption of formal strategic management practices among the small and medium enterprises within Mombasa County in Kenya, Irungu, (2011) found out that a majority (53%) of the SMEs had documented their strategy process in form of written plans and objectives. However, the communication of the plans was not elaborate as 53% communicated by word of mouth indicating an informal communication system. The study thus concluded that the extent of adoption of formal strategic management practices among SMEs within Mombasa County was still low. Mutua (2012) supports this view in his study seeking to determine the strategic planning practices adopted by micro and small business in Kisumu Central Business District. The study findings showed that micro and small firms practiced strategic planning to varied degrees. However, the average rate of adoption of the strategic planning practices still fell below levels required for spur sustained growth and survival especially for those firms within Kisumu Central Business District. The study also revealed a gap between formulation of strategic plans and their implementation. The study noted that SMEs seemed to over-concentrate on short term operational issues as at the expense of long term strategic issues. In a survey on Strategic management practices in small and medium enterprises at Karioangi light industries, Nairobi, Kiruja (2011) also concludes that most of the firms surveyed did not have any formal strategic management mechanisms

Earlier on, Mintzberg& Waters (1985) had carried out a study which involved 11 intensive cases, including a food retailer, a manufacturer of women's undergarments, a

magazine, a newspaper, an airline, an automobile firm, a mining company, a university, an architectural firm, a public film agency and a government fighting a foreign war in America. Their conclusion was that strategy was emergent; forming patterns of decisions and actions distributed across multiple organizational levels, and only partially shaped by managerial intentions and that strategy-making in small firms was an informal process resulting in a pattern of decisions by top management. Similarly, Quinn (1980), drawing on a survey of 10 major corporations in America demonstrates how top management typically forge their strategies for change only gradually as events unfold, keeping their options open and steering their organizations incrementally toward a consensus view of the major important goals to be attained. He posits that effective strategies tend to emerge from a series of "strategic subsystems" each of which attacks a specific class of strategic issues (e.g. acquisition, divestiture, or a major reorganization) in a disciplined way, but which is blended incrementally and opportunistically into a cohesive strategy. Both studies, though informative as to the strategic management modes small enterprises are likely to take were undertaken in developed countries with none being done in the context of a developing country.

2.1 Informal Strategic Management Modes and Performance of SEs

Small enterprise performance has received considerable attention from researchers and policy-makers around the world. According to Lucky (2012) there is considerable interest within the field of small firms' policy and research in the identification of features that distinguish firms which grow from those that stand still or fail. Strategy is considered to be a detailed plan for a business in achieving such success. Managers employ strategy to achieve results and according to Menzel and Günther, (2012), strategic management modes of practice and organization performance in small business enterprises go together, but most small business enterprises place less emphasis on making effective strategy for improved performance. Many small enterprises tend to focus on daily operations with the top-management mostly acting intuitively, and there is a clear tendency towards autocratic instructions with regard to strategic decisions.

In their quest for a strategic management model for small businesses in the Turkish Republic of Northern Cyprus, Turgay and Kasısgen (2012) surveyed 323 small and medium size enterprises and found that participating small and medium size enterprises who displayed planning in their approach to the management of their ventures experience a higher level of financial performance in their ventures as compared to individuals who display no planning intensity but caution that too formal a strategic management process could hinder the operation of the small and medium size enterprises instead of enhancing it. Their general perception was that strategic management in small enterprises is informal, that is, it is sporadic, unstructured, irregular and incomprehensive. This study, however, used financial performance as the performance indicator while the current study will use sales turnover and the number of employees as the performance indicators.

Taking the Factor Analysis Approach, Sola (2012) affirmed that there is a substantial level of strategic management approach (SMA) practiced, though to varying degrees, in small scale industries in Nigeria. He concludes that there is a significant incidence between the level of SMA practiced and the level of corporate performance of small scale industries. Further, Adeleke, Ogundele and Oyenuga (2008) also examined the influence of strategic management on corporate performance in selected small scale enterprises and how strategy could be used for improved performance of small scale enterprise in Lagos, Nigeria. A Cross sectional survey research method was adopted for the study and 140 participants were randomly selected among SSEs in Lagos metropolis. Findings revealed that strategic management practices enhance both organizational profitability and company market share. The study recommends that investors and managers should make use of strategic management to improve their organizations actual performance at all times. The study objectives of the two studies, however, were undertaken in an urban setting in Nigeria while this study will examine both urban and rural enterprises in Kisumu County, Kenya.

In another study survey of 300 small enterprises in Cape Town, South Africa, Le Roux (1998) also found a positive relationship between strategic management and increased performance. However, no concrete evidence could be found substantiating the assumption that strategic management orientated SME's would significantly outperform non-formal planning SME's. The study also found that for SME's, the process of strategic management itself was more important than the actual formal plans and documentation that are normally associated with strategic management in large organizations. The conclusion is that strategic management should always be a combination of formalized and intuitive planning, in order to have the best results. Although the objectives are consistent with that of this study, the context of this study is different.

2.4 Summary

Two opposing views have been revealed in the review of related literature. On the one hand the view is that formal strategic management is irrelevant in the context of small enterprises. The argument is that the classical models are based on the assumption that all firms have characteristics and configurations similar to those of the large firms yet the management of small enterprises is so different from that of large firms that the processes of management need many changes in order to be useful to the small enterprises. To these critics, strategy is not a fixed plan. It changes systematically at pre-arranged times and solely at the will of the decision maker. On the other hand, classical strategic management proponents remain of the opinion formal strategic management is the panacea to the small enterprises since it involves organized forecasting, planning and implementation. Further, empirical reviews of literature reveal gaps in the methodologies used. The studies reviewed employed qualitative and descriptive methodologies while this study will use both quantitative and qualitative methodologies for purposes of triangulation.

Since SEs are rarely small-sized large enterprises, the existing concepts and instruments have to be adapted accordingly. It appears doubtful to develop standard strategies and instruments that are equally effective in large companies and SEs. Accordingly, research needs to devote more time to analyze the idiosyncrasies of this sector in order to advance our understanding of strategic management in SEs and derive valuable recommendations for research and practice. It is therefore hoped that this research will produce the much needed documentation of strategic management modes for small enterprises and thereby make contribution towards both theory and practice in the context of emerging economies.

3. Methodology

3.1 Study design

The study adopted a descriptive research design. According to Borg and Gall (2012) descriptive research designs portray accurately the characteristics of a particular individual situation or group. The specific descriptive research design adopted was the cross-sectional survey design. Cross-sectional survey designs represent one of the most common types of descriptive studies where the researcher selects a sample of respondents from a population and administers a standardized questionnaire to them (Creswell, Plano, Gutmann and Hanson, 2003). This study therefore collected data in an attempt to describe as accurately as possible the current situation of the small enterprises.

3.2 Justification of the Research Design

According to Tuli (2012) the selection of research methodology should depend on the paradigm that guides the research activity, more specifically, beliefs about the nature of reality and humanity (ontology), the theory of knowledge that informs the research (epistemology), and how that knowledge may be gained (methodology). The aim of this research was to explore the influence of informal strategic management on the performance of SEs in Kisumu County with particular reference to beneficiaries of Youth Enterprise Development Fund in rural Kenya. Being a descriptive cross sectional research design, the ontological orientation of the study is that of the realist assumption. In descriptive cross-sectional research design the researcher records information that is present in a population but does not manipulate variables (Oso, 2014). The ontological paradigm is that there is a reality that can be apprehended. It is possible to determine the way things are and, often, discover the cause effect relations behind social reality and find meaningful indicators of what is really happening. Ontology describes a view (whether claims or assumptions) on the nature of reality, and specifically, if this is an objective reality that really exists, or only a subjective reality, created in the mind (Guba and Lincoln, 1994).

3.3 The Area of Study

The study was carried out in Kisumu County, Kenya. Kisumu County is one of the 47 newly created counties in Kenya. The County of Kisumu is expected to be the nerve center of Western Kenya and at the same time the gateway to

East and Central African countries of the East African Community member states. The county covers six parliamentary electoral constituencies of Nyakach, Nyando, Muhoroni, Kisumu Town East, Kisumu Town West and Kisumu Rural. Two of these constituencies namely: Kisumu Town East and Kisumu Town West are cosmopolitan

The population of the county is 968,909 with a Surface area of 2,086km². The poverty rate of the county is high at 47.8% (Kenya National Bureau of Statistics, 2009). Further, high unemployment is one of the greatest challenges to the county (ILO, 2008), with an estimated 64% of unemployed Kenyans being the youth (Kenya National Bureau of Statistics, 2007). The main Economic Activities include subsistence farming, livestock keeping, fishing, rice farming, sugar cane farming, and small scale trading, but save for sugarcane farming, the rest of the economic activities were not large scale commercial ventures.

At the time of the study, there were many local and international initiatives aimed at direct job creation, skills development and provision of credit facilities and the government of Kenya was implementing many sectorial policies that sought to grow the economy and create jobs. One such initiative was the Youth Enterprise Development Fund, but even this had not had a significant impact in growing economic ventures and alleviating the unemployment situation of the youth (Kenya National Bureau of Statistics, 2009).

3.4 Study Population

3.4.1 The Target Population

The unit of analysis for this study was the small enterprises; the collective name for privately owned and operated businesses which typically have a small number of employees of between 10 and 50 and a turnover of between ksh500 000 to ksh5 million (G.O.K., 2009). As has been pointed out in this study, small enterprises are important for youth employment and are a dominant force in the world business stage (Gomez, 2008). More than 95% of enterprises across the world are SEs, accounting for approximately 60% of private sector employment (BIS, 2012). The study targeted all the 7324 small enterprises in Kisumu County (Mutua, 2013).

3.4.2 The Accessible Population

The accessible population was all the 252 small businesses that had been funded by the Youth Enterprise Development Fund in Kisumu County since the year 2007 and 6 District Youth Officers. The year 2007 was deemed critical because a number of studies have suggested that 75% of small Scale Enterprises fail during the first five years of their operations (Liedholm & Mead, 1987; Wanjohi, 2007). The study therefore focused on small enterprises that had been in existence for more than 5 years since 2007. The Youth Enterprise Development Fund was a critical case because the beneficiaries had been offered all the conditions recommended by small enterprise scholars and practitioners for success, namely business training and finance (Karlan & Valdivia, 2011). For one, the small enterprises had been assisted in identifying and tapping into business opportunities. They had also been offered formal strategic

management training as well as funds with which to run their businesses, yet, according to Ameyna et al (2011), the YEDF was yet to make an impact in society despite the strategic management training and provision of funds. This study intended to find out the appropriateness of the formal strategic management training being recommended to the small enterprises by answering the question as to whether the informal strategic management adopted by small enterprises contributed to the performance of the enterprises run by YEDF beneficiaries.

Further, 6 District Youth Officers (DYOs) were targeted because they were deemed informative. The youth officers were the managers of each of the six constituencies making up Kisumu County.

Table 1: Distribution of YEDF Beneficiaries in Kisumu County

Constituency	Population
Kisumu Town East	42
Nyando	40
Nyakach	37
Kisumu Central	42
Muhoroni	40
Kisumu Town West	41
Total	242

(Republic of Kenya, 2008)

3.5 Sampling Design

3.5.1 Sample Size

There are several approaches to determining the sample size. These include using a census for small populations, imitating a sample size of similar studies, using published tables, and applying formulas to calculate a sample size. This study adopted Yamane's (1967) formula to calculate the sample size 150 the youth groups.

3.5.2 Sampling Method

The study adopted stratified, simple and purposive sampling techniques to select the SEs and the individual respondents. These designs were selected based on the nature of the population. Stratified random sampling was used to select the SEs that had benefited from the Youth Enterprise Development Fund. Stratified random sampling is a technique that involves dividing the population into homogeneous subgroups and then taking a simple random sample of $f = n/N$ and multiplying by the sample size in each subgroup (Patton, 2002). In this study, the constituencies were the clusters and the size of each constituency was determined as 150

$$SEc = \frac{\text{Constituency}}{\text{Population}} \times Ss \quad \text{Where: } SEc \text{ is the sample at each cluster and } Ss \text{ is the determined sample size (150).}$$

Based on this design, the sample sizes shown in table 3 were determined. Stratified sampling was necessary because it ensured representation of each constituency.

Table 3: Sample Distribution of Youth Enterprise Fund beneficiaries in Kisumu County

Constituency	Target Population	Sample
Kisumu Town East	42	26
Nyando	40	25
Nyakach	37	23
Kisumu Central	42	26
Muhoroni	40	25
Kisumu Town West	41	25
Total	242	150

Simple random sampling was used to select the individual SEs in each constituency. According to Oso (2013), simple random sampling is a technique that assures each element in the population an equal chance of being included in the sample. In this study, the list YEDF beneficiaries were obtained from the respective constituencies. The samples were then selected from each cluster by putting all the names from each cluster into a hat and then selecting a subset as shown in table 3.

Purposive sampling was used to select the key informants. Purposive sampling is a procedure in which a researcher selects the sample based on some appropriate characteristic of sample members. The sample is selected based on the knowledge of a population and the purpose of the study (Oso, 2013). In this study, the key informants were the six DYOs. They were chosen because they were the ones in charge of disbursing the funds as well as training of the beneficiaries.

Therefore, the total sample size was 157 with 150 being the small enterprises run by beneficiaries of the Youth Enterprise Development Fund and 6 DYOs. The managers of each of the SEs were included as respondents for this study.

3.6 Data Collection Methods and Tools

The study adopted questionnaire and interview methods as the basic data collection methods. Questionnaires were used to gather data from the managers of the small enterprises run by the beneficiaries of YEDF. According to (Oso, 2013) questionnaires are one of the most reliable research methods because large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost effective way. The questionnaire method was particularly useful for the YEDF beneficiaries because it was easy for the researcher to standardize the questions. It also enabled the researcher to enlist the help of assistants with limited affect to validity and reliability of results. The questionnaires were both closed and open ended. This enabled the researcher to collect both quantitative and qualitative data (Sharma, 2005).

Of the 150 questionnaires distributed to the six constituencies, only 113 were returned partly due to the fact that Kisumu Rural Youth Enterprise Development Fund had been amalgamated with Kisumu Town Youth Enterprise Development Fund. The response rate was therefore 91% as listed below.

Table 4: Response Rate obtained from interviews of SE managers in Kisumu County

Constituency	Sample	Response Rate	Response Rate %
Kisumu Town East	26	20	77%
Nyando	25	24	96%
Nyakach	23	23	100%
Kisumu Central	26	0	0
Muhoroni	25	25	100%
Kisumu Town West	25	20	80%
Total	150	113	91%

The study adopted the interview method to collect data from Key informants. According to Mugenda (2003) and Sharma (2005), the purpose of key informant interviews is to collect information from a wide range of people who have firsthand knowledge about the issue. This study selected the 6 DYOs because of their expertise, knowledge and understanding of the sampled SEs could give that they were in direct contact with the SEs. They could therefore provide insight on the management of the small enterprises and give recommendations. The Key Informant Interviews were administered personally by the researcher assisted by one recorder.

3.7 Research Procedure

Six (6) research assistants were trained on the purpose and aim of the study. The data collection tools were discussed to ensure all research assistants understood all the questions and methods of delivery. This also ensured uniformity. Standardization of the format for administering the tools and familiarization with the codes were also done in order to minimize cases of wrong entry. Interviewing skills, confidentiality and ethical issues were also discussed. KIIs were administered personally by the researcher assisted by one recorder.

3.8 Validity and Reliability of Instruments

The concepts of validity and reliability are closely linked to the measurement scales employed in any given study. Validity refers to how far the operationalization and scoring of the variables reflect the concept being measured. Reliability is the extent to which measurements are repeatable and that any random influence which tends to make measurements different from occasion to occasion is a source of measurement error (Weezel, 2009)

3.8.1 Content Validity

A measure has content validity if there is a general agreement among the subjects and researcher that the instrument has measurement items that cover all aspects of the variable being measured (Ojera, 2011). This form of validity subjectively assesses the correspondence between the individual items and the concept through rating by expert judges. To this end the designed instruments were counter checked by two lecturers in the department of Marketing and Management in order to ensure content validity of the instruments. The content validity index (CVI) was then calculated. According to Waltz, Strickland, & Lenz (2005) the CVI is defined as the proportion of items given a rating of quite/very relevant by both raters involved or the proportion of items given a rating of 3 or 4 by both raters involved.

According to this definition, both judges have to agree that any individual item is relevant in order for it to count toward the CVI. In this study, 17 out of 22 items were judged to be quite or highly relevant (a rating of 1 = not relevant; 2 = somewhat relevant; 3 = quite relevant and; 4 = highly relevant) by both experts, and so the CVI was computed to be .818 as shown in figure 5. Researchers have indicated that a CVI of .70 or higher is acceptable (Oso, 2013; Waltz, Strickland, & Lenz, 2005).

Table 5: Computation of CVI for a 22-Item Scale with Two Expert Raters

		Expert Rater 2		
Expert Rater 1		Items rated 1 and 2	Items Rated 3 and 4	Totals
	Items rated 1 and 2	4	0	4
	Items Rated 3 and 4	0	18	18
	Totals	4	18	22
CVI = 18/22 = .818				

Further, the principle of triangulation was employed. Two different research instruments were used: a questionnaire and Key informant interview guide. The results from each instrument were collated with each other.

3.8.2 Reliability

Pre-testing of the tools was undertaken to test whether the questions were clear and easily understood. This ensured that the questions and issues regarding the subject of the study were included in the schedules and cleared from any ambiguities. The pretest also helped in identifying the exact numbers of enumerators required, number of days and also in estimating the cost. The pre testing of the interview schedule was carried out on thirty leaders of YEDF group beneficiaries in Kisumu Town West before administering the full scale interview. Those pilot tested were excluded from the study to avoid sensitization effect (Mugenda and Mugenda, 2013).

The internal consistency of the interview schedule was then determined via Cronbach's coefficient alpha (Cronbach, 1951):

Ideally, the Cronbach alpha coefficient of a scale should be above .70. However, Sekaran (2003) observes that Cronbach alpha values are quite sensitive to the number of items in the scale. Pallant (2012) also observes that with short scales (for example, scales with less than ten items) it is common to find as low Cronbach values of .5. In this study, the Cronbach's alphas for each of the variables scales was tested and found to be .889 which is well above the minimum accepted reliability of 0.50 as suggested by Sekaran (2003) and Pallant (2012).

3.9 Data Analysis and Presentation

This study collected and analyzed both quantitative and qualitative data. Quantitative data was analyzed using descriptive statistics and Pearson's Correlation coefficient (r). Qualitative data was analyzed using Content Analysis. The analysis was done along the study objectives as follows:

3.9.1 Determination of the different informal strategic management modes employed by small enterprises in Kisumu County

Descriptive statistics was used to determine the different informal strategic management modes employed by small enterprises in Kisumu County. The informal strategic management modes were grouped into deliberate, emergent and reactive strategies. In this respect, measures of central tendency such as frequency tables and the means were used to analyze which of the delineated modes was most preferred by the small enterprises. Questions that were based on a 5-point Likert type scale were weighted using Fraenkel and Wallen (2001): Strong= 3.34- 5.00; Satisfactory= 1.67-3.33 and Weak = 1.66. The mean weight was calculated using the formula: $x = \frac{\sum fx}{N}$ (where: X = weighted arithmetic mean, Σfx = the sum of weighted score, x = the weight of each operation and, N = representing the total number of respondents.

Content Analysis was used to analyse Key Informant interview data. According to Anderson (2007), content analysis is a procedure of systematic and objective identification of selected characteristics of a message that allows inferences to be made which can then be corroborated using other methods of data collection. In this study, data collected from key informants was coded and categorized under five specific themes generated from literature review, namely: whether the small enterprises used formal strategic planning techniques, whether the formal strategic plans were implemented, opinions on whether the formal planning techniques yielded business performance, whether the environment in which the small enterprises operate influenced the performance of their businesses and whether the owners' backgrounds influenced their performance. A research assistant was used to record the interview proceedings. The qualitative key informant interview data was used to triangulate the results.

3.9.2 Analysis of the relationship between the use of informal strategic management modes and performance of the small enterprises. Pearson's Correlation coefficient (r) was employed to analyze objective three (3) which ascertains the link between the use of each strategic management mode and performance of the small enterprises

3.10 Ethical Considerations

After obtaining clearance from the provincial Youth Enterprise Fund officer, consent and approval was obtained from the local administration in each of the target constituencies. All the interviewees were fully informed about the purpose and the content of the study to be undertaken and were assured of privacy, anonymity and confidentiality in order to decrease respondent bias and to build trust with the respondents

4. Data Analysis and Discussion

Introduction

The study investigated the influence of informal strategic management modes on the performance of small enterprises

in Kisumu County being driven by the fact that the small enterprises in County continue to suffer high failure rates and stunted growth despite intervention efforts by the government and stakeholders in the small enterprise sector. The researcher was concerned that unless alternative management strategies exclusive for small enterprises was found, the small enterprises would continue to suffer stagnation and high failure rates currently being experienced. Data was collected from 150 respondents but only 113 returned complete responses. According to Oso (2013), a response rate of 70% or higher is acceptable in social science research. This section reports the results of the analysis.

4.1. General Background Information

The backgrounds of respondents were studied in terms of their gender, age, and education level. As Hisrich (2008) notes, these factors play an important role in ensuring the success of small enterprises. All the participating SEs had to have been in operation for more than three years because most studies and reports on SEs performance indicate that 75% of small businesses fail within the first three years of operation (Ministry of Planning and National Development, 2003; ILO report, 2004; Mead, 1994; 1999). Further, all the SEs selected had benefited from both funding and strategic management training from the YEF to control for variations in finance and strategic management exposure.

4.1.1. Distribution of Respondents by age

The respondents were asked to indicate their age. This was necessary because YEF provides support to businesses based on the ages. It was also necessary to establish the respective ages because, as Hisrich (2008) points out, age is useful in determining the entrepreneurial orientation towards success of the small enterprise. The responses are summarized in table 6.

Table 6: Distribution of Respondents by Age

		Sales turnover 2012						
		Extremely high	High	Low	Extremely low	Don't know	Total	Percent
Age	18-25	17	37	6	0	4	64	16.4
	26-30	35	104	62	4	24	229	58.6
	31-35	14	28	16	4	4	66	16.9
	above 35	0	11	7	5	9	32	8.2
	Total	66	180	91	13	41	391	100

Table 6 shows that the majority (58.6%) of the managers of the respective YEDF youth groups is between the ages of 26-30. Only 16.9% of the respondents came from the age group between 31 – 35 while the other 16.4% came from the age group of between 18-25. Only 8.2% were above 35 years of age. Table 5 also shows that the same age group of 26-30 had higher performance in their small businesses. According to key informants interviewed, the youth in the ages of above thirty years were not represented because most had acquired for themselves some other forms of formal employment or joined colleges to further their education while those who were between the ages 18-25 were not selected for group leadership because they lacked experience or shied away from leadership because they were still hoping for other forms of formal employment. This is in agreement with the views of Wilson and Zimmerer (2009), Hisrich

(2008), Kokinis (1997) who also observe that although age variation seems to have no direct relation to business success, it implies extensive experience. The concentration of the age of the group managers around 26-30 was therefore more about perceived experience and lack of formal employment rather than performance orientation

4.1.2 Distribution of Respondents by Gender

The study also enquired into the gender of respondents. Since the small business sector is one of the largest employees, it was necessary to assess if there is a gender particularly popular with small enterprises as a way of examining the nature of the sector in Kisumu County. The results are reported in table 6

Table 7: Distribution of respondents by gender and by Performance

		Sales turnover 2012						
		Frequenc y	Extremel y high	High	Low	Extremely low	Don't know	Total
Male	Count	41	110	55	13	39	258	
	percent	62.1	61.1	60.4	100.0	95.1	66.0	
	Total	10.5	28.1	14.1	3.3	10.0	66.0	
Female	Count	25	70	36	0	2	133	
	percent	37.9	38.9	39.6	.0	4.9	34.0	
	Total	6.4	17.9	9.2	.0	.5	34.0	
All	Count	66	180	91	13	41	391	
	Total	16.9	46.0	23.3	3.3	10.5	100.0	

Table 7 shows that a majority (66%) of the respondents were males while females formed the remaining 34%. This may be indicative of the gender imbalance prevalent in the leadership structure in the country today (Kenya Republic, June 2007; Kinyanjui & Munguti (2000)). Table 6 also shows that males had higher performance (62.1%) as opposed to small enterprises headed by females (37.9%). This seems to suggest that male headed small enterprises did better than those headed by females. This is in agreement with the views of McCormick (2001) and (Gomez, 2008) that women owned SMEs are smaller, less likely to grow, less profitable, and begin with less capital investment than those owned by men. However, in a study of factors affecting SE performance in Eastern Finland, Pasanen (2003) found that, although a huge proportion of successful SEs were led by men, there seemed to be no association between the gender of an entrepreneur and SE performance, but rather, women entrepreneurs tended to underutilize their potential because of cultural mindsets (Gomez, 2008). McCormick (2001) also observes that the major reasons for this difference are institutional in nature. Marriage institutions discourage investment in women's education and the division of labor assigns a greater share of household responsibility to girls. Because they have lower educational attainment, they are also less likely to benefit from management and technical training programs, the result of which is that they were left out of competitive undertakings.

4.1.3 Distribution of SE managers by Level of Education

The study also investigated the educational levels of the SE managers. Education is key in exposing entrepreneurs to different types of management techniques. This study sought to ascertain if the education levels of the respondents were

adequate enough to understand the formal planning and management techniques they were being exposed to.

Table 8: Distribution of SE managers by Level of Education

	Sales turnover 2012					Total	Percent
	Extremely high	High	Low	Extremely low	Don't know		
Primary	14	49	26	5	22	116	29.7
O-level	37	74	41	4	17	173	44.2
Diploma	15	53	16	4	2	90	23.0
University	0	4	8	0	0	12	3.1
Total	66	180	91	13	41	391	100

Table 7 shows that the majority of the leadership was well educated with either "O" level (44.2%) or diploma level (23.0%) education. Only 29.7% of the groups had primary level education. Further, the groups with higher education performed better than those with primary level education. This confirms Sarwoko, Surachman & Hadiwidjojo's (2013) and Hajipour & Ghanavati's (2012) views that the level of education of the founder/owner of a small business is positively associated with business performance. Higher education is considered to have a better impact in entrepreneurship because it reflects the fact that they are on average more capable of planning.

4.1.4. Views of Respondents on Quality of Training Being Recommended

In order to reveal the unique features of the participating enterprises, the study analyzed how the respondents rated the strategic management training they had received from the government.

Table 9: Views of Respondents on Quality of Training Being Recommended

	Frequency	Percent
Excellent	95	24.3
Very good	163	41.7
Fair	71	18.2
Poor	11	2.8
Very Poor	30	7.7
No Comment	21	5.4
Total	391	100.0

Table 9 shows that 41.7% of the respondents felt that the training they were receiving was very good, 24.3% felt that the training was excellent, while the remaining indicated that the training was fair (18.2%), poor (2.8%) and very poor (7.7%) respectively. From the data, it can be concluded that those charged with training the business enterprises were doing a good job in imparting strategic management skills. The question was whether they were employing the strategic management knowledge they were getting in the classrooms

4.2 Strategic management modes

Having determined and described background characteristics of the respondents, the study now describes the informal strategic modes. The informal strategic modes were conceptualized as deliberate, emergent and reactive strategies. Deliberate strategies were measured by the presence of formal written down plans and strict adherence to those plans, while the emergent strategies were measured by absence of formal plans and reliance on past experiences

and industry tradition. The reactive strategies were measured by both absence of formal plans and reliance on instincts as strategic issues arise. In order to establish the presence/absence of objectives and plans, the study employed frequency tables and percentages. The study then sought to establish the most preferred mode of strategic management using the weighted mean.⁸ questions with responses ranging from 1-5 in each case were designed and assigned codes. The codes were then weighted using Fraenkel and Wallen's (2001) weighting scale as shown in table 10.

Table 10: Scoring/coding of variables

Variable	Score/Codes			Total
	08-15.8 (Weak-1.66)	15.9-23.6 (Satisfactory- 1.67-3.33)	23.7-27 (Strong- 3.34- 5.00)	
Deliberate				
Emergent				
Reactive				

Table 10 shows that a score of between 3.34- 5.00 was considered a strong predisposition to use a particular strategic management mode, 1.67-3.33; Satisfactory and 1.66; Weak. The mean weight was calculated using the formula: $x = \Sigma fx / (N)$ (where: X = weighted arithmetic mean, Σfx = the sum of weighted score, x = the weight of each operation and, N = representing the total number of respondents (Fraenkel and Wallen, 2001)

4.2.1 Availability of Objectives

The respondents were asked if they had objectives for their small businesses. A comparison was also made between those who had objectives and performance. The findings were presented in the table 11.

Table 11: Availability of Objectives

		Sales turnover 2012					Total
		Extremely high	High	Low	Extremely low	Don't know	
Yes	Count	47	140	62	5	36	290
	% of Sales turnover 2012	71.2%	77.8%	68.1%	38.5%	87.8%	74.2%
No	Count	19	38	29	8	2	96
	% of Sales turnover 2012	28.8%	21.1%	31.9%	61.5%	4.9%	24.6%
3	Count	0	2	0	0	3	5
	% of Sales turnover 2012	.0%	1.1%	.0%	.0%	7.3%	1.3%
Total	Count	66	180	91	13	41	391

Table 11 shows that 74.2% of the respondents had objectives while 24.6% did not have any objectives for their businesses. This finding shows that a majority of the small enterprises understood what they wanted to achieve for their respective businesses. Indeed, as Bryson (2011) also observes, all businesses are started with a purpose, whether formally outlined or not. Grand (2001) concurs when he observes that the existence of a set of business objectives in a firm may indicate that its managers are using strategic management but not necessarily a formal procedure.

Table 10 also shows that the respondents whose businesses had objectives also had a higher performance. Of the respondents who indicated extremely high business

performance in the year 2012, 71.2% had business objectives while 28.8% had none. This finding concurs with the views of Drucker (1974) and Thompson and Strickland (2003) who observe that setting of objectives leads to future benefits. The benefits of strategic management to the SEs would therefore be a clearer definition of objectives, leading to better guidance to the entire organization. Pearce and Robinson (2003) adds that objectives make managers and organizational members more alert to new opportunities and threatening developments and helps in overcoming risks and uncertainties and therefore contributes to organization success.

4.2.1 Availability of formal Plans

The respondents were then asked if they had any formal written down plans on how they were going to attain their objectives. The results were presented in Table 12.

Table 1: Availability of formal Plans

	Frequency	Percent
Valid Yes	206	53.7
No	185	46.3
Total	391	100.0

Table 12 shows that the majority of the groups (53.7%) had written down plans while 46.3% had no formally written down plans. According to Key informants interviewed, the groups were expected to have written down plans in order to qualify for the group loans offered by the YEDF. This may explain the high number of respondents indicating that they had written down plans.

The respondents were then asked if they believed that with written down plans, their firms were doing better than those without formal plans. The results were presented in table 13

Table 13: Views of the Respondents on the necessity of written down plans

	Frequency	Percent
Valid Not at all	64	19
To a little extent	135	34.5
To a great extent	114	29.2
Don't Know	68	17.4
Total	391	100.0

Table 13 shows that 19% of the respondents felt that the plans were not necessary at all while 17.4% of the respondents did not have any idea about whether the plans were necessary for their firm performance. Another 34.5% of the respondents thought that written down plans were necessary for their firm performance only to a little extent. This means that, altogether; a good 68% of the respondents were running their businesses with little commitment to formal plans. Only 29.2% of the groups knew that written down plans were necessary to a great extent. These findings support the proposals of Metts (2011), Mintzberg & Waters (1985) that SE strategy may not necessarily be written down but can exist as strategic thoughts that express future orientations of the enterprises. As a consequence, entrepreneurial strategy formation might rather be conceptualized as unconscious and imaginative, only partially relying on analytical procedures, tangible processes

and explicit decision making (Rumelt, Schendel & Teece, 1994).

4.2.2 Use of Contingency Plans

The study further sought to find out if the respondents had any alternative plans to follow if their objectives were not being met. The results were presented in table 14.

Table 14: Availability of alternative plans

	Frequency	Percent
Valid Yes	242	61.9
No	149	38.1
Total	391	100.0

Table 14 reveals that 61.9% of the groups actually had an idea what else to do should their plans fail with 38.1% not having any alternative ideas. This finding supports Chaffee's (1984) view that businesses often develop a viable match between the opportunities and risks present in the external environment and the organization's capabilities and resources for exploiting these opportunities. The organization is expected continually to assess external and internal conditions and respond to it appropriately. Sidaya (2006) also carried out a study in Australia to find out what strategies small and medium businesses actually adopt when confronted with crisis and found that the owners and managers of small and medium businesses rated the development of a contingency plans as a crucial management tool to assist them to fight for the survival of their businesses. Consultations with Key Informants revealed that the imperfect market conditions in developing countries may require a small business owner to have more than one plan of action.

4.2.3 The Preferred Strategic Management Mode

Having established that the respondents did not follow formal plans, the study sought to find out which strategic management mode they preferred to use in their daily operations. The three strategic management modes prevalent in strategic management were: deliberate strategic management mode, emergent strategic management mode and reactive strategic management mode (Mintzberg, Ahlstr, & Lampel, 1998). These modes were proposed and explained to the respondents. The respondents were then asked to choose which mode suited their operations most. The results were analyzed and presented in the table 15:

Table 15: Views on the most preferred strategic management Mode

Strategic Management Mode	Mean	N	Percent
Deliberate	2.22	32	8.2
Emergent	2.28	137	35.0
Reactive	2.58	222	56.8
Total	2.45	391	100.0

Table 15 shows that the respondents rated deliberate strategic management mode at a mean score of 2.22 (8.2%), emergent strategic management mode had a mean score of 2.28 (35%) and reactive strategic mode had 2.58 (58%). This shows that although the deliberate strategic management mode has been the preferred perspective of strategy making and implementation for government functionaries and other agencies involved in molding small scale enterprise, this study revealed mixed reactions to this form of management.

Table 14 shows that the small enterprises have a preference for reactive strategic management mode. The implication of this finding is that, despite their training in formal strategic management, the small enterprises preferred to make decisions based on their instincts as strategic issues arose. This echoes the views of Mintzberg, Ahlstr, & Lampel (1998) that strategy is a cognitive process that takes place in the mind of the strategist, emerging as perspectives—in the form of concepts, maps, schemas, and frames—that shape how people deal with inputs from the environment". Chaffee, 1984 and Metts (2011) also see an organization as continually assessing external and internal conditions and this leads to adjustments in the organization to its relevant environment that will create satisfactory alignments of environmental opportunities and risks, on the one hand, and organizational capabilities and resources, on the other. This strengthens the hypothesis that although the small enterprises are exposed to deliberate strategies where formality of strategic management is espoused, they do not plan formally, and for those that plan, only a few follow these plans.

4.4 Relationship between the strategic management modes and performance of YEDF beneficiaries

The third objective was to investigate the relationship between informal strategic management modes and performance of the small enterprises in Kisumu County. A Pearson correlation analysis was conducted to examine whether there was a relationship between deliberate strategic management modes and performance of the small enterprises in Kisumu County. Each of the dependent variables (deliberate, reactive and emergent modes) was run against mean sales in the last three years. The table 16 summarizes the opinions on the relationships between the strategic management modes and performance of the enterprises run by beneficiaries of respondents.

Table 15: Relationship between the strategic management modes and performance of the respondents

		Mean of sales	SIMD	SIMR	SIME
Mean of sales	Pearson Correlation	1	.143(**)	.133(**)	.133(**)
	Significance(2-tailed)	.	.005	.008	.008
	N	391	391	391	391
SIMD	Pearson Correlation	.143(**)	1	.334(**)	.334(**)
	Significance(2-tailed)	.005	.	.000	.000
	N	391	391	391	391
SIMR	Pearson Correlation	.133(**)	.334(**)	1	1.000(**)
	Significance(2-tailed)	.008	.000	.	.
	N	391	391	391	391
SIME	Pearson Correlation	.133(**)	.334(**)	1.000(**)	1
	Significance(2-tailed)	.008	.000	.	.
	N	391	391	391	391

** Correlation at 0.01(2-tailed):...

As can be seen from the table, there is a positive and significant relationship between each of the strategic modes that can be employed by the group leaders in Kisumu County and the performance of their enterprises (SIMD: $r = .143$, $N = 391$, $p = .005$; SIMR: $r = .133$, $N = 391$, $p = .008$; SIME: r

= .133, $N = 391$, $p = .008$), but the strength of the relationships is weak which could mean that the groups did not strongly prefer one particular strategy over the others. However, formal, that is, deliberate strategic management mode had a higher contribution to the performance than the informal (reactive and deliberate) strategies. But both emergent and reactive strategies had a significant contribution to the performance of the small enterprises. This findings echo Turgay and Kassegn's (2012) survey of 323 small and medium size in Northern Cyprus. They found that participating small and medium size enterprises who displayed planning in their approach to the management of their ventures experienced a higher level of financial performance in their ventures as compared to individuals who displayed no planning intensity. Sola (2012) also found that there is a substantial level of strategic management approach practiced, though to varying degrees, in small scale industries in Nigeria. According to Le Roux's (1998) findings among South African small enterprises, the process of strategic management itself was more important than the actual formal plans and documentation that are normally associated with strategic management in large organizations. These study findings reveal that formal plans have more payoffs than the informal strategic management modes small enterprises in Kisumu county employ.

5.1 Summary of Major Findings

An overwhelming majority (82%) of the respondents indicated that they had objectives for their enterprises. This shows that the small enterprises understood what they wanted to achieve for their respective businesses. Only 29% were running their businesses without any clear objectives. However, asked if they had written down plans and objectives, 50.5 respondents (%) said that they had written down plans. The other (49.5%) had no formally written down plans. Besides, 68% of the respondents felt that the plans were not very necessary. Further probing as to whether or not the groups had any alternative ideas/plans to fall back to should their present business ideas fail revealed that 59% of the groups actually had alternative ideas/plans while 40% had no alternative ideas/plans to fall back to on the event of failure of their present plans. However, asked if they actually formally sat down with group members to formally plan these alternative ideas, over half the respondents (58.4) indicated that they never formally planned for alternative ideas. To some, the written down plans were for the purpose of receiving funds since it was mandatory to have written down plans to qualify for financial assistance.

On which strategic management mode the small enterprises employed in making their strategies, the study revealed that the groups used all the three strategic management modes to varying degrees. The mean response for emergent strategies was 2.22 while the mean response for the remaining two modes, namely; reactive strategies and deliberate strategies were 2.28 and 2.58 respectively. The respondents relied more on reactive strategies in managing their businesses

The study also found a positive and significant relationship between each of the strategic modes that can be employed by the group leaders in Kisumu County and the performance of their enterprises (SIMD: $r = .143$, $N = 391$, $p = .005$; SIMR:

$r = .133$, $N = 391$, $p = .008$; SIME: $r = .133$, $N = 391$, $p = .008$), but the strength of the relationships was weak. However, formal, that is, deliberate strategies had a higher contribution to the performance than the informal (reactive and deliberate) strategies. But both emergent and reactive strategies had a significant contribution to the performance of the small enterprises.

5. Conclusions

The starting point of this study was that, although contemporary thinking is that formal strategic management is relevant to the performance of small enterprises, empirical data seems to point to the fact that strategic management in small enterprise is rather informal and unstructured. The thesis of this study was that formal strategic management modes may be inappropriate to small enterprises. The purpose of this study was to determine the influence of informal strategic management modes on the performance of small enterprises in Kisumu County, Kenya. In order to do this, the study sought to determine the strategic management modes employed by small enterprises in Kisumu County and to investigate the relationship between the chosen strategic management modes and performance of the small enterprises.

The results of the first objective showed that small enterprises in Kisumu County used all the three modes of strategic management but they tended to rely on the reactive strategic management mode more. Indeed the least employed mode of strategic management was the formal strategic management mode. Therefore, the study concludes that small business in Kisumu County do not practice strategic management in the way it has been described normatively in much of the literature (i. e. formal procedures). Any study of strategic management must take cognizance of triple nature of strategic management that combines both the formal and informal modes of strategic management. Small firm scholars should therefore devote more time in studying models that would suit small firm management.

Interestingly, the respondents felt that deliberate strategies had a higher contribution to the performance of small enterprises than the informal (reactive and deliberate) strategies. This means that they were aware that deliberate strategic management was useful to them but that they were not always easy to implement as it was with larger firms. The study concludes that conventional schools of thought that focus on linear models of strategic management present viable strategies that align the small businesses into achieving success but are not enough in the day today management of the businesses. As has been pointed out in this study, since the real world inevitably involves some thinking ahead as well as some adaptation en route to the realized strategy, effective strategic management for small enterprises must mix the three modes of strategic management in ways that reflect the conditions at hand, notably the ability to predict as well as the need to react to unexpected events.. A winning strategy means that the broad outlines are deliberate, while the details are allowed to emerge en route as challenges appear that need immediate reaction.

5.3 Recommendations

The study recommends that there is need to come up with an effective strategic management system in SEs to de-emphasize the need for formal written documentation, reports and activities as a means to recognizing the contribution of informal strategic management processes. Such a system should lay less emphasis on the abstract notions like broad goals, business mission and long-term objectives as a prerequisite to a meaningful strategic management process. In essence, the SEs should also be exposed to informal strategic management models such as Strategic Issue Management (SIM) as a handy tool for reacting to unforeseen events. Another tool that SEs can actively practice is the knowledge Creation Spiral (KCS) for turning tacit knowledge into explicit knowledge that can be adopted by the SEs.

As the study has revealed, the combination of the formal strategic management modes based on clear visions, missions, goals and strategic implementation and informal modes based on models that exploit the stock of existing knowledge while reacting to strategic issues in the immediate environment would form a roadmap that would lead to less mortality rates of SEs. The combination of the two modes would also form a powerful means to graduation and eventual growth of the SEs from small to medium and from medium to large enterprises.

5.4 Further Studies

The purpose of this study was to determine the influence of informal strategic management modes on the performance of small enterprises in Kisumu County, Kenya. To this end, the study purposively selected The Youth Enterprise Fund beneficiaries. This was because the youth enterprises had received training on strategic management and had received funding that could facilitate their plans. Only the youth enterprise fund beneficiaries in Kisumu County formed the accessible population. This study could be replicated in other counties to find out the typical cultural and other environmental variables that could moderate the practice of strategic management. Future studies could also be undertaken to draw comparison between small enterprises that have been exposed to strategic management training and those that have not been trained on strategic management. Besides this study was not sector specific. Studying the research issues of this study in specific domains would be an interesting extension of this study.

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