

**THE ROLE OF STRATEGIC PLANNING ON THE
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES
INFORMATION COMMUNICATION AND TECHNOLOGY
(ICT) SECTOR IN NAIROBI, KENYA**

GRACE SOPRIN AMURLE

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**The Role of Strategic Planning and Performance of Small and Medium
Enterprises in Information Communication and Technology (ICT) Sector in
Nairobi, Kenya**

GRACE SOPRIN AMURLE

**A Thesis Submitted in Partial Fulfilment for the Degree of Doctor of
Philosophy in Business Administration in the Jomo Kenyatta University of
Agriculture and Technology**

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DECLARATION

I declare that this thesis is my original work and has not been presented for a degree in any other university.

Signature

Date

Grace Soprin Amurle

This thesis has been submitted for examination with our approval as University Supervisors.

Signature

Date

Prof. Roselyne Gakure

JKUAT, Kenya

Signature

Date

Dr. Zack Awino

University of Nairobi, Kenya

Signature

Date

Dr. Anthony Waititu

JKUAT, Kenya

DEDICATION

To my late parents, Mr. Stephen Lotudongole and Mrs. Janet Kakoghun. You instilled in me the passion for knowledge, hard work, dedication, and determination for success. In your eyes nothing was impossible, a trait I picked and will keep the embers glowing. I owe it to you and to God.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
BLUE	Best Linear Unbiased Estimator
BSC	Balanced Score Card
3Cs	Company, Customer and Competition Triangle
CEO	Chief Executive Officer
CSK	Computer Society of Kenya
EFA	Exploratory Factor Analysis
GDP	Gross Domestic Product
GOK	Government of Kenya
ICT	Information Communication Technology
ILO	International Labour Organisation
MDK	Mocality Directory of Kenya
MTP	Medium Term Plan
NCST	National Council for Science and Technology
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Square
PEST	Political, Economic, Social, Technology
Q-Q	Quantile-Quantile Normality Test
RBV	Resource Based View
ROI	Return on Investment
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences

DEFINITION OF TERMS

Balanced Score Card (BSC): Is a multi-dimensional performance measurement system encompassing both financial and non-financial measures that are derived from the organisation's strategy and that are linked together in a series of cause and effect relationships and implemented with the aim of achieving superior performance. BSC consists of four dimensions, namely: learning and growth perspective, internal business perspective, customer perspective and financial perspective (Kaplan and Norton, 1992; Kaplan and Norton, 1996).

Performance: Includes financial and non-financial outputs or services of a firm. More specifically, it comprises of achievements in the areas of four perspectives that comprise, learning and growth, internal business processes, competitive advantage and financial profitability(Laitinen, 2002; Brown & Laverick, 1994).

Small and Medium Enterprises (SMEs): They are defined based on the number of employees, annual turnover, annual balance sheet total, and level of autonomy. A small enterprise consists of those firms with 10- 50 employees, annual turnover of between Ksh.500, 000 and Ksh.5 million and investment of between Ksh.5 million and Ksh.20 million. A medium-size enterprise would have 50-100 employees, annual turnover of between Ksh.5 million to 800 million (Republic of Kenya,2005).

Strategic Management: Is a set of theories and frameworks, supported by tools and techniques, designed to assist managers of organisations in thinking, planning and acting strategically(Qi, 2005; Thompson and Strickland, 2003).

Strategic Planning: Is the management process that includes determining the mission, policies and resource needs to ensure achievement of organisational aims(Stainer, 1979; Kargar and Parnell, 1996; Pearce and Robinson, 2011).

Strategic Thinking: This requires managers of an organisation to think beyond the day-to-day operations in order to develop a long-term vision for the business(Kraus, Harms and Schwarz, 2006, Pearce and Robinson,2011).

Strategy Implementation: Is the action stage of strategic management. Strategy implementation includes the making of decisions with regard to matching strategy and organisational structure, developing budgets and motivational systems (Qi, 2005).

Strategy: Is the determination of the basic, long-term goals and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary for achieving those goals(Chandler, 1962; Pearce and Robinson, 2011).

ABSTRACT

The purpose of this study was to examine the relationship between strategic planning and performance of Information Communications and Technology (ICT) Small and Medium Enterprises (SMEs) in Kenya. While most countries acknowledge the critical role that ICT SMEs contribute to their economies, both as an engine of growth and sustainable development, ICT SMEs experience many challenges that affect both their performance and sustainability. Theoretical literature suggests that strategic planning is an essential activity that generates positive outcomes for firms of all sizes. However, the results of the previous studies examining the relationship between strategic planning and firm performance have been inconclusive and has had mixed results. Similarly, strategic planning measures have lacked precision and consistency and many studies have focused on financial measures and ignored non-financial measures. The specific objectives of the study therefore, included determining the influence of strategic planning combined processes and actions on learning and growth, internal business processes, competitive advantage, and financial profitability of ICT SMEs performance. In addition, the study investigated whether environmental factors and organisational characteristics have moderating effects on the strategic planning performance outcomes. A descriptive and correlation design were used. The study used primary data gathered from SMEs top, middle and lower management employees. A total sample of 146 ICT SMEs constituting 61% of the total population was selected. Stratified random sampling was used to select the SMEs according to age category. Two hundred and thirty nine (239) responses were received from 123 ICT firms hence achieving a response rate of 55% and 84.2 % respectively. Data analysis was done using SPSS software version 20.0 and analysis tools comprised descriptive analysis, factor analysis, t-test, ANOVA, correlation, correlation matrixes and regression analysis. The results of the regression analysis revealed that strategic planning processes and actions are significant

predictors of ICT SMES business performance and explain 24.1% improvement in learning and growth, 17.1% increase in internal business processes performance, 17% performance improvement in firm competitive advantage. In addition, strategic planning was found to have low but positive influence on financial profitability and explain 1% of its increase. The moderating effect of environmental factors on the strategic planning performance outcomes was found to be positive but insignificant, while organisational characteristics was found to have positive and moderate influence on strategic planning performance outcomes. This study concludes that effective strategic planning processes and actions have significant influence on ICT SMEs performance, and is a learning tool and a strategic resource. The study recommends that ICT SMEs entrepreneurs' and managers should focus their efforts on building their capabilities to develop and implement effective strategic planning activities. Policy makers and academicians may need to address the capacity needs of SMEs and develop strategic planning model that address the challenges that SMEs encounter in a dynamic environment. This study was limited by its sample size, industrial coverage and location. There is scope for further refining the instrument, criteria and operationalisation and assessing the scope of strategic planning in SMEs on large scale and providing comparatives between sectors, geographical areas or business in various stages of development.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This chapter presents the background of the study and explores the concept of strategic planning and its role on the performance of small and medium enterprises (SMEs) with a focus on the Information Communications and Technology (ICT) sector. In addition, section 1.2 of this chapter presents the research problem, section 1.3 research objectives, section 1.4 research questions, section 1.5 justification of the study, section 1.6 scope of the study, and section 1.7 sets out the study limitations.

1.1.1 Strategic Planning

Strategic planning, as described by several scholars (Chandler, 1962; Steiner, 1979) is the determination of the basic, long-term aims and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary for achieving those aims. It is thus regarded as an attitude and a process concerned with the future consequences of current decisions, how these outcomes are to be accomplished, how success is to be measured and evaluated, and links short, intermediate, and long-range plans. According to Kargar and Parnell (1996), strategic planning has remained dynamic activity within the strategic planning process and is most critical in times of change and unfamiliar environments. For instance, a study by O'Regan and Ghobadian (2007) reveal that 81% of companies worldwide reported doing strategic planning and in the United States (US) for example, 89% practice it.

Support for the planning process comes from various authors. According to Kargar and Parnell (1996), strategic planning enhances both large and small enterprises' ability to cope with the challenges in the globalised, regionalised and liberalised world order and enables their long term survival. It is asserted that strategic planning can result in strategic change that may increase strategy-environmental fit, and hence can become a source of sustained competitive advantage (Pearce & Robinson, 2011; Schwenk & Shrader, 1993). Likewise, strategic planning creates a framework for internal communication, promotes long range thinking, reduces the focus on operational details and encourages a favourable attitude to change (Kraus, Harms and Schwarz, 2006). In addition, strategic planning can play important role in an organisation, for instance, (a) stakeholders such as investors can use measurable objectives which is a common output of a strategic plan as a benchmark to evaluate the performance of a firm, (b) it can be used as an instrument to seek financial credit, (c) it plays an information role by providing input for management decisions, (d) its direction and control role is fulfilled when plans serve to guide future decisions and activities towards some intended ends, and (e) it enhances creativity and increases organisational commitment through involvement of people across all levels (Baker, Addams and Davis, 1993).

Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance (Tapinos, Dyson & Meadows ,2005). Previous studies have operationalised strategic planning as a multidimensional concept consisting of goals and objectives set for at least three years into the future, its relationship with the environment, formal or written plans, monitoring and modification, and taking into account unanticipated environmental and firm characteristics as moderating factors (Phillips & Peterson, 1999; Kraus

et al., 2006). This study extends this concept and identifies strategic planning key variables as its formality, time horizon, strategic planning processes that entail internal and external environmental assessment, strategies adopted, and implementation and control.

While there is increasing support for the application of strategic planning in organisations, the extent to which it contributes to improvement of corporate performance is still a matter of controversy. Contemporary scholars have held opposing views and mixed results. For example, Andersen (2000) revealed no association while others have concluded that firms that engage in a formal strategic planning process outperform those that do not (Beamish, 2000; Allison & Kaye, 2005; Akinyele & Fasogbon, 2007). This evidence demonstrates the usefulness and, in fact, the necessity of having a formal, proactive strategic planning process in an organisation, whether it be large or small (Beamish, 2000; Allison & Kaye, 2005; Akinyele & Fasogbon, 2007).

Planning in large organisations has been researched extensively, resulting in many prescriptions, models and concepts Jennings and Beaver (1997), however, the use and application of the planning process in small firms is still the subject of on-going debate (O'Neill, Saunders and Hoffman, 1987). For instance, little is known about the strategic management practices in developing countries as few studies have been done, in particular the effect of strategic planning (Berry, 1998; Aldehayyat & Twaissi, 2011). Similarly, strategic planning performance measures have lacked precision and consistency. Several authors (Andersen, 2000; Brown & Laverick, 1994; O'Regan & Ghobadian, 2007) have argued that realistic model of organisational performance require more than a single measurement criterion. Kargar and Parnell (1996), for

example, used financial performance measures and organisational effectiveness to measure executive satisfaction with strategic planning.

Kaplan and Norton (1997) argue that performance is a multidimensional constructs comprising learning and growth, internal business processes, customer perspective and financial perspective. Given the role of strategic instruments in large companies and the notion that rational decision-making should prevail in enterprises regardless of size, practitioners and academics have called for increased use of strategic planning in small and medium enterprises (SMEs). The current research intends to gain a deeper understanding about the role of strategic planning in the performance of SMEs and explores both the non-financial and financial measurements of strategic planning performance outcomes.

Small and medium enterprises have grown in importance in the global economy during the last couple of decades (Hall, 2002; Mephokee, 2004). They are not only considered to be the principal driving force of economic development but they are also regarded as vital for sustained growth in almost all economies (Garikai, 2011). Further, SMEs are a major source of employment, generate significant domestic and export earnings, contribute to the general health and welfare of economies, and are a key instrument in poverty reduction (Mephokee,2004; Organisation for Economic Co-operation and Development (OECD, 2004). For instance, SMEs constitute 99.7% and 99% of all employers in the United States (US) and European Union (EU), respectively. In Kenya, the SMEs sector employs 74% of the labour force and contributes over 18% of the country's gross domestic product (GDP) (Republic of Kenya, 2005). Generally, SMEs are defined by the number of workers employed, value of assets and sales turnover (Garikai, 2011; OECD, 2004).

Despite the role played by SMEs, research shows that SMEs encounter a range of problems and even though close to one million small enterprises are established each year of the small enterprises established in a year, at least 40% of them close within one year and 80% of them will be out of business within 5 years and 96% will be closed by their 10th year (Gerber, 2001).

The current research focused on generating relevant information to understand the role of strategic planning processes and actions among the small and medium enterprises, and the extent of the strategic planning influence on a multi-dimensionality of performance measures comprising, learning and growth, internal business processes, competitive advantage, and financial profitability. Drawing upon a combination of theories, namely, resource based view (RBV) of the firm, systems and chaos theories, this study advances the concept that formal strategic planning and its underlying processes can constitute a source of sustained competitive advantage for SMEs. According to RBV, only accumulated competencies enable a firm to build strategic assets that are valuable, rare, costly to imitate and non- substitutable and, hence, enable a firm to have advantage over competitors (Barney, 1991).

An effective strategic planning process, a special synergy among the top management team; relationship between employees and strategic planning system; and the organisation's systems may be this type of competency. This supports the systems theory that advocates for interrelationships among various parts for effective organisational performance. Yet in an uncertain and unpredictable environment chaos theory suggests that businesses emphasise flexibility, creativity, and innovation in order to survive and prosper in the era of rapid change.

1.1.2 Global Outlook of Strategic Planning

Strategic planning has been around for centuries in the form of military strategies. It can be traced to the industrialists of the early 1900s, starting with the works of Fredrick W. Taylor, in his publication, *The Principles of Scientific Management*. However, broad based strategic planning became a common practice in the 1950s and Igor Ansoff, considered by many as the father of strategic planning, developed sophisticated and detailed models that were later simplified by George A. Steiner and Henry Mintzberg (Dolence, 2004).

In terms of strategic planning for business, it can probably be traced back to the 1920s when Harvard Business School developed the Harvard Policy Model, one of the first strategic planning methodologies for commercial business (Carter, 1999). In the 1950s, the focus of strategic planning moved from organisational policy and structure towards the management of risk, the promotion of growth and the gaining of market share. By the 1960s, virtually every large organisation had a strategic planning department and a strategic plan.

According to O'Regan and Ghobadian (2007), 81% of companies worldwide reported doing strategic planning and in the US, for example, 89% practice it. Baker, Adams and Davis (1993) in their study of the practice of strategic planning in small US high-growth firms found that strategic planning has positive influence on company performance. In this regard (Kudla, 1980; Grinyer & Norburu, 1975) assert that some of the characteristics of strategic planning include, goals and objectives set for at least three years into the future, its relationship with the environment; a formal strategic plan consisting of written plans, takes into account alternative

strategic options, identifies future resource requirements; encompass procedures for on-going monitoring and modification, and includes environmental scanning.

Schayek (2011) in his study on the effect of strategic planning on SMEs, examined three characteristics of strategic planning, that is, (a) whether plans have been written, (b) the detailed scope of strategic planning and, (c) the period of time covered.

Likewise, Kraus *et al.*, (2006) analysed the implications of essential elements of strategic planning in small businesses that is: (a) time span, (b) formalisation, and (c) frequency of control and use of planning instruments. Moreover, Phillips & Peterson (1999) assert that each of the three business strategy components, that is (a) the strategic planning process (b) the strategic plan and (c) implementation affect performance directly, while unanticipated environmental and firm characteristics are key moderating variables. Given the role of strategic instruments in large companies and the notion that rational decision-making should prevail in enterprises regardless of size, practitioners and academics have called for increased use of strategic planning in small and medium enterprises (SMEs).

1.1.3 Strategic Planning in Developing Countries

Little is known about the strategic management practices in developing countries as few studies have been done, in particular the effect of strategic planning (Berry, 1998; Aldehayyat & Twaissi, 2011). In a study to identify strategic planning systems' characteristics in Jordanian small firms, Aldehayyat and Twaissi (2011) noted that little attention has been given to the study of strategic planning in small businesses in the developing countries. Their study revealed that a

strong positive relationship exists between strategic planning and corporate performance in the context of countries in the Middle East.

Dolence (2004) carried out a study to establish the relationship between planning and performance in Asian SMEs. His findings revealed that there is a positive and significant relationship between planning and performance in manufacturing SMEs. Performance in this regard relates to profitability, market share, number of employees and reinvestment in the firm. In the African context, Okpara and Wynn (2007) carried out an exploratory study to examine the reasons for small-business failure in Nigeria. The study revealed major obstacles as: lack of financial support, lack of management experience, corruption, and lack of training and inadequate bookkeeping. The study recommended future research on the effect of business environment in different Sub-Saharan economies and also on diverse businesses.

1.1.4 Strategic Planning and Organisational Performance

Strategic planning has been proven as significant predictor of organisational performance in times when the contemporary business environment in which organisations operate is increasingly becoming uncertain and unpredictable (Bettis & Hitt, 1995). Laitinen (2002) defines performance as “the ability of an object to produce results in a dimension determined a priori, in relation to a target.” Ittner and Larcker (2003) assert that performance measurement is used to allocate resources and map progress towards achievement of strategic goals and hence this suggests that performance must be linked to actions emanating from strategic planning. Performance measurement tools can help identify weaknesses, clarify objectives and strategies and improve management processes. Further, while many theories on performance

measurements and performance management have been developed for large organisations, few have been tailored for SMEs (Jamil & Mohamed, 2011).

Financial performance, which entails profitability, is used in vast majority of existing studies (Qi, 2010). However, the use of financial performance measures to evaluate organisational effectiveness has been criticised for being too narrowly focused on short-term performance without more long-term considerations. According to Chackravathy (1986) accounting measures are considered necessary, but not sufficient to define overall effectiveness.

Brown and Laverick (1994) argue that a realistic model of organisational performance requires more than a single criterion. This is supported by Kaplan and Norton (1997) in the Balanced Score Card (BSC) tool, which uses both financial and non-financial performance measures. According to Jamil & Mohamed (2011), it is necessary to identify the characteristics or indicators of performance measurement system as it enables an organisation to effectively and efficiently measure and manage its performance. Previous researchers (Wu, Sinkovics, Sinkovics & Roath, 2009; Nguyen, 2001; Burns, 1978; Jaggi & Considine, 1990) have used various measures for firm financial performance including profitability, liquidity, market share, capital structure. Profitability is in-turn measured in terms of return on sales, equity (owner's capital), assets and liquidity.

On the other hand, similar empirical findings by (Barney, 2002; Durand & Vargas, 2003) observed that obtaining objective data from SMEs was often very difficult. Likewise, it was observed that Chief Executive Officers (CEOs) were also reluctant to provide detailed

accounting data on firm performance. According to (Barney, 2002; Durand & Vargas, 2003), this problem is more acute in privately owned SMEs. Garg, Walters and Priem (2003) suggest the use of subjective self-reporting measures of performance, such as overall perceived performance. Hence the wide use of multiple dimensions of performance in SMEs strategic planning research has to be reinforced to more appropriately evaluate the strategic planning and performance nexus. These measures have been found to be highly correlated with objective measures of firm performance. In light of the previous empirical findings and based on work of this study, the use of both non-financial and financial performance self-reporting measures to assess firm performance were deployed.

1.1.5 Strategic Planning in SMEs

While planning in large organisations has been researched extensively, resulting in many prescriptions, models and concepts (Jennings & Beaver, 1997), the use and application of the planning process in small firms is still the subject of on-going debate (O'Neill, Saunders and Hoffman, 1987). Pushpakumari and Wijewickrama (2008), argue that SMEs often do not have the means to ensure continuous successful implementation of strategic planning as they maintain lower levels of resources, have limited access to human, financial and customer base and less-developed management capacity and administrative systems. Research findings reveal that, generally, funding remains a necessary but not sufficient condition for a viable SME development. Management problems manifest in many ways like: lack of capacity; lack of clear vision; lack of business plans and business strategy; and poor strategy implementation are critical for the performance and survival of SMEs (Gerber, 2001). According to Onugu (2005) unlike large enterprises, SMEs are characterised by their flexibility, responsiveness, pursuit of

opportunities, risk-taking, innovation, unconventional thinking and creativity. According to RBV, chaos and contingency theories these are strategic resources that can be exploited by SMEs to adapt to the ever changing environment.

Comprehensive reviews of the small business literature suggest that, *ceteris paribus*, strategic planning is generally more common in better-performing enterprises (Hormozi, Sutton, McMinn, & Lucio, 2002; Lurie, 1987; Miller & Cardinal, 1994; Schwenk & Shrader, 1993). Several authors (Berman, Gordon, & Sussman, 1997; Bracker, Keats, & Pearson, 1988; Carland & Carland, 2003; Gibson & Cassar, 2005) argue that small businesses that strategically plan compared to those that do not are more likely to be those that are innovative, achieve higher sales growth, and higher returns on assets, higher profit margins and higher employee growth. According to Gibson and Cassar (2002), planning in small firms is mostly adaptive in nature, short-term oriented and concerned with the manipulation of scarce and limited resources.

Furthermore, planning in small firms is generally typified by intense personalisation and is highly influenced by the preferences, experiences, attitudes, prejudices and general personality sets of the firm. Thus, the existence of diverse planning processes in small businesses should be expected but with little or no resemblance to the planning process found in large organisations.

Research findings reveal that, generally, funding remains a necessary but not sufficient condition for a viable SME development.

1.1.6 The Kenya SMEs Sector

Small and Medium Enterprises are considered as the most prolific source of employment, with the ability to spread investment across the country (Republic of Kenya, 2005). The sector is noted as not only a provider of goods and services, but also a driver in promoting competition and innovation, and enhancing the enterprise culture necessary for private sector development and industrialisation (Republic of Kenya, 2005). Likewise, the SMEs sector employs 74% of the labour force and contributes over 18% of the country's Gross Domestic Product (GDP).

In Kenya, a small enterprise consists of those firms with 10-50 employees, annual turnover of between Ksh.500, 000 and Ksh.5 million and investment of between Ksh.5 million and Ksh.20 million. A medium-size enterprise would have 50-100 employees, annual turnover of between Ksh 5 million to 800 million (Republic of Kenya, 2005).

Since Independence, the government has recognised the potential of the Small Enterprise (SE) sector in employment and poverty reduction. This objective has been outlined in Sessional Paper No. 1 of 1986 on Economic Management for Renewed Growth, Sessional Paper No. 2 of 1996 on Industrial Transformation to the year 2020, the Sessional Paper No. 2 of 2005 on the development of MSEs for Employment and Wealth Creation (Republic of Kenya 1986, 1996, 2005).

It recognised the need to establish and maintain a conducive environment for the graduation of SMEs to have more capacity to produce high quality products and create sustainable employment opportunities. Kenya Vision 2030 has identified Information and Communication Technology (ICT) as a key engine of growth, as it is a key investor in people services and

networks. The development of SMEs in ICT sector is important in contributing to the attainment of Vision 2030's strategic objective of attaining a middle-income industrialised status by 2030 (Republic of Kenya, 2008).

Despite the numerous policy prescriptions, and the overwhelming evidence on the role and potential of SMEs in wealth creation, the sector is faced with various challenges and constraints that inhibit or constrain its growth. These include among others, unfavourable policy environment, limited access to financial resources, inadequate access to skills and technology, limited access to infrastructure, inadequate business skills, limited linkages with large enterprises and limited access to information, and lack of knowledge about customer's needs (Republic of Kenya, 1999; 2005). The effect of this is less growth in the SME sector and high failure rate. Grant (2008) asserts that knowing what customers want and how a firm survives competition are prerequisites for success. SMEs can use strategic planning tool to develop strategies to reduce risks and better address environmental challenges. According to The Economist (2012), the link between small firms and jobs growth relies entirely on new start-ups, which are usually small.

1.2 Statement of the Problem

In spite of the critical role and positive outcomes that strategic planning play on organisational performance in times when the contemporary business environment in which organisations operate is increasingly becoming uncertain and unpredictable, little is known of the use and application of strategic planning practices among small and medium enterprises, especially in Africa (Aldehayyat & Twaissi, 2011; Allison & Kaye, 2005). Likewise, the results of the previous studies examining the relationship between strategic planning and firm performance

have been inconclusive and has had mixed results. While some studies (Andersen, 2000) show that strategic planning increases performance, others reveal no association (Beamish, 2000; Akinyele & Fasogbon, 2007).

In addition, in spite of the great interest in understanding the problems faced by SMEs, there is an apparent inadequacy of literature on the role of strategic planning and performance of SMEs in Africa (Aldehayyat & Twaissi, 2011). The existing literature (Sorooshian, Norzima & Conger, 2010; Njanja, Pellesier & Ogutu, 2010; Kraus *et al.*, 2006; Beaver & Jennings, 2001) reveals that there are gaps in terms of generalised conclusions due to a tendency to research on all management-related factors that affect SMEs performance and the absolute disregard of the influence of strategic planning on the performance of SMEs. In addition, previous empirical findings show that strategic planning measures have lacked precision and consistency. Many have focused on financial performance measures (Kargar & Parnell, 1996). It is insufficient to merely analyse a firm's performance by financial performance, especially under today's changing business environment (Qi, 2010) .

The current research attempts to fill in the gap. It specifically focuses on the role of strategic planning on the performance of SMEs ICT. Performance comprise a set of multi-dimensional measures both non-financial and financial measures namely, learning and growth, internal business processes, competitive advantage, and financial profitability. The integrated approach taken, this study makes a significant contribution to literature. It gains significance mainly due to its focus on Kenyan based ICT SMEs and helps theory development, which is crucially dependent on empirical studies representing different sectors and geographical regions.

The prime role of the SMEs sector in national development has been observed, it is of paramount interest to managers, scholars and policy makers alike to know from empirical research, which and how strategic planning characteristics affect performance. More specifically, in Kenya, none of the previous studies have looked at the role of strategic planning and strategic planning performance outcomes. Without this kind of research, it will be hard to determine what is needed to help SMEs from failing and continue in operation to the foreseeable future.

1.3 Research Objectives

Research objectives were of a general and specific by nature.

1.3.1 General Objective

This study explored the role of strategic planning and on the performance of small and medium enterprises (SMEs) in Information Communication Technology (ICT) Sector in Nairobi, Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were to:

1. Determine whether strategic planning influences learning and growth of ICT SMEs performance in Kenya.
2. Determine whether strategic planning influences internal business processes of ICT SMEs performance in Kenya
3. Establish whether strategic planning influences competitive advantage of ICT SMEs performance in Kenya.

4. Find out whether strategic planning influences the financial profitability of ICT SMEs performance in Kenya.
5. Investigate whether environmental factors moderate the relationship between strategic planning and performance of ICT SMEs in Kenya.
6. Investigate whether organisational characteristics moderate the relationship between strategic planning and performance of ICT SMEs in Kenya.

1.4 Research Hypothesis

To examine the influence of strategic planning variable on the performance variables, the following null hypothesis were tested.

H₁: Strategic planning practices do not influence learning and growth performance of SMEs ICT sector in Kenya.

H₂: Strategic planning practices do not influence improvement in the internal business processes of SMEs ICT sector in Kenya.

H₃: Strategic planning practices do not influence competitive advantage of SMEs ICT sector in Kenya.

H₄: Strategic planning practices do not influence financial profitability of SMEs ICT sector in Kenya.

H₅: There is no significant improvement in the strategic planning performance outcomes of SME ICT Sector in Kenya when the relationship between strategic planning and performance is moderated by environmental factors.

H₆: There is no significant improvement in the strategic planning performance outcomes of SME ICT Sector in Kenya when the relationship between strategic planning and performance is moderated by organisational characteristics.

1.5 Justification of the Study

The SME sector in Kenya, like in other developing countries, plays an indispensable role in employment creation, investment distribution, and social welfare and in this respect contributes to reduction in poverty levels. It was also noted that the survival rate of most of these institutions is a mere five years on average and that 80% of them will be non-existent by this time (Gerber, 2001). This low performance is likely to slow the development path as envisioned in the Kenya Vision 2030. Based on literature review, the role of strategic planning is highlighted as critical in enhancing learning and growth, improving internal business processes, improves focus on customer and hence increases competitive advantage and financial performance. These direct effects of strategic planning eventually contribute to survival and success of most SMEs especially in times of increased competitiveness in the global, regional and local environment.

Studies that have been done in Kenya, have acknowledged that most SMEs apply the management functions of planning, organising, leading, and control (Njanja Pellisier and Ogutu, 2010). However, the linkage between these management functions and the direct effects of planning is an area that limited studies have been carried out, especially in Kenya. This study will first and foremost serve to contribute to more knowledge in this area and growth of literature. Secondly, the practitioners in the SME sector will benefit from references to this study in their efforts to improve the performance in the respective areas of operations.

This would help the entrepreneurial firms in reforming their internal capability and taking a proactive and creative role by entrepreneuring a continuous mode of learning by using strategic planning in effort to remain competitive. The results of this study are envisaged to provide key indicators to other stakeholders in the value chain of small businesses to intervene in critical areas that would enhance the competitiveness of SMEs, for their survival and growth and hence decrease the failure rate of SMEs.

Lastly, the results of the study are envisaged to inform policy makers and those in academic of areas for intervention, especially in developing specific market based training needs for SMEs entrepreneurs in advancing the competitive capabilities of SMEs in the global landscape. This is important in Kenya, as it aims in its Vision 2030 to benchmark its development agenda with that of countries such as Malaysia and South Korea (Republic of Kenya, 2008).

1.6 Scope of the Study

The unit of analysis for this study was employees comprising top, middle and lower management in the ICT SMEs sector. This research used descriptive survey research design to establish the extent of strategic planning influence on the multidimensional performance components of learning and growth, internal business processes improvement, competitive advantage and financial profitability.

The relationship between strategic planning and performance was moderated by environmental factors and organisational characteristics. The sample was picked from the selected ICT SMEs

operating in Nairobi and its environs. This is because Nairobi had the largest concentration of ICT SMEs.

1.7 Limitations of the Study

This study had its limitations, for instance the scope of the study was limited by its sample size, industrial coverage and location. This study focused on the ICT SMEs in Nairobi and its environs. The model therefore, needs to be tested in other industrial sectors. The apparent inadequacy of local literature on the subject of the influence of strategic planning on the distinctive set of performance measures of small and medium enterprises limited the level to which reasonable good comparison between this research findings and other empirical studies conducted in the discipline locally could have been done.

In realizing objectives (b) and (d) of the study, namely determining the influence of strategic planning on the internal business processes and financial performance levels, it was anticipated that difficulties would arise in obtaining data on specific strategies and financial disclosure of the respondent firms. Due to this difficulty in obtaining objective data on financial performance of SMEs, subjective data was utilised for many variables, the study may thus suffer some weaknesses associated with use of perceptual data (Barney, 2002; Durand & Vargas, 2003).

Likewise obtaining information from top management may have provided biased inputs that correspond to what top management perceive as desirable strategic posture, which may not be the actual case. The researcher thus obtained information from different levels of employees including middle managers and lower management staff. In evaluating the results therefore, it will be imperative to take these limitations into considerations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews various theories that inform strategic planning process and its implications in times of unpredictable and uncertain environment, in the context of small businesses, seeks to locate the place of our focus subject and its relevance to the strategic management discipline. The conceptual framework is explained using a concept map that captures the key variables and linkages and relationships amongst variables. In addition, a critical review of empirical studies is undertaken and an effort to evaluate contributions is made and pertinent knowledge gaps identified.

2.2 Theoretical Perspectives

This section discusses various theories in the attempt to understand strategic planning and its influence on SMEs performance. The applications of the theories given the variables contained in the conceptual framework are also discussed.

2.2.1 Systems Theory

Systems theory was originally proposed by Hungarian biologist Ludwig Von Bertalanffy in 1928 (Kast & Rosenzweig, 1972; Scott, 1981; Olum, 2004). The foundation of systems theory is that all the components of an organisation are interrelated, and that changing one variable might affect many others, or if one sub-system fails, the whole system is put in jeopardy. Organisations are viewed as open systems, continually interacting with their environment. These parts that

share feedback among each other can be looked at as consisting of four aspects namely: inputs which comprise resources such as raw materials, money, technology, and people; processes, such as planning, organising, motivating and controlling; outputs, such as products and services and enhanced systems, productivity. This implies that when one part of the system is removed, the nature of the system is changed as well. Systems theory helps managers to look at the organisation more broadly and recognise the interrelationships among the various parts.

Systems theory is important in examining how strategic planning processes and actions influence learning within the organisation and how this translates to improved internal business processes. These effects are likely to create value for customer in terms of efficient delivery of services and quality products. For instance, consensus management and decision making in organisations, especially small organisations, rely on a systems approach. The strategic planning and implementation models are based on processes and systems approach. It will, thus, be of interest to find out the extent these processes and systems are applicable in small businesses and in the ever-changing environment. One of the most salient arguments against systems theory is that the complexity introduced by nonlinearity makes it difficult or impossible to fully understand the relationships between variables. Dawson (2006) views models as mechanistic and he argues that the business practice today is working off models and working on open-ended creative processes as organisations can be viewed as living organisms.

2.2.2 Chaos Theory

Chaos theory was pioneered by Lorenz (1963) in his study of the dynamics of turbulence in flow in liquids. The interest in chaotic systems is the underlying patterns of structure and order even

when they are in chaotic state and that chaotic systems are capable of sudden and dramatic changes. Similarly, Stacey (1995:480) puts it that “nonlinearity and positive feedback loops are fundamental properties of organisation’s life as it interacts with other firms and other actors in the environment such as consumers, government bodies and financial institutions. Due to the uncertainty and dynamism in which organisation operate in, it is argued that, generally businesses perform better when they have a “fit” and deploy assets in a manner appropriate to the environment, debate continuous on how organisations can achieve this fit (Hannan and Freeman(1984).

According to Burns and Stalker (1961), the chaos theory thus suggests that businesses emphasise flexibility, creativity and innovation to vagaries in the market place by, for example, adopting organic structures as opposed to mechanistic structures and encouraging all workers on free exploration of complex and subtle issues. This way the organisation might rise to self-organisation and emergent order that enable it to prosper in the era of rapid change (Allen, 1998). One of the achievements of chaos theory is the ability to demonstrate how a simple set of deterministic relationships can produce patterned yet unpredictable outcomes. This theory is quite applicable to small businesses like SMEs, due to their nature of flexibility. This characteristic coupled with knowledge and use of flexible strategic planning could help SMEs to create and innovate through a learning process and thus cope with the environmental changes. The SMEs who are able to be innovative are likely to improve their internal business processes in order to meet customer requirements and hence remain competitive.

2.2.3 Contingency Theory

Galbraith (1973) states that in contingency theory, there is no one best way to organise and any one way of organising is not equally effective. Chandler (1962) studied four large corporations and proposed that organisations would naturally evolve to meet the needs of their strategies. Implicit in Chandler's ideas is that organisations act rationally, sequentially, and in a linear manner to changes in the environment and that effectiveness was a function of management's ability to adapt to environmental changes. Contingency theory is guided by the general orienting hypothesis that organisations whose internal features best match the demands of their environments will achieve the best adaptation. The term "contingency" was coined by Lawrence and Lorsch (1967) who argued that the amount of uncertainty and rate of change in an environment impacts the development of internal features in organisations.

The rate of change and uncertainty in the environment questions the application of this theory and especially for small businesses, which may not have the resources and the time to make changes and adapt to the fast-paced environment. Similarly, it can be argued that a failure in one sub-system will not necessarily thwart the entire system. Yet this theory is very important in pointing out the critical role of the environment in an organisation's survival and that it cannot be ignored even by a small enterprise.

2.2.4 Resource-based View Theory

Initiated in the mid-1980s by (Wernerfelt, 1984; Rumelt, 1984; Barney, 1986), the Resource Based View (RBV) central premise is that firms compete on the basis of their resources and capabilities. The resource-based view assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Secondly, it assumes that

resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms and are difficult to accumulate and imitate (Barney, 1991; Peteraf & Bergen, 2003).

A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney & Pandian, 1992, cited by Hooley & Greenley 2005, p. 96; Smith & Rupp, 2002, 48).

Phillips and Peterson (1999) assert that formal strategic planning and its underlying processes can constitute a source of competitive advantage. For instance, an effective strategic planning process that entails exceptional scanning of an environment may be considered as the type of competence that could allow it to identify opportunities before competitors. Likewise, a special synergy among top management team or owner-manager and the rest of organisational systems may give it an advantage over competitors.

Small businesses are noted to have unique characteristics, such as flexibility, yet they are also faced with such challenges as inadequate resources such as time, low management capacity and technical expertise. These special characteristics and circumstances make strategic planning vital for effective management of SMEs. It is, however, noted that not all resources of a firm may contribute to a firm's sustainable (López, 2005; Helfat & Peteraf, 2003). As well competitive value of resources can be enhanced or eliminated by changes in technology, competition, buyer needs hence firms including SMEs must focus on product-market activity.

2.2.5 Sustainability Theory

Sustainability theory means a capacity to maintain some entity, outcome or process over time. In general, sustainability refers to the property of being sustainable. This theory is applicable to the operations of SMEs as their sustainability may improve their survival rate. According to Rosenbaum (1993) sustainability means using methods, systems and materials that won't deplete resources or harm natural cycles. The long term health of a nation depends on the sustainability of firms that operate in the country. The long term performance depends on the competitiveness of SMEs sector and this is influenced by the adoption of strategic planning practices. This is likely to enhance the growth and survival rates of SMEs. The failure rate of SMEs is a problem to nations and can slow its development. Appropriate use of strategic planning tools can be a source of sustained competitive advantage for SMEs.

2.2.6 The 3 Cs Strategic Triangle Model

Mintzberg, Ahlstrand and Lampell (2005) define strategy from five perspectives, namely a plan that provides roadmap to achieve goals; a ploy refers to how resources are used to attain objectives; a pattern of decisions and actions that drive an on organisation forward; a firm position in the market and its perspective of the future. Building on this, Ohmae (1982) believes that successful business strategy does not result from rigorous analysis but from a particular state of mind of the strategist with a sense of mission that fuels creativity.

Ohmae argues that construction of a business strategy requires three main players, namely the organisation itself, the customer and competitor. He refers to these as the 3Cs of the strategy Triangle as noted in Fig. 2.1.

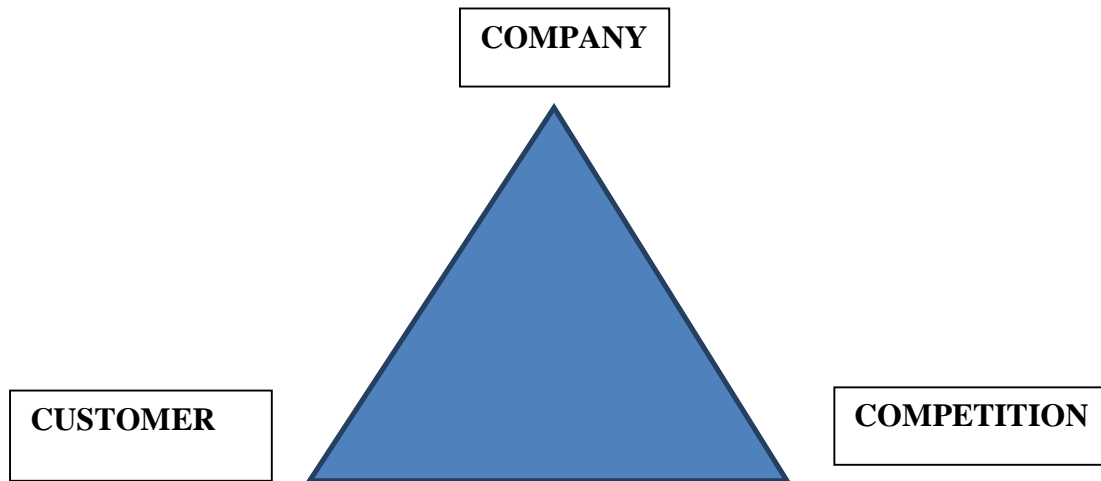


Fig. 2.1: The Strategic Triangle of 3 Cs: Source: Ohmae (1982)

According to Ohmae, customer based strategies focus on the interest of the customer, their needs and not those of shareholder, founder or other stakeholders, while corporation strategies are functional based and aim is to strengthen the key industry functional areas relative to those of competitors. Competitor based strategy is constructed at looking at possible sources of differentiation.

Small and medium enterprises can use their characteristics of flexibility and be creative in segmenting client according to their objectives for use of its products or services, market mix and be creative and take a lead in every function like sourcing to delivery. Ohmae (1982) argues that environmental factors have to be taken into account when shaping the strategy.

2.2.7 The Learning Organisation

Senge (1990) defines learning as enhancing ones capacity to take action and therefore, 'learning organisation are organisations that are continually enhancing their capacity to create' (p.127). According to Senge, new organisations can be built by adopting a set of disciplines one of which is 'building a shared vision. Gozdz (1992) argue that learning organisations are centred around the concept of community, which entail a lifelong learner, responsive to change, and conscious to an increasing complex array of alternatives. Learning and innovation thus comes from the community as group of people who have a strong commitment to deep levels of communication, collaboration and when experiences are followed by immediate feedback (Gozdz,1992).

On the other hand, Senge argue that learning disabilities come when people form strong identification with their positions and are unable to see their jobs as part of the larger system. Kaplan and Norton (1996) asserts that learning comes from three sources namely; people, systems enhancement and aligning organisational procedures and routines. Growth and sustainability of SMEs can be sustained by discipline and commitment centred around shared vision and leadership keeping the people attention focused on the process.

2.2.8 StrategicPlanning and Organisational Performance

According to (Castrogiovanni, 1996; Ramanujam & Venkatraman, 1987), strategic planning impact on business outcomes is transitive and may not be direct. For instance, certain benefits of strategic planning may in turn enhance the business's ability to act in a manner conducive to survival and profit maximisation. Several authors (Hisrich & Peters, 1989; Sexton & Bowman-Upton, 1991) categorised the direct benefits of strategic planning as: (a) symbolism –as it

legitimises the venture, communicates to various stakeholders and is an instrument for seeking credit facilities from financiers; (b) Learning as planning results in enactive and proactive learning through experience and knowledge of the environment and hence reduces managerial uncertainties; (c)Efficiency-participation and communication of business among business members enhances ownership, coordination, cost reduction, and competitiveness.

Similarly, Kaplan and Norton (1992) developed a management and development tool called the Balanced Scorecard (BSC) that includes financial and non-financial measures, more specifically four perspectives that comprise financial, internal business process, customers' perspective and learning and growth. Kaplan and Norton (1993) argue that measure selection should focus on information relevant to the implementation of strategic plans. A survey carried out by Paranjape, Heron and Kaslow (2006) confirmed that of all the performance measurement and control system, the BSC is the most popular; least criticised and is widely implemented. Likewise, a survey conducted by Silk (1998) estimates 60% of fortune 1000 firms have experimented with the BSC. The four perspectives that BSC focuses on are shown in Figure 2.2.

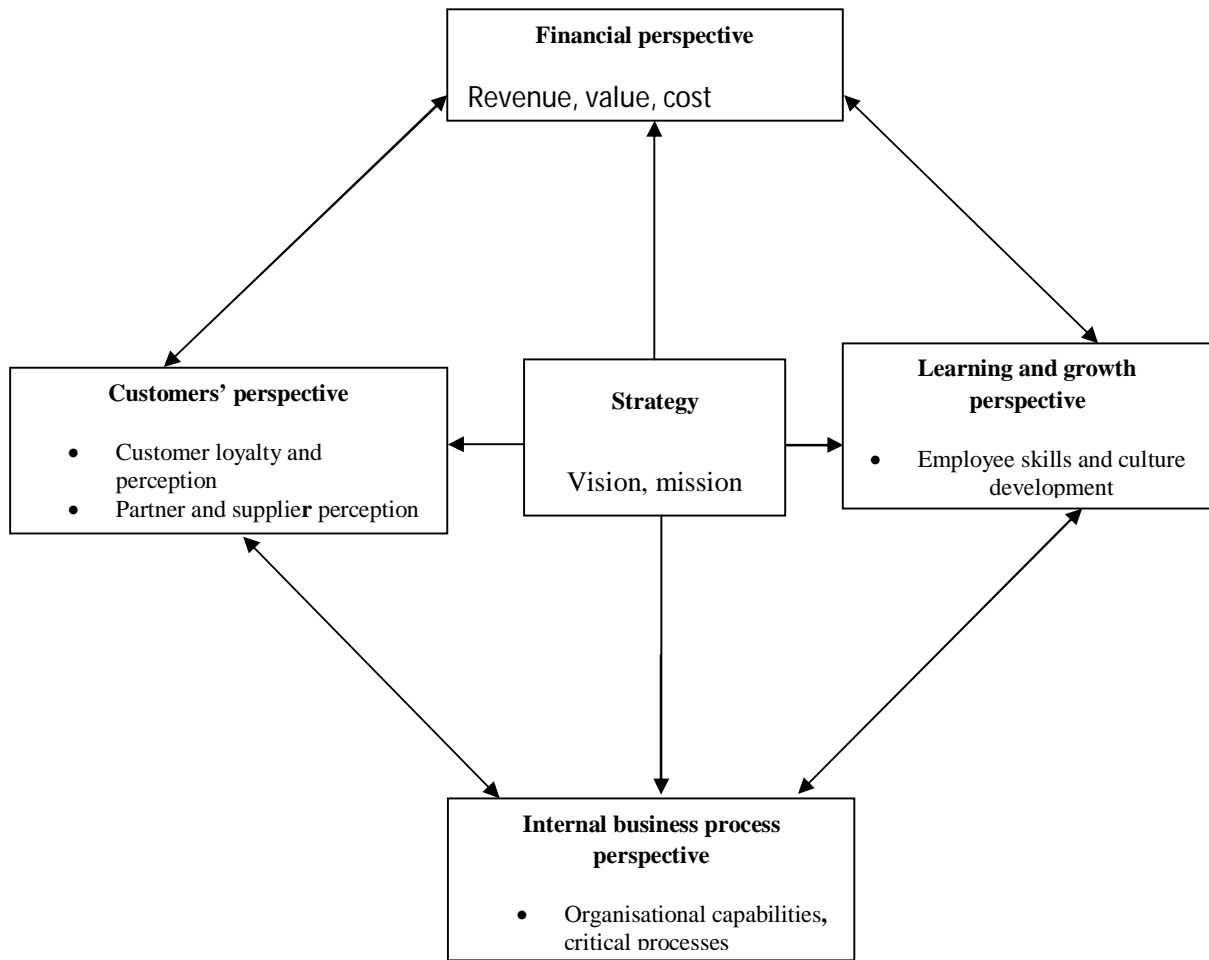


Figure 2.2: Basic Design of Balanced Scorecard Performance System: Source: Kaplan and Norton (1993)

Learning and growth describes how the people, technology and organisational climate combine to support the strategy. Kaplan and Norton (1993) argue that improvements in learning and growth measures are lead indicators for internal process, customer and financial performance, while internal business processes creates and delivers the value proposition for customers, hence a leading indicator of subsequent improvements in customer and financial outcomes. The customers' perspective defines the value proposition to customers and is central to strategy.

The financial perspective is a lag indicator, providing the ultimate definition of organisational success. Success with targeted customers provides a principal component for improved financial performance. This is supported by Grant (2008) who asserts that, for a firm to gain competitive advantage and hence superior performance, knowing what customers want and how the firm survives competition are prerequisites for success as illustrated in Table 2.1(Joffre, 2011, as modified from Grant, 2008b:pp.90).

Table: 2.1: Mintzberg’s taxonomy of strategic management schools

Prerequisites for success	a) What do customers want?	Analysis of demand <ul style="list-style-type: none"> • Who are our customers? • What do they want?
	b) How does the firm survive competition ?	Analysis of competition <ul style="list-style-type: none"> • What drives competition • What are the main dimensions of competition? • How intense is competition? • How can we obtain superior performance?

Source: Minzberg *et al.*, 1998:pp. 23-45

2.2.9 Conceptual Framework

Different scholars define conceptual framework according to the subject under review but all point to the same type of methodology or maps of processes and procedures followed in solving a problem. (Smyth, 2004; Miles & Huberman, 1994) for instance, define conceptual framework as a group of concepts that are broadly defined and systematically organized to provide a focus, a rationale, and a tool for the integration and interpretation of information.

It is considered as a visual or written product, one that “explains, either graphically or in narrative form, the main things to be studied, the key factors, concepts, or variables and the presumed relationships among them”. Conceptual framework can also be described as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel and Ramey, 1987).

This study was guided by the conceptual framework in Figure 2.4. This model is based on the basic premises of the strategic planning proposed by Berry (1998) as shown in Figure 2.3. Berry (1998) argues that whether formal or informal, strategic planning is carried out and that substantive analytical elements of the process include; scanning the environment; analysing competitive activity; assessing strengths and weaknesses; developing long term objectives and short term operational plans; and reviewing and revising plans.

Similarly, the way in which the strategy implementation process is organised will very likely have a strong influence on the content of the strategy implementation and consequently influence performance and a focus on information relevant to implementation of strategic plans as per BSC. Berry (1998) proposes the following model (Figure 2.3) for strategic planning.

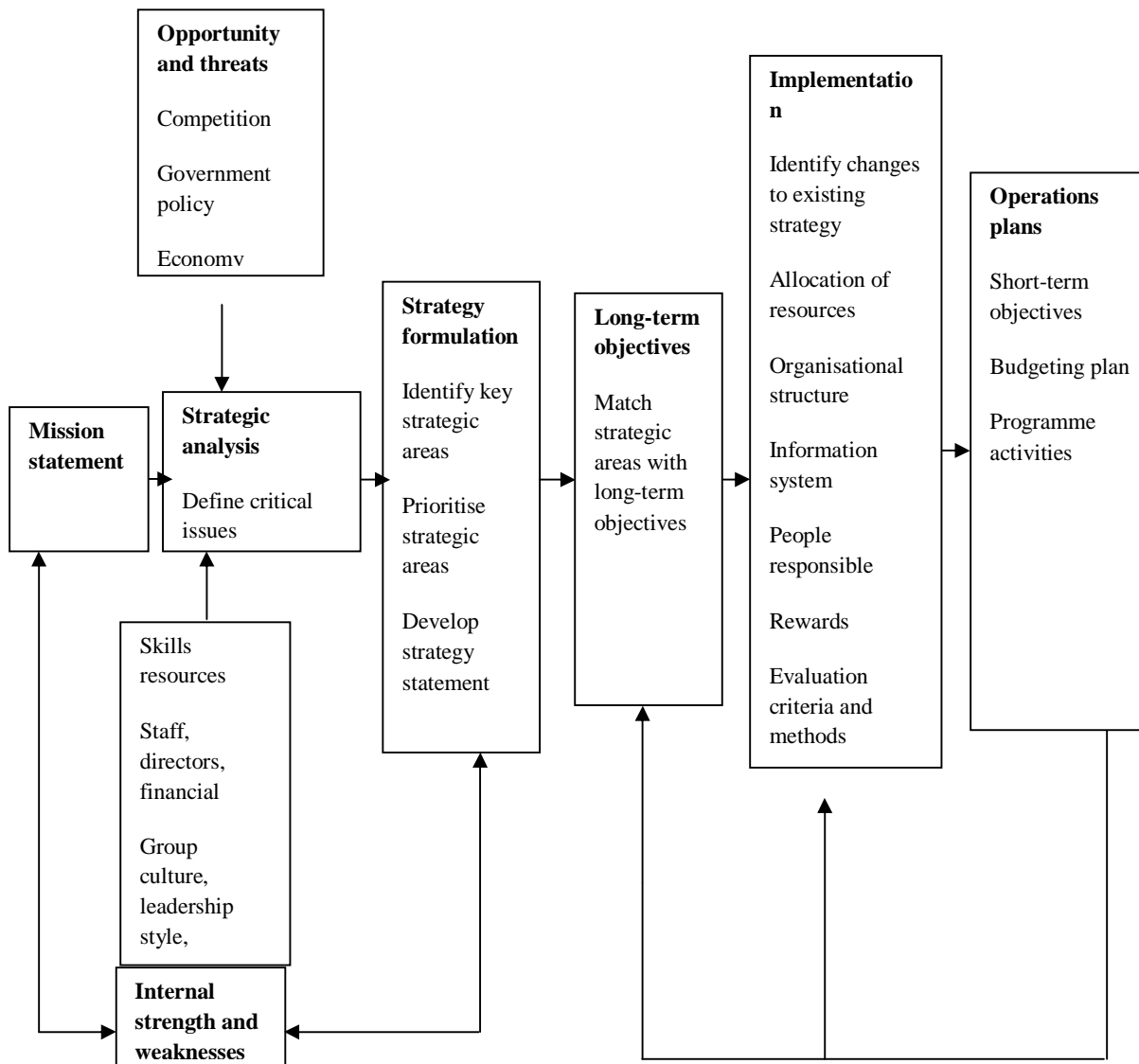


Figure 2.3: Strategic Planning Model Source: Berry (1998)

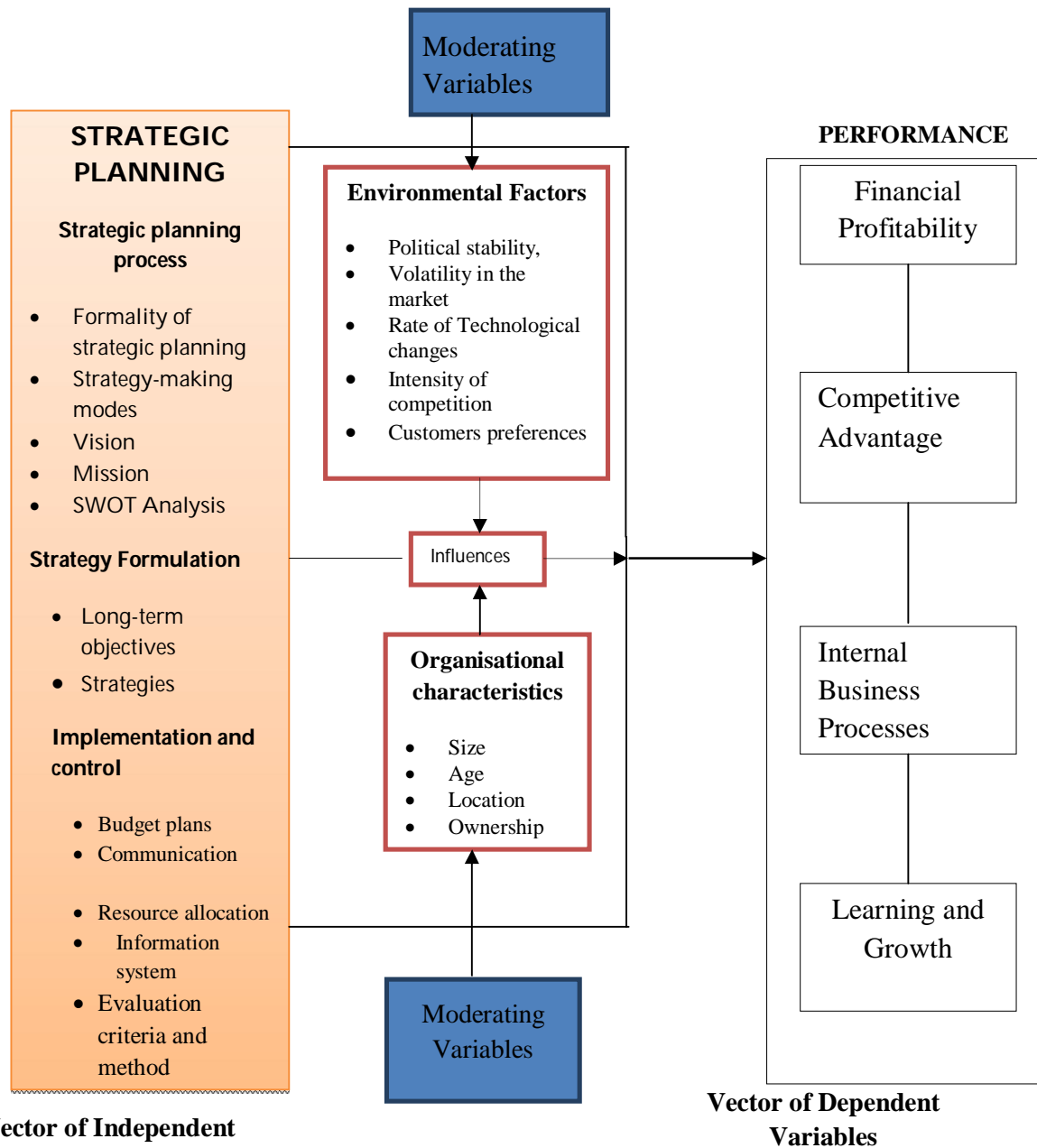


Figure 2.4: Conceptual Framework

2.3 Empirical Literature

This section outlines past studies related to constructs under investigation. The studies provide a summary of key findings and research gaps that have provided the rationale for this study.

2.3.1 Strategic Planning and Learning and Growth

Andersen (2000) recognises that one of the prime effects of strategic planning is the ability to facilitate learning through strategic thinking across the organisation and thereby encourage support managers to take appropriate and timely strategic actions. Berry (1998) asserts that this is possible as one of the key processes of strategic planning involves internal assessment of itself. Sussman, Jansen and Michael (2006) assert that an organisation can undergo a change process as a result of generative learning and adaptive learning through this internal assessment process. In this case, generative learning is a driver of innovativeness and involves examining a firm's most basic assumptions such as who its customers are, how its products or services create value for them and the best way to deliver value to customers. On the other hand adaptive learning builds on the basic assumptions and focuses on efficiency and effectiveness in delivering value, for example offering quality products or services at low cost. SMEs can benefit from this internal assessment, which could enhance their competitiveness.

Sascha, Henri and Iikka(2009) investigated the link between strategic planning and growth in 130 young SMEs from Finland with less than 50 employees. Using logistic regression model, the study found that the use of financial analysis in strategic planning may contribute to growth and that both formally and informally conducted strategic planning clearly distinguishes growing from non-growing enterprises. Growth was measured in terms of employment growth. Employment growth was chosen as it is a more stable indicator than turnover/sales Carton and Hofler (2006). Employment growth was calculated as growth of the number of employees including founders in full-time employment since start-up of the enterprise (Greve, 2008).

According to employment growth indicates that the enterprise is adding critical resources necessary for growth (Baum, Calabrese & Silverman, 2000). Andersen (2000) carried out a study on the performance effects of strategic planning and autonomous actions in the strategy formulation process among 456 business entities of which 188 were in food and household products, 172 in computer products and 96 in retail banking industries. The researcher found that across industry groups, strategic planning is an important performance driver and has significant positive relationships to economic performance and organisational innovation.

Similarly autonomous actions, a component of the internal organisations structure process was found to have positive performance effects in the dynamic and complex computer products industry. This was consistent with assertion that learning from decentralised managerial actions support strategic adaptability and influence the organisation strategic path in dynamic environments and thus those in computer industries can achieve higher performance. In this case learning was measured based on decentralisation of management action and decision making in order to enable timely response to environmental changes and signals.

Kraus *et al.*, (2006) in their study among 290 small enterprises in Austrian firms analysed the performance implications of essential elements of strategic planning (time span, formalization, frequency of control and use of planning instruments).The study found that planning formalisation has positive and highly significant impact on the probability of belonging to group of growth firms, where growth was measured in terms of number of employees. The authors recommended practitioners to formalise strategic planning as a management tool and not just as

a means of generating funding. They recommended additional research on other growth indicators such as sales growth and profitability.

2.3.2 Strategic Planning and Internal Business Processes

Sadler (2003) asserts that, the mission of any organisation is to improve production efficiency and reduce costs to its lowest. According to Sadler this can be achieved through tight budgetary targets and cost control. Likewise, Herath and Indrani (2007) recognise that firms that create and sustain competitive advantage adopt processes that enable efficient utilisation of resources and that a budget provides a strong motivational challenge and the standard by which performance can be judged. For instance, cost control through cost plans assures that actual costs conformed to planned costs.

Obiajolum and Ngoasong (2008) in their study to establish relationship between firm management control systems and performance in a case study of Guinness Nigeria, found that integrated management and budgeting enables a firm to be competitive and that budgeting facilitate the creating and sustaining of competitive advantage which when attained translates to high performance. One of the internal business processes that could enhance the competitiveness of SMEs is adopting of sound management and budgetary control systems.

Likewise, the competitive strategy should drive the four organisational elements in pursuit of the vision. The four organisational elements are: the formal organisation – (structures, systems and processes); Work – (nature of jobs, teams and rewards); people- (KSAs, education and training); the informal organisation- (culture, norms, values and beliefs); formulate a strategic plan, follow

it, and make sure the organisation knows the strategy; and is “aligned” with it; Update your plan regularly to reflect new products and changing marketplace. Strategic plans should be flexible to allow for innovation and subsequent growth.

Njanja *et al.*, (2010) carried out a study among 176 micro, small and medium enterprises (MSME) in Kenya to determine the effect of management factors on their performance. The research established that the planning function was well applied across all categories of MSMEs; however managers reported that resources would be required to implement the strategies. It was also noted that the level of strategy control differed among the different categories of MSMEs. It is noted that though this study established that planning was practiced in all categories of small businesses, it did not establish the effect of this planning on the internal operations or economic value of MSMEs.

2.3.3 Strategic Planning and Competitive Advantage

According to Raduan, Jegak and Alimin (2009), a business that does something that is distinctive and difficult to replicate also known as a core competence is exploiting some form of competitive advantage and is likely to be more profitable than its rivals. (Pearce & Robinson, 2011; Schwenk & Shrader, 1993; Raduan *et al.*, 2009) assert that from a resource-based view, strategic planning can result in strategic change which may increase strategy-environment fit, and hence can become a source of sustained competitive advantage especially when strategic planning system improves flow of products and services between manufacturers and users.

Metcalfe, Ramlogan and Uyarra (2003) argue that competitiveness is embodied in the characteristics of the firm namely; (a) the current efficiency and effectiveness of the use of resources; (b) the willingness and the ability to relate profitability to growth of capacity (i.e. the willingness to invest); (c) the ability to innovate to improve technology and organisation and thus improve efficiency and effectiveness. The authors state that entrepreneurship the introduction of new productive combinations and innovation is the driving force that continually creates new competitive advantages and opportunities for profit and growth and that it is up to the SMEs to implement competitive business operating practices and business strategies.

The internationalisation of economy, the frequent and uncertain change, the greater competition among firms, the need for continuous innovations, and the growing use of information technologies force companies to face the challenge of improving their competitiveness. These difficulties are greater for SMEs because their economies of scale and their resources are less than those of large firms. Prahalad and Hamel (1990) emphasised the link between core competencies and competitiveness of an organisation. While Wernerfelt (1984) asserts that high performance of SME is explained primarily by the strength of a firm's resources, and not by the strength of its market position.

2.3.4 Strategic Planning and Financial Performance

Sorooshian *et al.*, (2010) asserts that financial performance improvement is central in strategy. In a research survey among 250 Iranian small businesses to examine the structural relationship between strategy implementation (one of the elements of strategic planning) and financial performance in terms of sales revenue and gross profit, the authors found strategy

implementation drivers namely; leadership, structure and human resource were found to have significant link to performance.

The study however, did not take into account forces outside the organisation. Rue and Ibrahim (1998) examined the relationship between planning and financial performance of small business. They found that planning was associated with growth in sales and no significant relationship was found with respect to the return on investment. Moreover, Aldehayyat and Twaissi (2011) carried out a study to identify strategic planning characteristics among 105 Jordanian small industrial firms and its relationship with corporate performance. The authors' found positive relationship between strategic planning and financial performance. Similarly, top management in SMEs was found to play a high participation in all strategic planning activities and this supports the view that emphasises the critical role of the entrepreneur in determining strategic orientation and planning practices in small firms (Berry, 1998).

Aldehayyat and Twaissi (2011) investigated the relationship between strategic planning and financial performance as proposed by literature (Berry, 1998) and the adoption of strategic planning among small enterprises. The empirical results based on a sample of 105 small firms found a strong positive relationship between strategic planning and corporate performance in non-developed country context and that the number of small businesses that have adopted strategic planning is increasing.

Schayek (2011) carried out a study on the effect of strategic planning and entrepreneurship, human and financial resources, and market orientation on small business performance among 135 small trade and service businesses in Israel. The researcher found significant positive

correlation between strategic planning and financial performance. Strategic planning was measured in terms of whether plans were written or not, the detail and scope of strategic planning and period of time it covered, while performance was measured in terms of financial performance and operational performance. On the other hand the researcher found insignificant positive effects of strategic planning on performance. The researcher called for more research on the effects of strategic planning on firms due to these mixed results.

2.3.5 Environmental Factors and the Strategic Planning Outcomes

The firm's external environment is divided into three major areas: the general, the industry, and competitor environments. Hitt, Hoskinson and Ireland (2007) assert that the general environment is composed of dimensions in the broader society that influence an industry and the firms within it includes several environmental segments, such as demographic, economic, political/legal, socio-cultural, technological (PEST) and global. For example, technological factors such as new innovation, internet speed connections, networking and other technological changes affect the way an organisation runs its business (Coulter, 2008).

On the other hand, the industry environment is the set of factors that directly influence a firm and its competitive actions and responses. These include the ease at which new products and services are introduced in the market (threat of new entrants), the ease of choice of suppliers (the power of suppliers), the buyers have wide choice of suppliers to choose from (power of buyers) the threat of product substitutes (availability of low cost substitute products/services), and the intensity of rivalry among competitors. In total, the interactions among these five factors determine an industry's profit potential. The greater a firm's capacity to favourably influence its

industry environment, the greater the likelihood that the firm will earn expected returns (Hitt *et al.*, 2007). Strategy development requires the firm to understand what critical environmental variables are changing, the pace at which these changes are occurring, and their likely impact on the firm's performance. McLarney (2001) suggests that effective alignment between the external environment and strategy affect positively on profitability. Moreover, Pearce and Robinson (2011) assert that the external environment faced by the firm and its business units affects the strategy of the firm, the value of the strategy, and thus, the firm's performance. One of the strategic planning processes entail scanning the environment for opportunities and possible threats.

According to Sussman *et al.*,(2006), most innovative and successful companies regularly scan their environment and proactively identify problems and opportunities before they are a threat. In this regard, SMEs have little choice but to engage in strategic planning or strategic management if they have to survive. Sussman *et al.*, (2006) argue that several factors either constraint or help foster openness to environment. The constraining factors are; (a) existing technology; (b) availability of resources; (c) lack of negotiation or collaboration skills, while those that foster openness include; (a) scanning; (b) benchmarking; (c) tracking performance; (d) networking.

Sussman *et al.*,(2006) carried out a study to assess the link between strategic planning aspects of external environment and overall corporate performance in manufacturing SMEs. Their findings indicate that the degree of awareness of external environmental threats and opportunities is associated with the degree of overall emphasis on the strategic planning process, and that

strategic planning in SMEs is positively linked to overall corporate performance. The study notes, however, reveal that an overemphasis on environmental issues at any level of the strategic planning process could lead to reduction in financial performance.

Jasra, Khan, Hunjra, Rehman and Azam (2011) carried out a study among 520 SMEs in Pakistan to determine the role of key factors, such as financial resources, marketing strategy, technological resources, government support and entrepreneurial skills in the success of SMEs. The study concluded that all these factors have positive and significant impact on business success and that financial and technological access plays a vital role in the productivity of firms. SMEs should thus adapt technology system in their businesses. Aluko (2005) carried out a study to examine the impact of the environment on organisational performance in selected textile firms in Nigeria. The main objectives of the study were to identify the impact of four environmental variables: the economy; the socio-cultural; the political and the technological and determine which of the four variables had the strongest impact on organisational performance. In all, 630 respondents were used for the study. The study showed that the organisations under focus were not performing very well because they appear to be operating in an unfavourable economic, and technological environment in the period between 1993 and 1998. Only the socio-cultural environment appears to be favourable but this did not help to enhance organisational performance.

Meyer-Stamer (1995) concurs with the view that competitiveness is created at the firm level, but that it is partly derived from a systemic context and emerges from complex patterns of interactions between government, enterprises and other actors, and will therefore exhibit

different forms in each society. SME development strategies will necessarily be country and context specific and each country will have its own challenges, opportunities and priorities for change. Likewise, resources available for implementation will vary by country, so that results achieved will also be different. For example, in the 1980s and most of the 1990s, enterprise policy in European countries focused on employment creation, and initiatives supporting new business creation were prominent.

Then, emphasis changed to one of achieving international competitiveness and programs encouraging business growth, support for technology based businesses and creation of an enterprise culture within the society started to gain in importance (OECD, 2004).

2.3.6 Organisational Characteristics and the Strategic Planning Outcomes

Studies on small firms in a Caribbean island and in Kenya indicate that small firms lack sufficient resources to implement strategies (Njanja *et al.*, 2010; D'Amboise & Muldowney, 1988; Van Der Maas, 2008). Studies (Heide, Gronhaug & Johannessen, 2002; Alexander, 1985) support this view and point out that many strategies fail because adequate resources were not decisively allocated at the beginning in line with the requirements of a new strategic direction. This is because allocation of sufficient resources is an essential part of strategy implementation, for without sufficient resources, an organisation may find it difficult, if not impossible to implement a strategy. Examples of these resources include finances, material, and human resources in numbers, skills, and knowledge. It would be of interest to find out to what extent resource availability affects the strategy implementation performance of small organisations.

Wang, Walker and Redmond (2006) carried out a cross-sectional survey among 1600 small businesses in Western Australia to find out whether strategic planning is related to the business ownership motivations of operation. Using quantitative and factor analysis, the researchers found that those who engage in business to achieve financial goals are more likely to engage in strategic planning than those motivated by lifestyle change or those pushed into small business ownership.

In another study carried out by Kraus, Reiche and Reschke (2008) to find out whether strategic planning is a function of increasing company size, research survey of 214 German Industrial Enterprises showed correlation between company's workforce size and use of strategic planning activities.

Aldehayyat and Twaissi (2011) in a study to identify strategic planning characteristics among 105 Jordanian small industrial firms and its relationship with corporate performance recommended future studies to factor control of contingency factors such as firm size, industry and environment and how they affect relationships between strategic planning and corporate performance.

2.4 Critique of Existing Literature

From the literature reviewed, several studies (Andersen, 2000; Allison & Kaye, 2005; Akinyele, & Fasogbon, 2007; O'Regan & Ghobadian, 2007; Baker *et al.*, 1993) have shown that strategic planning has positive impact on firm performance while others studies that shown mixed results. Yet still , others (Aldehayyat & Twaissi, 2011, Berry, 1998; O'Neill *et al.*, 1987; Pushpakumari & Wijewickrama, 2008) indicate that little attention has been given to the study of strategic

planning in small businesses in the developing countries and that small businesses do not have the means to ensure continuous successful implementation of strategic planning.

Literature, however, suggests that *ceteris paribus*, strategic planning is generally more common in better-performing enterprises (Hormozi *et al.*, 2002; Miller & Cardinal, 1994). Others (Gibson & Cassar, 2005; Carland & Carland, 2003) argue that small businesses that strategically plan are more likely to be innovative and achieve higher sales growth.

Literature reviewed also revealed that strategic planning measures have lacked precision and consistency (Andersen, 2000). In most studies financial performance is used to show effectiveness of strategic planning. Hence, (Brown & Laverick, 1994; Kaplan & Norton, 1997) argue for more criteria for measuring organisational performance. This study intended to contribute to more knowledge on the scanty literature in Kenya on strategic planning practices among SMEs but also take a departure from the past studies. The measure of performance entailed both financial and non-financial performance measures such as, learning and growth, internal business processes and competitive advantage.

2.5 Summary

The above chapter reviewed the various theories that explain the independent and dependent variables. The conceptual framework designed was modified from Berry (1998) strategic planning model. The independent variables were strategic planning and its components (strategic planning process, strategy formulation and strategy implementation and control). The dependent variables include direct benefits of strategic planning (learning and growth, internal business processes, competitive advantage and financial performance) as measured by the Balanced Score

Card (BSC). The relationship between strategic planning and its direct benefits was moderated by the external environment and organisational characteristics. The relationship between the independent and dependent variables were explored using the available literature.

2.6 Research Gaps

From the review of literature, it is evident that studies on the effect of strategic planning in facilitating performance and development of SMEs in Kenya are scanty and not known. Previous research was mostly concerned with the lack of finance or access to finance as the critical success factor for SMEs' development. On the other hand, literature also reveals that, funding or access to capital does not represent the most critical factor for establishing and running successful business enterprises. While generally, funding remains necessary, it is not a sufficient condition for a viable SME development. Instead, management problems that manifest themselves in several ways, for example, lack of management capacity, lack of clear vision, lack of control, lack of business plans, and business strategy are noted as critical. This is more serious, as the environment in which SMEs operate are increasingly becoming globalised and more liberalised and yet full of surprises and uncertainty.

Research reveals that successful organisations have benefited from adopting the strategic management process in one way or the other. However, research also reveals that planning in SMEs is ignored as it does not lead to immediate tangible outputs and pressure to address immediate problems and accomplish high-priority tasks becomes more important. Likewise, research advances that contextual factors (the moderating factors) have considerable influence on

organisational performance. These factors are based on cultural differences between people, organisations and countries.

Hence, it is recommended that future research could investigate the strategic planning phenomenon in different contexts or circumstances. This also relates to the strategic planning framework adopted as previous research using the same frameworks was based on different contexts. These factors pointed out to the need for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in undertaking the study. Based on the model and hypotheses developed in Chapter 2, this chapter covers the research design and research method used to test the hypotheses. In particular issues related to research design, the population, the type of data collected, sampling frame, sample and sampling techniques, data collection instrument, data collection procedure, pilot test, validity and reliability of the instrument, and the data processing and presentation are discussed. Lastly, the analytic techniques used to test the hypotheses are presented.

3.2 Research Philosophy

The research approach involved a blend of positivism (quantitative research) and phenomenology(qualitative research). Positivism relates to the philosophical stance of natural scientist and entails working with observable social reality, while phenomenology refers to the way we as humans make sense of the world around us. According to (Saunders, Lewis & Thornhill, 2009; Morgan & Smircich, 1980) both approaches are contingent on the nature of phenomenon under investigation. The quantitative approach was mainly adopted in the current study. This ensured objectivity as much as possible and hence the researcher remained

independent of what was observed. The observations were determined by the objective criteria and where possible causality of the subject matter. This facilitated empirical testing of hypothesis, which was derived from either existing or postulated theory. On the other hand the qualitative approach was used to develop real understanding of the phenomenon through in-depth interview guide. This was necessary, due to the complexity of the subject matter, thereby necessitating indulgence and probing on the part of the researcher. As argued by Jackson (1994) the study was not limited to one approach as the complementary roles of both approaches was seen to benefit and enrich the study.

Research scholars identify, exploratory, descriptive and explanatory as the three main purposes to research activity (Saunders, Lewis, & Thornhill, 2000; Patton, 1990) identified prescriptive as a fourth purpose. According to Robson (2002), exploratory research investigates or explores a specified complex or phenomenon, its nature and classification of the complexities. Descriptive research, is the collection, organisation and summarisation of information about a research problem and issues identified, Jackson (1994) asserts that, all research is partly descriptive in nature and states the who, what, where, why and how of the study.

Bearing in mind that the primary research questions are mainly descriptive in nature and also exploratory, this research adopted mainly the descriptive and partly exploratory research. A descriptive research design determines and reports the way things are (Mugenda & Mugenda, 2003). Creswell (2003) observes that a descriptive research design is used when data are collected to describe persons, organisations, settings or phenomena. Descriptive design was ideal as the study was carried out in a limited geographical scope and hence it was logistically easier and simpler to conduct considering the limitations of the study (Mugenda, 2008). The research

questions on the effects were adequately satisfied by explanatory research, which according to Miles & Huberman (1994) is the classification of relationship between variables. Hair, Babin, Money & Samuel (2003), defines prescriptive research as studies which purport to propose well defined solutions to investigated research problems. While the research entailed descriptive, exploratory, explanatory purposes, its ultimate purpose is prescriptive in nature.

As indicated above, the two main methods used to investigate and collecting data were quantitative and qualitative. A quantitative approach is strongly linked to deductive testing of theories through hypotheses, while a qualitative approach to research generally is concerned with inductive testing (Saunders, Lewis & Thornhill (2003). The main focus of this study was quantitative. However, some qualitative approach was used in order to gain a better understanding and enabled a more insightful interpretation of the results from the quantitative study.

3.3 Research Design

Several studies and authors define research design differently. For instance, some (Kothari, 2004; Lavrakas, 2008; Kerlinger, 1973) define research design as a plan and structure of investigation so conceived as to obtain answers to research question and to control variance. Furthermore, Bryman & Bell (2007) asserts that research design is a 'blue-print' that enable the researcher to come up with solutions to problems and guides in the process of collecting, analysing, and interpreting the data and observations. It functions to articulate the strategies and tools by and through which empirical data was collected and analysed. Additionally, it serves to

connect research questions to the data and articulates the means by which the research hypotheses were tested and research objectives satisfied (Punch, 2000).

In this regard, Punch (2000) argue that the research design has to (1) articulate the research questions (2) identify relevant data (3) determine data collection methods (4) select method by which data will be analysed and verified.

In this study, a descriptive survey research design was used. A descriptive study was determined to be useful in collecting descriptive data on strategic planning practices and performance of SMEs. It represents perceptions of employees at three different levels comprising of top, middle and lower management and provides a snapshot of their vies as they exist in SMEs (Saunders, Lewis, & Thornhill, 2007; Zikmund, 2000). The survey research design thus sought to identify the extent of strategic planning influence on the performance components of learning and growth, internal business processes, competitive advantage and financial profitability. This approach is in line with previous empirical research (Beaumaster, 1999; Njanja, 2009; Mohutsiwa, 2012), which used a cross-sectional study in a survey to investigate management practices affecting SMEs in Kenya and the link between strategic entrepreneurship and performance of SMEs in South Africa.

3.4 Population of the Study

Scholars have provided various definitions of population. Various authors (Nachiamas, 1996; Mugenda & Mugenda, 2003; Kothari, 2004) have defined population as the ‘aggregate of all cases’ that conform to designated set of specifications and it refers to an entire group of individuals, events or objects having a common observable characteristic. Furthermore, Cooper

and Schindler (2006), refer to population as an entire group of objects/individuals having common observable characteristics. Borg, Gall & Gall (2007) specify two types of population as target and accessible population. Target population consists of all members of a real or hypothetical set of people, events or objects from which a researcher wishes to generalise the results of their research while accessible population consists of all the individuals who realistically could be included in the sample.

The target population under this study consisted of 238 ICT SMEs in Nairobi drawn from the Computer Society of Kenya(CSK) and the 2010 Mocality Directory of Kenya (MDK). Firms under study were engaged in the business of software development, internet services, software consultancy, hardware assembly and repairs, and back office operations (call centres and business process outsourcing). The small firms employing 10-100 persons were chosen for the study and stratified according to age as indicated on Table 3.1.

Table 3.1: Population Strata

Age Stratum	Population
1-5	88
6-10	69
11-15	48
16 and Above	33
Total	238

3.4.1 Sampling Frame

The sampling frame describes the list of all population units from which the sample was selected (Cooper & Schindler, 2003). It is a physical representation of the target population and comprises all the units that are potential members of a sample (Kothari, 2004). To meet the expectation of the sampling theory that all possible units in the target population be identified to enable probability for selecting a random combination to be calculated, a sample of responding firms was drawn from 238 Information Communications Technology (ICT) SMEs from the Computer Society of Kenya (CSK) and the 2010 Mocality Directory of Kenya (MDK).

3.5 Sample Size and Sampling Techniques

According to Cooper & Schindler (2011), a sample is a subset of a population. In a descriptive survey a sample enables a researcher to gain information about a population (Kothari, 2004; Mugenda & Mugenda, 2003). Generally, the larger the sample, the more likely the scores on the variables will be representative of the population scores. However researchers have developed a rule of thumb in determining sample size. For example, Gall *et al.*, (2007) recommends a minimum number of 15 in experimental research, 30 in correlational research and a minimum of 100 in survey research.

In this study, the following formula was used to determine the sample size (Shenoy, Crowell, & Andersen, 2000; Sekaran, 2006; Cooper & Schindler, 2006; Mugenda & Mugenda, 2003).

$$N = \frac{Z^2 pq}{d^2}$$

Where:

N = the desired sample size (if the target population is greater than 10,000)

P = the proportion in the target population estimated to have characteristics being measured. This is placed at 50% (0.5).

$q = (1-p)$, that is the proportion in the target population estimated to have characteristics being measured, $(1-0.5) = 0.5$

d = margin of error

Z = the standard normal deviate at the required confidence level. In this study, this will be placed at 95% confidence interval.

Since there was no estimate available of the proportion in the target population, the target proportion that is assumed to have the characteristics of interest (population) was placed at 50% that is $p = 0.5$ (Kothari, 2004). This proportion was based on personal judgment as proposed by others (Kothari, 1990; Fisher, 1983) and this enabled the researcher to trade-off between cost and benefit of large and small samples in research. The selected margin of error was 10% (judgmental).

Lower proportions of p lead to bigger samples which might render the research cumbersome to conduct (Sekaran, 2006; Cooper & Schindler, 2011). This proportion was arrived at after extensive consideration of the cost and time to be spent in the research. Hence (Shenoy *et al.*,

,2002; Fisher, 1983; Mugenda & Mugenda, 2003) pointed out that with high proportions, a more realistic sample population, which is neither too high nor too low for the study will be established and vice versa with lower proportions. The researcher also considered the fact that a sample would lead to a bigger sampling error despite it being cheap, as opposed to a larger sample which would lead to a smaller sampling error and precision required in research, but costly (Sekaran 2006, Cooper & Schindler, 2006). The study tried to avoid large samples that could have lead to inefficiency in terms of data collection while at the same time guarding against the negative effect of small samples (Shenoy *et al.*, 2002). The researcher, therefore, decided to make a trade-off between pros and cons of small and big samples hence arriving at $p = 0.5$ and $q = 0.50$ as proposed by (Shenoy *et al.*,2002; Sekaran ,2006; Cooper & Schindler, 2006;Fisher, 1983).

According to Mugenda and Mugenda (2003) the following formula for determining sample size as mentioned earlier is recommended;

$$n = \frac{Z^2 pq}{d^2}$$

$$n = \frac{1.96^2(0.5)(0.5)}{0.01^2} = 384$$

$n = 384$ sample size for target population greater than 10,000

In the current study, the target population was less than 10,000 (238): therefore, calculating the final sample estimate(n_f) will require the following formula:

$$n_f = \frac{n}{1 + \frac{n}{N}}$$

Where;

n_f =the desired sample size (when the population is less than 10 000)

n = the desired sample size (when the population is less than 10,000).

N =the estimate of the population size (238 in the case of the current study).

Applying the formula will therefore, yield the following results;

$$n_f = \frac{384}{\left(1 + \frac{384}{238}\right)} n_f = 146$$

According to (Cooper & Schindler, 2006; Mugenda & Mugenda, 2003) pointed that a sample of at least 10% of the population is usually acceptable in study. In quantitative research mathematical procedures can be used to make precise estimates especially when hypotheses need to be tested and they involve statistical power analysis. Saunders *et al.*, (2009), conclude that the sample size is almost a matter of judgment rather than calculation. Based on this contention and considering the constraints of finance and time, a sample size of 146 firms constituting 61% of the total population was targeted for investigation as articulated in Table 3.2. The sample size per age stratum was stratified in proportion to population in the stratum.

Table 3.2:Sample and Sampling Technique

Age Stratum	Population	Sample
1-5	88	49
6-10	69	52
11-15	48	26
16 and Above	33	19
Total	238	146

3.6 Data collection Instruments

Both qualitative and quantitative data were collected through primary and secondary data sources. Both forms of data were required, to gain a deeper insight and a better interpretation of the quantitative data. The current study utilised a questionnaire and interview guide as used in various previous research projects (Lumpkin & Dess, 2001; Lumpkin, 1998).According to Key (1997), a questionnaire is a means of eliciting the feelings, beliefs, experiences, perceptions, or attitudes of some sample of individuals. The questionnaire consisted primarily of close-ended questions presented on a five-point Likert type measurement scale (Appendix 1). The primary data was key to the current research as it provided information that addressed the research objectives.

Furthermore, a semi-structured interview guide was used to solicit for additional information that were thought would enrich the research outputs. According to (Cooper & Schindler, 2006; Kothari, 2004) an interview guide consists of a set of questions that the interviewer asks when interviewing and can consist of both structured and open ended ones.

3.7 Data Collection Procedures

Creswell (2002) defines data collection as means by which information is obtained from the selected subjects of an investigation. Both primary and secondary were necessary for this study. It was envisaged that secondary data would be collected through reviews of published literature in the public domain, such as annual reports, published financial statements including internet access to websites of the respondent firms. This step was thought to overcome anticipated difficulties in realising responses on financial data from some respondent firms. The study however, observed that most of the SMEs did not have published annual reports or financial statements and most of them did not have websites. This observation was made at the point of pilot testing the research instruments and hence informed the decision to revise the instruments to collect data that could not be gotten from the envisaged sources.

The primary research data was collected using survey method from three categories of employees, namely the owners and top managers, middle level managers and lower level employees of the ICT SMEs in Nairobi using a questionnaire that comprised both structured and unstructured questions and supported by an interview guide. The questionnaires were hand delivered to each of the respondent organisation with an introductory letter from the university as well as evidence of a research permit from the National Council for Science and Technology (NCST). The researcher participated in data collection exercise and engaged the

services of four research assistants who after being trained assisted in the distribution, collection of the fully completed questionnaires as well as follow up on gaps that were identified in the questionnaires. The data collection activity commenced in mid-June and was completed in mid-August 2012.

3.8 Pilot Testing of Instruments

According to Babbie (2004), a pilot study is conducted when a questionnaire is given to just a few people with an intention of pre-testing the questions. Pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample (Cooper & Schindler, 2011). It assists the research in determining if there are flaws, limitations, or other weaknesses within the interview design and allows him or her to make necessary revisions to the questionnaire prior to the implementation of the study (Kvale, 2003).

A pilot study was conducted in the month of June 2012 among 15 ICT firms which constitute 10 per cent of sample of 146 ICT SMEs. The aim was to test the reliability and validity of the questionnaire. It also assisted in determining if there are flaws, limitations, or other weaknesses within the interview design and allowed for revisions to be made to the questionnaire prior to the implementation of the study. As indicated in Table 3.3 a total of 15 firms returned the questionnaires giving a response rate of 100%.

Table 3.3: Pilot Sample and Responses

Years in business	Study sample	Pilot test sample	Number of pilot respondents
1-5 years	49	6	4
6-10 years	52	4	4
11-15 years	26	3	5
More than 15 years	19	2	2
Total	146	15	15

Reliability is the consistency of a set of measurement items or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects while validity indicates that the instrument is testing what it should (Cronbach, 1951). A measure is considered reliable if a person's score on the same test given twice is similar. Various variables may impinge upon reliability of findings. For instance, respondents may be biased or not be in mood of answering questions with degree of interest. To minimize such variables, Sekaran (2003) advice that respondents must be carefully chosen to ensure they are willing to participate in the study and will answer questions with minimum degree of bias.

The questionnaire was tested to ensure no logical flaws and that the responses given by any respondent were not contradictory. During the data collection, adequate time was taken to explain the importance of the study to the respondents and ample time was provided for them to complete the questionnaire is minimised chances of questionnaire being completed in a rush and incoherently (Hair *et al.*, 2003).On the other hand, validity is the strength of conclusions, inferences or propositions. More formally, Cook and Reichardt (1979) define it as the best

available approximation to the truth or falsity of a given inference, proposition or conclusion. Saunders *et al.*, (2009), contends that a measure is valid only if it actually studies what it is set out to study and only if findings are verifiable. It entails verifying key information through multiple sources of information.

The researcher used the most common internal consistency measure known as Cronbach's alpha (α). It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The recommended value of 0.7 was used as a cut-off of reliabilities. To ensure quality of data gathered and quality of subsequent quantitative analysis, the advice by Miles and Huberman (1994) was applied, by ensuring that interview questions are set in according to requirements of the research questions and not in accordance with conclusions the researcher hopes to reach. Furthermore, objectivity was exercised throughout the data collection process and in addition, a clear and coherent presentation of data analysis has been made.

3.9 Data Processing and Analysis

This section discusses the techniques that were used to answer the research questions. Data processing entailed coding data of completed questionnaires. First, data processing was undertaken through coding of the completed questionnaires, entry into SPSS Vers.20 and checking for accuracy of data input. It was then necessary to run frequency distributions on all items and assumptions verified. In addition, reliability check on the consistency of all measures was performed. Cronbach alpha was 0.926 indicating higher reliability among the indicators.

Secondly, to achieve the objectives set forth for this research, several analytical tools were used. Under objective one to four, which sought to determine the extent to which strategic planning (the independent variable) influence the dependent variables, that is learning and growth, internal business processes, comparative advantage and financial profitability, correlation analysis was used.

A correlation analysis was performed to determine if any variables (strategic planning, environmental factors, firm characteristics and strategic planning outcomes, namely; learning and growth, internal business processes improvement, competitive advantage and financial performance) were correlated. The Pearson correlation coefficient (r) was used to identify the magnitude and the direction of the relationships between variables. For example, the value can range from -1 to +1, with a +1 indicating a perfect positive relationship, 0 indicating no relationship, and -1 indicating a perfect negative or reverse relationship (as one grows larger, the other grows smaller). Disregarding the direction of values either positive or negative, the correlation results were interpreted as follows.

For $0 < r \leq 0.3$ was considered weak relationship, $0.3 < r \leq 0.5$ was considered as moderate relationship, and $0.5 < r \leq 1$ was considered as strong relationships. However, adjectives such as slightly, moderately and highly were used with these terms to further differentiate the relative degree of correlations. The Analysis Of Variance (ANOVA) tested for the goodness of fit of the models and significance of the relationship between the dependent and independent variable based on a 5 % level of significance.

Multiple-regression was an appropriate method of analysing the relationship between the multiple variables requiring simultaneous comparison. The objective of multiple regression analysis is to predict the changes in the dependent variables in response to changes in the independent variable.

Multiple linear regression analysis was used to predict the value or influence of the independent variables on the dependent variable when the moderating variables are applied. Notwithstanding the results of the partial multiple regressions of the model, a test of the overall model was considered important in justifying the proposed study models. Thus, the research hypotheses adapted two primary approaches, one testing the significant of the relationship and the goodness of fit of the relationship. The hypotheses were tested within 95 per cent level of confidence interval or 5 per cent level of significance.

Firm performance measures (learning and growth, internal business processes, competitive advantage and financial position) were regressed against variables that capture essential elements of strategic planning, while controlling for other factors of interest. Table 3.4 details the operationalisation of the study variables. The multiple regression equations were of the form:

$$Y_1 = \alpha_1 + \beta_{11}X_1 + \beta_{21}X_2 + \beta_{31}X_3 + \epsilon$$

$$Y_2 = \alpha_1 + \beta_{12}X_1 + \beta_{22}X_2 + \beta_{32}X_3 + \epsilon$$

$$Y_3 = \alpha_2 + \beta_{13}X_1 + \beta_{23}X_2 + \beta_{33}X_3 + \epsilon$$

$$Y_4 = \alpha_3 + \beta_{14}X_1 + \beta_{24}X_2 + \beta_{34}X_3 + \epsilon$$

Where Y is a set of dependent variables defined as follows:

Y₁ = Learning and growth, *Y₂ = Improvement in Internal Business Processes*, *Y₃ = Competitive Advantage*

, *Y₄ = Financial Performance*

β shows the change in dependent variable for a unit change in the independent variable.

X₁ = Strategic Planning Variables (Independent variables);

X₂ = Environmental Factors (Moderating variables);

X₃ = Organisational Characteristics (Moderating variables); ϵ = *Error term*.

The regression was run twice, one with the moderating variables included, and one without.

Results were compared to see if the moderating variable matters, i.e., whether they significantly affect the coefficients of the strategic planning variables.

According to the conceptual framework, this section displays the hypotheses and explains the relationships among variables.

Strategic Planning and Learning and Growth

Hypothesis 1: *There is significant improvement in learning and growth when strategic planning process and actions are implemented effectively.*

In this hypothesis, the strategic planning functions as the independent variable. Key strategic planning variables were combined and consisted of strategic planning formality, strategic planning processes, strategies, and implementation and control. Learning and growth is a

component of firm performance and functions as the dependent variable. A positive effect of the strategic planning processes and actions on learning and growth as a measure of firm performance in SMEs is expected.

To test the hypothesis, the following regression model is used: Model I, $y_1 = \beta_0 + \beta_{11}x_1 + \epsilon$,

where y_1 = learning and growth, x_1 = strategic planning, β_{11} shows the change in the dependent variable for a unit change in x_1 , and ϵ is the error term.

Strategic Planning and Internal Business Processes

Hypothesis 2: There is significant improvement in the internal business processes of a firm when strategic planning process and actions are implemented effectively.

The hypothesis highlights the relationship between strategic planning (processes and actions) and internal business processes. It is supposed that effective application of strategic planning will have a positive and significant influence in the improvement of the internal business processes and increase performance of SMEs.

To test hypothesis 2, the following regression model is used: Model II, $y_2 = \beta_0 + \beta_{12}x_1 + \epsilon$

where y_2 = internal business processes, x_1 = strategic planning, β_{12} shows the change in the dependent variable for a unit change in x_1 , and ϵ is the error term.

Strategic Planning and Competitive Advantage

Hypothesis 3: There is significant increase in the competitive advantage of a firm when strategic planning process and actions are implemented effectively.

The hypothesis highlights the relationship between strategic planning (processes and actions) and competitive advantage.

It is supposed that effective application of strategic planning will have a positive and significant influence on the improvement of competitive advantage and performance of SMEs.

To test hypothesis 3, the following regressions model is used: Model III, $y_3 = \beta_0 + \beta_{13}x_1 + \epsilon$

where y_3 = competitive advantage, x_1 = strategic planning, β_{13} = the change in the dependent variable for a unit change in the independent variable, and ϵ is the error term,

Strategic Planning and Financial Profitability

Hypothesis 4: *There is significant improvement in the financial profitability of a firm when strategic planning process and actions are implemented effectively*

This hypothesis highlights the relationship between strategic planning (processes and actions) and the financial profitability which functions as the dependent variable of firm performance.

It is supposed that effective application of strategic planning will have a positive and significant influence on the financial profitability and hence increase performance of SMEs.

To test hypothesis 4, the following regression model is used: Model IV, $y_4 = \beta_0 + \beta_{14}x_1 + \epsilon$

where, y_4 = financial profitability, x_1 = strategic planning, β_{14} = the change in the dependent variable for a unit change in the independent variable, and ϵ is the error term.

Environmental Factors Moderating Strategic Planning Performance Outcomes

Hypothesis 5: *There is significant improvement in the strategic planning performance outcomes when moderated by environmental factors.*

In this hypothesis, the environmental factors function as the moderating variable in the relationship between strategic planning which functions as the independent variable and the dependent variables of the strategic planning performance outcomes comprising of learning and growth, internal business processes, competitive advantage, and financial profitability. A positive effect of the environmental factors on the strategic planning performance outcomes of SMEs is expected. To test the hypothesis, the following regression models are used:

$$Y_1 = \beta_{0_1} + \beta_{11}X_1 + \beta_{21}X_2 + \epsilon$$

$$Y_2 = \beta_{0_2} + \beta_{12}X_1 + \beta_{22}X_2 + \epsilon$$

$$Y_3 = \beta_{0_3} + \beta_{13}X_1 + \beta_{23}X_2 + \epsilon$$

$$Y_4 = \beta_{0_4} + \beta_{14}X_1 + \beta_{24}X_2 + \epsilon$$

Because the strategic planning performance outcomes consist of learning and growth, internal business processes, competitive advantage, and financial profitability, hypothesis 5 is divided into sub-hypotheses.

They are listed as follows:

Hypothesis 5a: *There is significant improvement in learning and growth when environmental factors moderate the strategic planning process and actions.*

Hypothesis 5b: *There is significant improvement in internal business processes when environmental factors moderate the strategic planning process and actions.*

Hypothesis 5c: *There is significant improvement in competitive advantage when environmental factors moderate the strategic planning process and actions.*

Hypothesis 5d: *There is significant improvement in financial profitability when environmental factors moderate the strategic planning process and actions.*

Organisational Characteristics Moderating Strategic Planning Performance Outcomes

Hypothesis 5: *There is significant improvement in the strategic planning performance outcomes when moderated by organisational characteristics.*

In this hypothesis, the organisational characteristics function as the moderating variable in the relationship between strategic planning which functions as the independent variable and the dependent variables of the strategic planning performance outcomes comprising of learning and growth, internal business processes, competitive advantage, and financial profitability.

A positive effect of the organisational characteristics on the strategic planning performance outcomes of SMEs is expected. To test the hypothesis, the following regression models are used:

$$Y_1 = \beta_{0_1} + \beta_{11}X_1 + \beta_{31}X_3 + \epsilon$$

$$Y_2 = \beta_{0_2} + \beta_{12}X_1 + \beta_{32}X_3 + \epsilon$$

$$Y_3 = \beta_{0_3} + \beta_{13}X_1 + \beta_{33}X_3 + \epsilon$$

$$Y_4 = \beta_{0_4} + \beta_{14}X_1 + \beta_{34}X_3 + \epsilon$$

The strategic planning performance outcomes comprise of learning and growth, internal business processes, competitive advantage, and financial profitability. Hypothesis 6 is therefore, divided into sub-hypotheses. They are listed as follows:

Hypothesis 6a: *There is significant improvement in learning and growth when organisational characteristics moderate the strategic planning process and actions.*

Hypothesis 5b: *There is significant improvement in internal business processes when organisational characteristics moderate the strategic planning process and actions.*

Hypothesis 5c: *There is significant improvement in competitive advantage when organisational characteristics moderate the strategic planning process and actions.*

Hypothesis 5d: *There is significant improvement in financial profitability when organisational characteristics moderate the strategic planning process and actions.*

Table 3.4: Operationalisation of Study Variables

Variable	Operationalisation/Indicators
<p>A: Independent variable: Strategic Planning Variables</p>	<p>a) Strategic Planning Formality</p> <ul style="list-style-type: none"> i) Presence of written strategic plans-Measured by a “Yes” or “No” response to the question of whether the firm has written strategic plan ii) Necessity of written strategic plans- Measured by a “Yes” or “No” response to the question of whether a written strategic plan was necessary iii) Time horizons for written strategic plans- Measured by the time span for written strategic plan in ranges of “ 1 year”, “2-3 years”, “4-5 years” and 6-10 years” <p>b)Strategic Planning Process</p> <ul style="list-style-type: none"> i) <i>Vision and Mission</i>- presence or absence of a written mission and vision and whether all employees understand why company exist and where it wants to be in future . This was measured on Likert scale indicating degree of agreement as 1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5= strongly agree. ii) <i>Strategy making modes</i>-Type of strategy making modes adopted by the firm comprising, command, intrapreneurial, rational, adaptive and participatory. This was measured by statements on a Likert scale indicating degree of agreement as 1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5= strongly agree iii) <i>SWOT Analysis</i>- An internal and external assessment of resources and capabilities as part of strategic planning process. These included, analysis of skills and know how, finances, time, market information, leadership, operations and systems to eliminate non-value activities, analysis of customers, competitors, environment for information and ability to anticipate market surprises. This was measured by statements on a Likert scale indicating degree of agreement as 1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5= strongly agree <p>c) Strategy Formulation</p> <ul style="list-style-type: none"> i) <i>Goals and Long-term objectives</i>- setting of goals and objectives as part of the strategic planning process. This was measured by statements on a Likert scale indicating degree of agreement to setting goals and objectives to achieve vision as

	<p>1=strongly disagree, 2=disagree, 3=undecided, 4=agree and 5= strongly agree.</p> <p>ii) <i>Strategy</i> –Measured by type of competitive strategy adopted to compete in the market (cost leadership or differentiation), customer focus strategy measured on Likert scale by indicating degree of agreement to adoption of these strategies.</p> <p>d) Implementation and focus of control</p> <p>i) <i>Short term plans and targets</i>- Measured by Likert scale indicating degree of agreement to statement designed to reflect development and use of short term plans and targets to achieve long term objectives.</p> <p>ii) <i>Annual objectives and targets</i>- Measured using a Likert scale indicating degree of agreement to statement designed to indicate the extent of achievement of set annual objectives and targets on operational activities and growth.iii) <i>Resource Allocation</i> – Measured by a Likert scale indicating degree of agreement to statement designed to indicate availability of resources to implement the strategy information system for data collection and analysis</p> <p>iv) <i>Performance Incentives and Rewards as part of human resource management</i>- Measured by Likert scale indicating degree of agreement to statement designed to indicate the extent of application of the incentives and reward systems based on achievement of performance targets.</p> <p>v) <i>Decision making</i>- was measured by Likert scale indicating degree of agreement on the extent of involvement of other employees in decision making in the firm.</p>
<p>Moderating Variables</p>	<p>a) Environmental Factors</p> <p>i) <i>Changes in the environment</i>- was measured by Likert scale indicating degree of agreement to statement designed to indicate rate of change in the remote and operating environment ranging from very rapid to stable. These comprised competition, technological changes, economic, customer preferences, political and inputs of supplies.</p> <p>ii) <i>Environmental factors impact on the firm performance</i>- Measured by Likert scale indicating degree of agreement to statement designed to indicate environmental factors impact on firm operations. These comprised competition, technological changes, economic, customer preferences, political and inputs of supplies</p> <p>b) Organisational Characteristics</p> <p>i) <i>Ownership</i>-was differentiated on the basis of whether they are public, private,</p>

	<p>sole proprietor, or partnership.</p> <p>ii) <i>Age</i>- was measured as the number of years since incorporation, ranging from under 5 years, 6-10 years, 11-15 years and over 16 years.</p> <p>iii) <i>Business sector</i>- measured in terms of the ICT business sector of operations comprising, networking, systems integration and design</p> <p>iv) <i>Number of business locations</i>- was measured by the number of business locations and branches operated by the firm.</p> <p>v) <i>Size</i> was measured by number of full- time employees of the firm based on ranges of 1-10, 10-50- and 50- to 100 employees ,annual sales /turnover and total assets/investments based on ranges of Ksh 500,000 to 5 million, Ksh 5 – 20 million, Ksh 20- 100 million, Ksh 100-800 million and over Ksh 800 million.</p>
<p>Dependent Variable:</p> <p>Performance Variables</p>	<p>a) Learning and Growth</p> <p>The influence of strategic planning processes and actions on the learning and growth of the firms were measured by the extent of agreement to the following indicators:</p> <p>i) <i>Educational and technical competency</i>- was measured by Likert scale indicating agreement to the extent of strategic planning influence on learning and growth as demonstrated by the to educational and technical competency within the firm . Likert scale ranged from 1-5, where 5=very large extent, 4= large extent, 3=moderate extent, 2= small extent, and 1= Not at all.</p> <p>ii) <i>Use of information from environmental scanning</i>- was measured by Likert scale indicating agreement to the extent of strategic planning influence on learning and growth as demonstrated by the scanning of environment for market information for decision making and enhancing performance.</p> <p>iii) <i>Use of Technology</i>- was measured by Likert scale indicating agreement to the extent of strategic planning influence on learning and growth as demonstrated by increase in use of technology within the firm. .</p> <p>b) Internal Business Processes</p> <p>The influence of strategic planning processes and actions on the internal business processes of the firms were measured by the extent of agreement to the following indicators:</p> <p>i) <i>Investment in Information Technology (IT) Systems</i> for processing information for</p>

use in decision making- This was measured by Likert scale indicating agreement to the extent of strategic planning influence on internal business processes improvement as demonstrated by increase in use of information technology systems that generate information necessary for decision making..

ii) *Budgets for performance monitoring and control*- This was measured by Likert scale indicating agreement to the extent of strategic planning influence on internal business processes improvement as demonstrated by application of budgets for monitoring and control of business performance.

iii) *Policies and procedures* – This was measured by Likert scale indicating agreement to the extent of strategic planning influence on internal business processes improvement as demonstrated by existence and application of policies and procedures to guide decisions and actions of managers for better decision making and hence better performance.

iv) *Delivery and billing systems*- This was measured by Likert scale indicating agreement to the extent of strategic planning influence on internal business processes improvement as demonstrated by adequacy of billing and delivery systems of products and services in meeting customer needs.

c) Competitive Advantage

The influence of strategic planning processes and actions on the competitive advantage of a firm was measured by the extent of agreement to the following indicators.

i) *Customer satisfaction with firm products and service* – This was measured on a Likert scale indicating influence of strategic planning on firm competitive advantage as demonstrated the degree of agreement to statement designed to indicate level of customer satisfaction with the firm products and services.

ii) *Customer satisfaction with billing and delivery time of products and services*- was measured on a Likert scale indicating influence of strategic planning on firm competitive advantage as demonstrated the degree of agreement to statement designed to indicate level of customer satisfaction with the firm billing and delivery time of products and services.

Growth in customer base- was measured on a Likert scale indicating influence of strategic planning on firm competitive advantage as demonstrated the degree of agreement to statement designed to indicate growth in customer base.

Competition from similar products and services- was measured on a Likert scale indicating influence of strategic planning on firm competitive advantage as demonstrated the degree of agreement to statement designed to indicate level of

	<p>competition from similar products and services offered by competitors.</p> <p><i>Retention of skilled employees-</i> was measured on a Likert scale indicating influence of strategic planning on firm competitive advantage as demonstrated the degree of agreement to statement designed to indicate the level of retention of skilled employees within the firm.</p> <p>Financial Profitability</p> <p>The influence of strategic planning processes and actions on the financial profitability of a firm was measured by the extent of agreement to the following indicators.</p> <p><i>Increase in Sales revenue-</i> was measured on a Likert scale indicating the influence of strategic planning on firm profitability as indicated by the degree of agreement to statement designed to indicate increase in sales revenue over the years.</p> <ul style="list-style-type: none"> i) <i>Increase in profit margins-</i> was measured on a Likert scale indicating influence of strategic planning on firm profitability as indicated by the degree of agreement to statement designed to indicate increase in profit margins over the years. ii) <i>Increase in asset base-</i> was measured on a Likert scale indicating influence of strategic planning on firm profitability as indicated by the degree of agreement to statement designed to indicate increase in asset base over the years. iii) <i>Liquidity position-</i> was measured on a Likert scale indicating influence of strategic planning on firm profitability as indicated by the degree of agreement to statement designed to indicate adequacy of cash for meeting business obligations. iv) <i>Adequacy of capital and finances-</i> was measured on a Likert scale indicating influence of strategic planning on firm profitability as indicated by the degree of agreement to statement designed to indicate adequacy of assets and finances to implement the strategy.
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CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The main objective of this research was to examine the role of strategic planning and performance of Small and Medium Enterprises (SMEs) in the Information, Communication and Technology (ICT) sector in Kenya. This was done by examining four specific objectives on the extent of the influence of a combined strategic planning processes and actions as an independent variable on a set of multidimensional firm performance measures namely; learning and growth, internal businesses processes, competitive advantage and financial profitability. In addition, two other specific objectives investigated the extent to which environmental factors and organisational characteristics moderated the strategic planning performance outcomes.

This chapter focuses on presenting the empirical results of the study. First, it presents the findings of the characteristics of the sample, and secondly, it focuses on the descriptive statistics. The descriptive analysis tries to give an impression of the values of the individual variables and their components based on inferential statistics which provide frequencies, percentages and averages (or mean). Thirdly, the data analysis focuses on testing the proposed hypothesis in relation to the research questions and reporting the actual research outcomes of the tested conceptual model.

In this regard, the interpretation of the significance of these findings based on data analysis are presented and shows how the model developed from the literature review is supported by data analysis.

4.2 Preliminary Study

This section presents the preliminary findings of the study in terms of the study response rates as well as descriptive statistics of the study variables.

4.2.1 Questionnaire Distribution

The study was conducted among 146 ICT SMEs operating in Nairobi and its environs. Research was conducted between the period June 15 to August 20, 2012. The full study was commenced soon after a pilot study was undertaken among 15 (10%) ICT SMEs, and after confirming that the research instruments were both valid and reliable.

Hand delivered questionnaires were distributed to each firm upon making appointments and after confirmation of the agreed time of the visit. This allowed for adequate time to explain the questionnaire and address any issues that may not be out rightly clear. A set of three questionnaires were distributed to each firm, one for each level of management, and this included the top management who included those in the position of Directors and Sales Directors, middle management who included Managers and Financial Coordinators and, lower management who included Technicians, Office Administrators and Sales Representatives. In addition, one interview guide was used to solicit for additional information from each firm.

4.2.2 Response Rate

As shown in Table 4.1, respondents from 123 enterprises participated in the survey. This comprised 84.2 % of the sample target of 146 firms. Response rate has been defined by various scholars as the percentage of people who respond to a survey (Monkey, 2009; Bryman, 2008; Fowler, 1993). Determination of a response rate is important as a high survey response rate helps

ensure that the survey results are representative of the survey population (Monkey, 2009). Although researchers have not come to an agreement on the appropriate response rate Flynn, Schroeder, Sakakabira, Bate and Flynn, (1990) argue that it is important to reach a response rate that is greater than 50%.

Fowler (1993) provides a response rate of between 30 to 90% as a guide and he argues that in survey research, the higher the response rate the less bias the estimates are. Another study by Stonehouse and Pemberton (2002) to determine strategic planning practices among 746 SMEs yielded a response rate of 21%. We thus concluded that in terms of the target SME firms, the response rate of 84.2% was adequate for analysis.

Table 4.1: Response Rate of Firms per Age Stratum

Age in Years	Sample Target	Response	Percent (%) Response
<=5	49	40	81.6
6-10	52	50	96.2
11-15	26	19	73.1
>=16	19	14	73.7
Total	146	123	84.2

In terms of the respondent types, a total of 239 respondents in different levels of management participated in the survey. This represented 55% of the target sample of 438. In terms of the response rate from the different management levels, forty two (42) or 18% of the questionnaires were completed by top management, forty eight (48) or 20% were completed by middle

management, and one hundred and forty nine (149) or 62% were completed by lower management cadre. These analyses are tabulated in Table 4.2.

In an analysis of 2037 surveys covering 1,251,651 individual respondents from 1995-2005, Anseel, Lievens, Schollaert & Choragwicka (2010) found that there are differences in mean response rate across respondents types with the lowest response rates reported for Executive respondents and the highest for non-management employees and non-working respondents. Cychota and Harrison (2006) in their analysis of response rate in top management, found a sample mean response rate of 32%. The findings from this study as shown in Table 4.2, more or less reflect the findings from the previous studies. We therefore, conclude that the study response rate by type of the respondents was adequate for analysis. Similarly, we concluded that the response rate based on the sample of firms was adequate for analysis.

Table 4.2: Responses per Position

Position of the respondent	Frequency	Percent (%)
Director/Sales Director	42	17.6
Manager/Financial Coordinator/Systems Administrator	48	20.1
Technician, Office Administrator/Sales Representatives	149	62.3
Total	239	100

4.2.3 Demographics of the Individual Respondents

Respondents Length of Service in the Firm

As shown on Table 4.3, majority, comprising 115 respondents and constituting 48% were relatively new in their current organisations with three and below years of experience in the firm, while a total of 124 or 52% had served their present firms for more than three years.

Of this total, 93 or 39% had served their present firms for 4 to 7 years, 25 or 11% had served their organisations for 8 to 12, and 6 or 2% had served their present firms for 13 years and above. Similar studies (Lorrke, Bedeian & Palmer, 2004; Pennings & Van Wittloostuijn, 1998) found that firm-specific skills based on employee and in particular top management tenure has a stronger positive relationship with firm survival than industry-specific skills derived from its average industry tenure. Moreover other studies have found that the ability of SME to succeed is largely a function of its internal capabilities (Hitt *et al.*, 2007; Wu, *et al.*, 2007).

Further, from the Resource Based View (RBV) Grant, (1996), business competencies and capabilities are developed and leveraged from the resources within the firm. In this regard, Wernerfelt (1984) asserts that resources that support firm performance include intangible assets such as in-house knowledge, the know-how skills and empowerment of skilled personnel. On the other hand research findings indicate that though specialised skills can enhance a firm's competitive advantage, service longevity can also reduce flexibility and promote inertia in decision making when faced with major environmental changes (Lorrke *et al.*, 2004).

From the findings of this study, we can infer that the length of service with the firm is a good indicator of in-depth knowledge of business know-how skills and experience. This is likely to

contribute to business competencies internal to the SME and in building a distinctive and specific resource for achieving success. The ICT SMEs are more likely to be endowed with a mix of young and mature human resource that allow for energising flexibility, promote generation of new ideas and foster innovation and growth.

Table 4.3 Respondents Length of Service in the Firm

Years in Service	Frequency	Percent (%)
<=3	115	48.1
4-7	93	38.9
8-12	25	10.5
>=13	6	2.5
Total	239	100

Respondents Years of Experience in the Industry

As shown in Table 4.4, a total of 101 or 42% of the respondents had five or less years of industry experience. A cumulative total of 138 or 58% had over 5 years of industry experience. Of this number, 41% had 6-10 years of industry experience and cumulative 17% had over 10 years of industry experience.

Previous findings and conclusions from previous studies, for instance, a meta-analysis covering the period 1980-2007 to determine the experience versus performance relationship in industrialised countries revealed that industry experience increases the likelihood of obtaining positive firm performance by 54 per cent (Peake & Marshal, 2009). Similar study by Cooper, Gimeno-Gascon & Woo (1994) contends that firms with greater resource endowment such as employee experience may be placed in a better position to survive shocks from business

environment and poor business decisions. Likewise, Peake and Marshal (2009) found that management experience increases the likelihood of a firm having a positive performance by 40%. The results of this study suggests that majority of the ICT SMEs, are endowed with experienced and competent human capital that are more likely to adopt strategic planning practices in an effort to adapt to the environmental challenges. This in turn is likely to enhance their ability to survive and remain sustainable.

Table 4.4: Years of Experience in the Industry

Experience in Years	Responses	Percent (%)
<=5	101	42.3
6-10	97	40.6
11-15	28	11.7
16-20	7	2.9
>=21	6	2.5
Total	239	100

Respondents Level of Education

As tabulated in Table 4.5, majority ,comprising 146 (61%) of firm employees had university level of education, while, 79 (33%) had diploma, and 9 (4%) and 5 (2%) of the respondents had attained certificate and post graduate level of education respectively. It is noted that the level of education among ICT SMEs could be higher than that of other sectors, especially in terms of those with university and post university level of education.

For instance, Ngugi (2012), in a study to investigate challenges that hinder sustainability of SMEs after exit of founder among 247 manufacturing, trade and service SME sectors in Nairobi and Thika, found that 30% of the employees have a university education. This is much lower compared with the 61% in ICT sector.

Higher levels of educational attainments lead to a more skilled and productive workforce, capable of producing more efficiently a higher standard of goods and services which in turn forms the basis for faster growth and rising living standards (International Labour Organisation (ILO), 2011). Previous study by Van der Sluis, Praag & Vijuerberg (2003) to determine the impact of education on entrepreneurship in industrialised countries, found that education positively and significantly influence the overall firm performance but does not impact the decision to be entrepreneur. Gibson and Cassar (2002) in their study of Australian SMEs discovered that leaders with university degrees plan more frequently.

The findings of this study has revealed that a significant number of employees have attained tertiary level of education and this suggests that the ICT SMEs sector in Kenya is to a large extent endowed with higher educational resource capacity. This suggests that, ICT SMEs have the potential to be more productive, and more likely to engage in good management practices such as strategic planning. This in turn has the potential to increase the performance and growth of this sector.

Table 4.5: Level of Education of the Respondents

Level of education	Frequency	Percent (%)
Certificate	9	3.8
Diploma	79	33.1
1st degree	146	61.1
Post graduate	5	2.1
Total	239	100

Age of the Respondents

The age distribution of the respondents as indicated in Table 4.6 showed that majority, comprising 113 (47%) were in the age bracket 26 to 30 years, while ages 31 to 40 constituted 77 in number or 33%, and those who were between 20 to 25 years were 25 or 10%.

Likewise, those aged 41 to 50 years constituted 8% and those above 51 years made up 2%. Previous studies have concluded that age, maturity and life experience positively impact firm performance (Peake & Marshall, 2009). Likewise, Bass (2005) observe that age brings along experience, responsibility and skill and this contributes to the sustainability of SMEs.

The findings of this study revealed that ICT industry is endowed with a mix of human capital that is both young and mature. This is likely to encourage flexibility, innovation, and creation of new core competencies and hence the likelihood of enhanced firm capabilities.

Table 4.6: Age Bracket of the Respondents

Age Bracket	Frequency	Percent(%)
20-25 years	25	10.5
26-30 years	113	47.3
31-40 years	77	32.2
41-50 years	20	8.4
51 years and above	4	1.7
Total	239	100

Gender of Respondents

In terms of gender, majority, comprising 176 (74%) of the respondents, were male and 63 (26%) were female. These findings are shown in Figure 4.1. Further exploratory examination of the results as tabulated in Table 4.7 showed that of the respondents in top management positions, only 5% were women. Further exploratory analysis revealed that women comprised 27 and 32% of the respondents in middle and lower management levels respectively. It is noted that majority comprising 76% of the women occupy lower management positions.

These findings are consistent with previous studies which found that in general and across countries, women constitute about 30% of those working in IT industry (ILO,2011) Similarly, a study by Ngugi (2012), to investigate challenges that hinder sustainability of SMEs family enterprises among manufacturing, trade and service sectors in Kenya, found that of the one hundred and forty seven respondents, 21% were women.

Further, empirical research has found that women are concentrated in routine jobs at lower management levels with lower salaries (ILO, 2011). The findings of this study reflect more or less the same trend as those of previous studies. This shows that ICT sector, like the other sectors of manufacturing, trade and services is mainly dominated by male workers.

Notwithstanding, ICT is a growing industry with potential to create employment, contribute to lower disparities in labour market, and increase greater social equality (ILO, 2011). The ICT SME sector in Kenya reflects a growing disparity in gender deployment rates. It also reflects the lower positions occupied by women in the sector, and this has effect on women economic development.

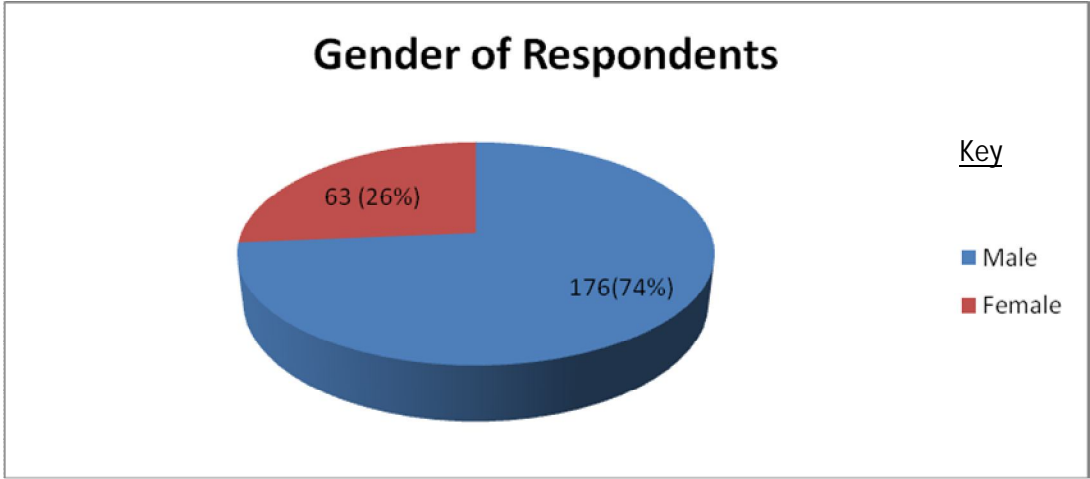


Figure 4.1: Percentage Gender Distribution (n=239)

Table 4.7: Cross Tabulation of Gender and Position

		Position of the respondent				
		Director/Sales Director	Manager/Financial Coordinator/Systems Administrator	Technician, Office Administrator/Sales Representatives	Total	
Gender	Male	Count	40	35	101	176
		% within position of the respondent	95.2%	72.9%	67.8%	73.6%
	Female	Count	2	13	48	63
		% within position of the respondent	4.8%	27.1%	32.2%	26.4%
Total		Count	42	48	149	239
		% within position of the respondent	100.0%	100.0%	100.0%	100.0%

4.3 Factor Analysis and Reliability

The validity of the model constructs was assessed by exposing the variable item responses from the questionnaire to factor analysis. Content validity is the adequacies with which the test items or variables represent the conceptual domain of interest (Miller, 1998; Brown & Laverick, 1994). The Exploratory Factor Analysis (EFA) determines the least number of factors which can account for the common variance of a set of variables. This process reduced the number of items that fall below 0.4 level and thus strengthening the content validity of items contained in the factors. Rahim and Magher (2005) recognise that for explanatory purposes a factor level of 0.4 is adequate measure for real life data. Total variance explanatory components are tabulated in Table 4.8 in Appendix 4 of this report. The analysis outcome of this process supported distinct constructs of strategic planning, moderating variables (environment and organisational characteristics) and performance constructs (learning and growth, internal business processes, competitive advantage and financial performance).

The Cronbach's alpha of the remaining items had a strong internal consistency. In testing for the internal consistency of the research instruments to confirm reliability, the Cronbach's alpha was used. The findings as shown in Table 4.9, were found to be acceptable as the overall Cronbach's value for this study was 0.926 which was found to be acceptable value and reflect validity of the instrument used. This is supported by (Clark & Watson, 1995; Fowler, 2000; Sekaran, 2003) who pointed out that the commonly acceptable Cronbach alpha value has to be well above 0.70. Likewise, Aggarwal (2004) suggested that a Cronbach's alpha value greater than 0.60 is considered reliable. This directive was also supported by Benko, Farias & Cordeiro (2011) who claimed that Cronbach's alpha values between 0.60 and 0.80 are also acceptable.

Table 4.9: Reliability Statistics(n=239)

Variable Items	Cronbach's alpha based on standardised items
Strategic planning processes	0.814
Strategy implementation and control	0.844
Environment	0.557
Firm characteristics	0.885
Learning and Growth	0.805
Internal Business Processes	0.778
Competitive advantage	0.747
Financial Profitability	0.873
Overall	0.926

4.4 Strategic Planning Variables

The sample study sought to establish the strategic planning practices among the ICT SMEs. The key characteristics or variables of strategic planning were examined and entailed; formality of

strategic planning; the strategic planning process; the strategy formulation and strategy implementation and control. The strategic planning characteristics were based on a perceived degree of agreement on a five point Likert scale ranging from 1 for 'strongly disagree' to 5 for 'strongly agree'. The preliminary findings of these variables are articulated in the sections that follow.

4.4.1 Strategic Planning Formality

Strategic planning formality was measured by three (3) items relating to whether the firm has a written strategic plan or not, the necessity of having a written strategic plan and time horizons for written plans. The section below details the findings.

The necessity of a written strategic planning

As shown on Figure 4.2 majority comprising 97% of the respondents were in agreement that written strategic planning was necessary in an organisation, while 3% indicated that this was not necessary. In response to the value attached to strategic planning, previous findings by Stonehouse and Pemberton (2002) in their study to determine the strategic planning practices among both service and manufacturing SMEs found that over 90% of the respondents considered strategic planning as extremely important.

Likewise, evidence suggests that 81% of companies worldwide reported doing strategic planning and in the United States of America (USA), for example, 89% practice it (O'Regan & Ghobadian, 2007). Baker *et al.*,(1993) in their study of the practice of strategic planning in small US high-growth firms found that strategic planning has positive influence on company performance.

The findings of this study implies that most of the respondents are aware of the importance and role of strategic planning in an organisation and are more likely to adapt strategic planning practices in their organisations.



Figure 4.2 Necessity of Written Strategic Planning (n=239)

Presence of Written Strategic Plans

It emerged from the findings as shown in Figure 4.3 that majority comprising 196 or 82 % of the respondents were in agreement that their organisations had written strategic plans, while 43 constituting 18 % indicated that their firms had no written strategic plans . Formal strategic planning consists of written plans (Kudla,1980).

Evidence from previous studies suggests that firms having formal strategic planning out-perform those that do not (Allison & Kaye, 2005; Akinyele & Fasogbon, 2007; Beamish, 2000). Likewise, a study by Hakimpoor, Tat & Kharil (2011) showed that the type of industry, ownership structure, firm size, age and technology are major determinants of formal strategic

planning. Likewise, a combination of theories, namely, resource based view (RBV) of the firm, systems and chaos theories advances the concept that formal strategic planning and its underlying processes can constitute a source of sustained competitive advantage.

From the above findings, it is concluded that a significant number of SMEs in the ICT industry employ strategic planning practices and have written strategic plans. It is also observed that while 97% of the respondents claimed that written strategic plans are a necessity (Figure 4.2), only 82% of them confirmed availability of written strategic planning in their organisations (Fig. 4.3). This suggests that the group of respondents constituting 18% desire to have written strategic planning but do not have any. Having written strategic plans denotes that a firm has a framework from which it can measure and evaluate its progress, direct and control its business activities and it can serve as a tool for other stakeholders to benchmark the firm performance. In this regard, strategic planning and its processes can be considered as a learning tool for SMEs in ICT sector.

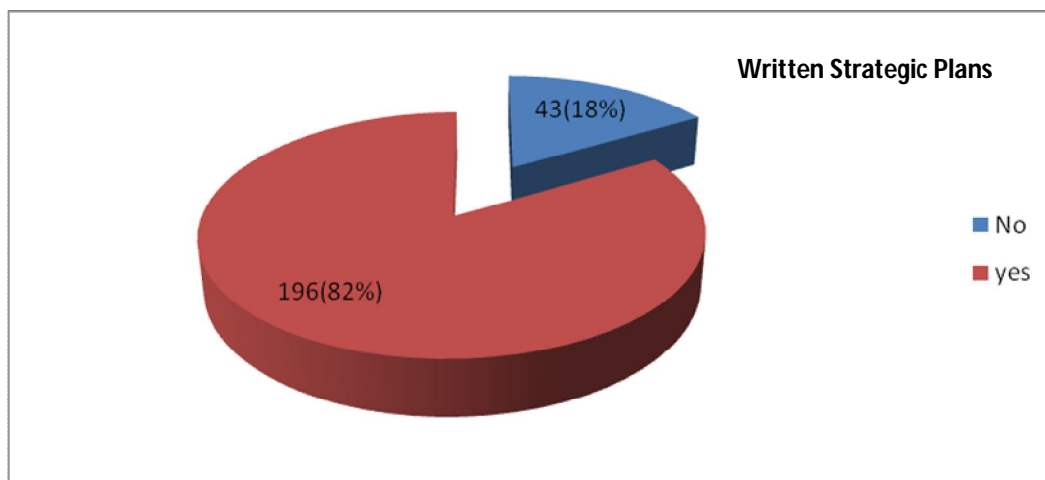


Figure 4.3: Presence of written strategic plans (n=239)

Time Horizons for Strategic Plans

In regards to the time span for the strategic plans, majority comprising 64% of the respondents indicated that their firms had plans that cover 1 year, thirteen (14) per cent indicated that their plans cover 2 to 3 years, while those having plans that cover 4 to 5 years constituted 7% and 15% had plans covering 6 to 10 years. These findings are reflected in Fig 4.4 and are consistent with previous findings, which concluded that planning in small firms is mostly adaptive in nature and short-term oriented (Gibson & Cassar,2002).

Similarly, empirical findings by Stonehouse and Pemberton (2002) showed that majority comprising 72% of SMEs in manufacturing and service sector had a planning horizon of only one to three years with about 20% planning for one year.

In this regard, Stonehouse and Pemberton (2002) raised the question as to whether such planning can be classified as strategic, or alternatively, whether an emergent approach to strategy is more in evidence, especially when viewed with other practices, like the presence of a clear vision and mission.

The findings of this study revealed similar pattern as majority of the strategic plans mainly covered one year. This denotes that ICT SMEs are characterised with flexible structures, which constitute an intangible resource critical in times of adapting to rapid changes in the environment. This seems to be in line with theoretical and empirical literature as it demonstrates the emergence nature of strategies in small firms.



Figure 4.4 Time Horizons for Strategic Plans of the Respondent Firms (n=239)

4.4.2 Strategic Planning Processes

The strategic planning processes were measured by eleven (11) items through the perceived attention of a firm to mission and vision, strategy making modes, analysis and attention to the external and internal environment. The preliminary results of this component are articulated in the following section.

Clear Mission and Vision

When asked if the organisation had a clear vision and mission statements that are understood by all the employees, majority comprising 149 respondents or 62% were in strong agreement that their firms had a clear mission and vision statements and that all employees know why their companies are in business and the strategic future direction of their companies. Another 62 or 26% were in agreement that they had a clear mission and vision. A small number of 28 (12%) disagreed and of this number, 4% remained undecided. These findings are shown in Table 4.10.

Previous studies have found that a vast majority of SMEs have clearly articulated vision and mission statements with supported business level objectives(Stonehouse & Pemberton,2002). This demonstrates strategic thinking by the organisational leaders beyond the day to day operations with the aim of developing a long term strategic intent (Stonehouse & Pemberton, 2002).

Consistent with the findings of these studies, Sorooshian *et al.*, (2010) argues that a firm's vision and mission are building blocks to firm core competencies. A study by Shamir and Howell (1999) concluded that a firm that is able to articulate a clear and attractive vision elicits trust, pride and support in the implementation of strategies and thus increases likelihood of higher performance and success.

The findings from this study suggest that a majority of the SMEs appear to plan strategically in the sense of having clearly articulated vision and mission statements. Further, it can be inferred that a large number of ICT SMEs place emphasis on strategic thinking and are more likely to have higher potential for greater performance. Having a clear vision and mission is critical for firm survival and growth. Hence, the firms from where 12% of the respondents indicated that they do not have a clear vision and mission, are more likely to face survival challenges as they strive to grow since they lack a clear road map and direction to achieving success.

Strategy Making Modes

The study sought to establish the extent to which the firms use either command, intrapreneurial, adaptive, rational, adaptive or participatory strategy making modes. From the empirical findings tabulated in Table 4.10, cumulative 52% of the respondents were not in agreement that their

firms use command strategy making mode, this comprised 42% for those who disagreed and 10% for those who strongly disagreed. On the other hand cumulative 44% were in agreement that their firms use command mode in strategy making and 4 per cent were undecided. Command mode is a mode of strategy making in which a strong leader or a few strong managers exercise total control over the firm(Hart,1992). In this mode, employees are seen as followers who carry out the commands without question. The findings from this study indicate a mixture of application of command mode in ICT firms.

In regard to the intrapreneurial mode where employees are encouraged and given opportunity to be innovative, generate ideas, experiment and take risks, a cumulative 83% were in agreement. This comprised 45% and 38% for those who strongly agreed and agreed respectively. It is, therefore, more likely that strategies of SMEs are generated emergently by innovative employees(Verreynne, 2005; Hart, 1992).

In terms of whether the firms use rational strategy making mode, majority comprising 87% were in agreement that they use the rational strategy making mode. In terms of the breakdown, 70% agreed and those who strongly agreed comprised 17%. On the other hand cumulative 13 per cent disagreed or strongly disagreed. Previous studies by (Andrews,1971, Ansoff, 1965) concluded that rationality entails decision makers analysing the firm and its environment, considering all possible alternatives, evaluating alternatives and selecting appropriate strategy.

In regards to whether the firm adapts to the changes in the environment, the majority comprising 94% were in agreement. Of this proportion, those who agreed made up 66%, while those who strongly agreed comprised 28%. Empirical findings by Verreynne (2005) indicated that small

firms heavily rely on internal and external stakeholders and not as much on the owner-manager. Harris, Forbes & Fletcher (2000) found that strategy-making in small firms is mainly emergent, adaptive and reliant on personal relationships with mainly customers and suppliers. Similarly, Chen and Hambrick (1995) concluded that smaller firms are more responsive when attacked and implement their competitive reactions faster. This mode implies that top management provides the broad direction but the details of the strategy emerge over time through the actions of the firm employees. From our findings, it can be inferred that, ICT SMEs are more likely to engage with its key stakeholders including, employees, customers, suppliers and competitors as a way of informing the direction of the firm.

When asked if the strategy making process in their firms is participatory, cumulative 92% of the respondents were in agreement. This entailed 64% for those who agreed and 29% for those who strongly agreed. A total of 6% disagreed (2%) and (4%) remained undecided. Like Verreyne (2005), we argue that SMEs who use participatory mode are characterised by large amount of cooperation, teamwork and values. This is most likely as a result of less political aspects and conflicts that SMEs lack due to size, lack of time and experience to engage in such activities (Mintzberg, 1973).

In general, it may be construed that small firms apply a typology of strategy-making modes consisting mainly of intrapreneurial, adaptive, rational and participatory and less of command mode. This is supported by the average cumulative overall score of 82.69% as shown in Table 4.10 which tended towards agreement to the application of the mix of typology of the strategic – making modes.

This implies that the firms are also more likely to be strategically aware of their operating environment and are more likely to exploit the resources they have to build their capabilities. This in turn is likely to contribute to learning and growth and improvement in the internal business processes. Strengthening of these lead indicators are likely to enhance firm competencies and capabilities resulting to a more competitive advantage and firm performance.

Further, the findings from this study revealed that strategy making in ICT SMEs is more likely to allow for flexibility and innovation in pursuit of opportunities. This is in line with the resource view and chaos theory which consider these key aspects as strategic resources that small firms are seen to be exploiting as they adapt to the challenging and changing environment. Strategy-making process may be the most important factor that determines the ability of a firm to realise its strategic intent and that the strategy-making that a firm uses may have a profound impact on firm performance (Eden & Ackermann,1998).

Table 4.10: Strategic Planning Processes: (n=239)

Variable Indicator	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
Clear mission and vision	2.9%	5%	4.2%	25.9%	(62%)	100%
Strategy -making modes						
Command	10.5%	41.8%	3.8%	29.7%	14.2%	100%
Intrapreneurial	0.8%	7.9%	6%	46.4%	38.9%	100%
Rational	1.7%	3.8%	5%	72%	17.5%	100%
Adaptive	1.7%	1.7%	1.3%	64.9%	30.4%	100%
Participatory	2.1%	0.4%	3.3%	63.6%	30.6%	100%
Average(mean)	3.28%	10.10%	3.93%	50.42%	32.27%	100%

Analysis of the External Operating Environment

This section presents the study finding on the respondents perceptions on the importance that their organisations place on external environmental analysis in relation to some key components during the strategic planning process.

Customer analysis

The respondents were asked to indicate whether their firms analyse and have a good understanding of who their customers were and what their needs were. In this regard, the results as shown in Table 4.11 showed that cumulative 88% were in agreement. This constituted 59% of those who agreed and 29% of those who strongly agreed, while those who disagreed or strongly disagreed constituted 12%.

Knowing what customers want and how the firm survives competition are prerequisite for a firm success(Joffre,2011; Grant, 2008). This is because customers bargain for the value created by the firm and determine the value of its products and services(Bridoux, 2004). This supports Ohmae (1982) strategic triangle of 3Cs models, which assert that a firm's foremost concern ought to be the interest of its customers rather than of its stakeholders or other parties.

The findings thus suggest support for both empirical and theoretical literature and posit that small businesses in ICT sector acknowledge the significance of customer perspectives in their business and undertake some form of analysis to understand their needs and requirements.

Importance of Competitors

Knowing and understanding customer needs is not adequate foundation for success since competitors are likely to be doing the same, hence, as part of understanding the operating environment, the study sought to find out how firms view their competitors in the market. From the findings in Table 4.11, majority comprising 85% were in agreement that their firms view competitors as important market players and source of information. This constituted 60% of those who agreed, 25% for those who strongly agreed, while 15% disagreed.

These research findings reflect the theoretical literature which claim that one of the prerequisites for surviving competition is to know who the competitors are, what they do, their strengths, and weaknesses. Likewise, the 3 Cs strategic triangle model identify competition as one of the three key factors for success of a firm (Joffre, 2011; Grant, 2008; Ohmae, 1982).

It is thus construed that, the ability to understand the two key factors, that is, customer needs and competitors' moves, strengths and weaknesses are likely to provide small firms with strategic information that lay the foundation for success.

Ability to anticipate surprises, threats and crisis

With regards to whether the firms have the ability to anticipate surprises, threats and crises, cumulative 136 constituting 57% of the respondents were in agreement with those who strongly agreed comprising 15% . On the other hand, cumulative 83 or 35% disagreed, while a total of 20 or 8% of the respondents were undecided.

The findings indicate somehow mixed results with some of the ICT SMEs indicating having abilities to cope with environmental surprises while others lack these abilities.

Market Information

The study set to establish the emphasis firms place on market information by encouraging continuous search for important market clues. In this regard, 41% were in agreement that their organisations undertake continuous search for market information, 31% strongly agreed and cumulative 28% disagreed. These results are shown in Table 4.11.

Previous empirical findings by Sussman *et al.*, (2006) reveal that most innovative and successful companies regularly scan environment and proactively identify problems and opportunities before they are a threat. Mathews (2003) concluded that market information can be a source of competitive advantage. However, to absorb and use this information requires that a firm possess the capabilities to integrate the resource with the firm's existing resource base. Likewise, to be a source of competitive advantage the information resource must generate rent that the firm is able to appropriate (Bridoux, 2004).

The findings of this study suggest that while a significant proportion of the firms may possess certain capabilities and thus recognise information as a resource, others constituting 27% either do not recognise this resource or may not have the capability to undertake continuous search for the information to improve products or services. It can thus be inferred that the firms which undertake continuous search for information are more likely to have good understanding of their immediate external environment, which mainly constitutes the customer and the competitor. This

in turn is likely to generate a learning process that can induce some decision making to enhance a firm's competitiveness, performance, growth and profitability.

As shown in Table 4.11, the overall average score indicates that cumulative 75.63% of the respondents were in agreement with the external orientation of the firms. McLarney (2001) suggests that effective alignment between the external environment and strategy affect positively on profitability and success of an organisation. On the other hand Sussman *et al.*, (2006) argue that several factors either constraint or help foster openness to environment. For instance, the constraining factors are; (a) existing technology; (b) availability of resources; (c) lack of negotiation or collaboration skills, while those that foster openness include; (a) scanning; (b) benchmarking; (c) tracking performance; (d) networking.

It is likely that firms from where the estimated 25% of those who did not agree to the statements on the external orientation may be encountering some of these constraints and hence may be unlikely to adequately adapt to surprises from the environmental changes. This may in turn threaten their survival.

Table 4.11: Strategic Planning Processes: External Environmental Analysis (n=239)

Variable Indicator	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
Knowing and understanding customer needs	1.7%	9.2%	0.4%	59.4%	29.3%	100%
Competitors as important market players	1.7%	12.1%	1.3%	59.8%	25.1%	100%
Firm Ability to anticipate surprises and threats	2.1%	32.6%	8.4%	42.3%	14.6%	100%
Continuous search for information	1.3%	25.9%	0.8%	41.5%	30.5%	100%
Average/Mean	1.70%	19.95%	2.73%	50.75%	24.88%	100%

Analysis of the internal operating environment

This section presents the findings on the respondents' perception of the importance placed by their firms on the internal environmental assessment of key components as part of strategic planning process.

Skills and Know How, Finance, Time and Leadership

In terms of the resources required for preparing an effective strategic planning, the respondents were in agreement that, skills and know how (97%), finances (95%), time (93%), market information (96%), and leadership (94%) are important for a firm to have. These results are tabulated in Table 4.12.

A central premise of resource-based view is that firms compete on the basis of their resources and capabilities (Peteraf & Bergen, 2003). Moreover, exceptional skills, for example, of scanning the environment may be considered a competence that could allow the firm to identify opportunities before a competitor (Phillips & Peterson, 1999).

It is noted from this analysis that most respondents indicated skills and know-how and market information as the most important resources needed in the strategic planning process. It can thus be construed that, key strategic resources for small firms include skills and know how as well as market information. Other resources including, finance, time and leadership remain important and necessary but may not be sufficient for firm viability and sustainability (Pushpakumari & Wijewickrama, 2008).

Analysis of Systems and Operations

Customer needs and requirements partly depend on the efficiency of the firm's systems and processes. In an effort to establish if the organisations analyse the internal systems and processes to identify non-value added processes or systems, majority of 166 comprising of 69% of the respondents were in agreement that their companies analyse systems and operations in order to eliminate non-value added activities. Cumulated 68 of the respondents comprising 29% disagreed that this activity was undertaken in their organisations, while 2% were undecided.

These results are in line with previous findings by Herath and Indrani (2007), which recognised that firms that create and sustain competitive advantage adopt processes that enable efficient utilisation of resources. Such processes for example, include cost plans that could result to lower thus likely lower prices. This in turn is likely to create a differentiation factor, which enhances firm competitive advantage (Peteraf & Barney, 2003).

This is also consistent with the theoretical literature as suggested by Kaplan and Norton (1996) balanced score card (BSC) model that the efficiency in the internal business processes is important in achieving the customer perspective. As tabulated in Table 4.12, cumulative average core of 90.79% tended towards agreement on the internal orientation of the firm. We can thus argue that the SMEs, which review and analyse their processes and systems in an effort to identify non-value added activities, are more likely to learn from their weaknesses, improve on their processes and hence more likely have efficient processes that meet customer needs more efficiently. This could in turn lead to customer satisfaction and increase in sales and profitability.

Table 4.12: Strategic Planning Processes: Internal Environmental Analysis (n=239)

Variable Indicator	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
Skills and know how	2.5%	0.4%	0	65.7%	31.4%	100%
Finances	3.3%	1.3%	0.4%	44%	51%	100%
Time	2.5%	3.8%	0.8%	58.6%	34.3%	100%
Market information	1.3%	2.1%	0.8%	49.4%	46.4%	100%
Leadership	1.3%	2.1%	2.1%	54%	40.5%	100%
Analysis of systems and operations	5.9%	22.6%	2.1%	50.6%	18.8%	100%
Average/Mean	2.80%	5.38%	1.03%	53.72%	37.07%	100%

4.4.3 Strategy Formulation

The strategy formulation was measured by two items comprising the perceived agreement to the establishment of goals and objectives by small firms and the possible competitive strategies adopted. The findings are detailed in the section below.

Goals and Objectives

As shown in Table 4.13, majority comprising 231 or 97% respondents were in agreement that their firms set goals and develop both long and short term objectives. Those who disagreed comprised 1% and 2% were undecided.

These results relate with previous study by Stonehouse and Pemberton (2002) which, found that a vast majority of SMEs have clearly articulated vision and mission statements supported business level objectives. This demonstrates strategic thinking by the organisational leaders beyond the day to day operations with the aim of developing a long term strategic intent (Stonehouse & Pemberton, 2002).

The findings contradicts previous results of a survey covering 702 SMEs in the UK, which concluded that SME fail to consider some vital components in their strategic plans such as goals and objectives and resources (O'Regan & Ghobadian, 2007).

The findings of this study indicate that a significant number of ICT SMEs have goals and objectives from which they monitor their performance and are likely to focus on mission and vision as this is necessary for the survival and progression of the organisation. Without goals and objectives, it would be impossible to know where a business is going and how well it is doing (Stonehouse & Pemberton,2002; Pearce & Robinson,2011).

Table 4.13:Firm Sets Goals, Long and Short Term Objectives

Responses	Frequency	Percent(%)
strongly disagree	1	0.4
Disagree	1	0.4
Undecided	6	2.5
Agree	223	93.3
strongly agree	8	3.3
Total	239	100

Strategies Adopted

The study proceeded to establish the competitive strategies used by the firms. The respondents were asked to indicate their firm's competitive posture in regard to the choice of generic strategies of cost leadership or differentiation. According to the results, three strategic groups were identified. The first group constituting 60% combined cost leadership and differentiation strategies, the second group constituting 22% comprised the differentiators, and the third group of 18% adopt cost leadership strategy. These results are shown in Figure 4.5.

Waweru (2008), in a study to determine the effect of competitive strategy on performance among 56 large firms in Kenya, found that 58% of them combine both cost leadership and differentiation, while 31% adopt differentiation and 11% practice cost leadership. Miles & Snow (1978) in his study identified a similar group comprising of firms that use low cost strategy in some areas and differentiation in others.

Literature reveals that many entrepreneurs launch businesses destined for failure because the founders never stop to define a workable strategy that sets them apart from competition (Pearce & Robinson, 2011). Pearce argues that while this may work in the short-term, competition or unanticipated threat or surprises stiffen them. Joyce and Woods (2003) study concluded that strategy is the main route to attaining corporate goals and objectives which leads to enhanced long-term performance. Strategy is the road map of the actions to achieve mission, goals and objectives (Porter, 1980). Two strategic options identified by Porter from which a small business can choose to achieve a superior economic performance are cost leadership and differentiation strategies.

The findings from this study suggest similar trends as those found in previous studies, and we thus posit that ICT SMEs are more likely to withstand competition and survive as they are endowed with a flexible lifeline roadmap or blueprint which is critical in achieving a sustainable mission and vision.

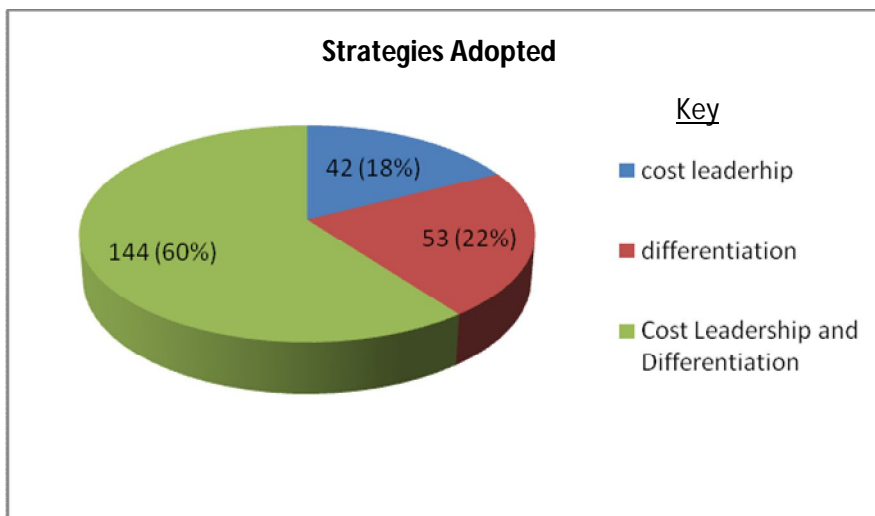


Figure 4.5: Strategies Employed by the Firms (n=239)

4.4.4 Strategy Implementation and Control

An organisation's performance is determined, at least in part, by how effectively and efficiently its business strategy is implemented (Olson, Slater & Hult, 2005). In this section, the research findings pertaining to strategic planning variable on strategy implementation and control sought to establish the extent to which the firms set short term objectives, prepares short-term plans, targets and allocates resources to achieve these objectives.

Likewise, the study sought to find out the extent to which the respondent firms motivate employees with incentives and rewards and any linkages with performance. The findings are detailed in the following sub-sections.

Short-term Plans and Targets

For a firm to achieve its objectives, it requires that it develops short term operational plans to guide the day to day activities (Pearce & Robinson, 2011). As tabulated in Table 4.14,

cumulative majority comprising 80% of the respondents were in agreement that their firms prepare short-term plans and set targets for achieving the targets. This comprised 57% of those who agreed and 23% for those who strongly agreed. On the other hand, cumulative 20% tended towards disagreement. These findings are consistent with those of previous study by Stonehouse and Pemberton (2002) who found that most SMEs organisations set short term targets in terms of sales, profits and costs rather than long term goals such as market share targets. Findings from the same study suggest that market share targets are associated with long-term strategic planning. Likewise, Otley and Pollanen (2000) concluded that budgeting is a form of planning tool that SMEs use to predict and forecast both short and long-term goals and is useful for coordination, communication, control and motivation.

This study noted that while 97% of the firms set goals and objectives as tabulated in Table 4.13 about 20% do not have short-term operational plans. It is likely that firms that do not set short-term plans would have low ability to evaluate progress and take action when necessary especially when operating in a volatile environment.

Achievement of annual objectives and targets

It is noted from Table 4.14, that cumulative majority of 67% of the respondents were in agreement that their companies achieve most of the set targets. It is noted that 27% disagreed, and 6% were undecided.

Previous studies to determine the effects of learning organisational practices on organisations commitment and effectiveness, Senge (1990) and Garvin (1993) found that, learning takes place when a planned action is accomplished and the reasons for not accomplishing addressed as organisation changes its behaviour as it acquires new knowledge.

Another study among Chinese SMEs concluded that clear and difficult budget goals or targets promotes higher growth in sales growth and the achievement of set targets serves as a motivation for employees to achieve even higher standards (Qi, 2010). We can thus posit that ICT SMEs are more likely to engage in setting annual and short term targets from which performance can be measured. Likewise, as majority of the firms achieve the set targets, it is likely that performance in terms of sales growth is achievable. Thus SMEs that are likely to achieve set objectives and targets are more likely to engage in strategic planning practices.

Resource allocation

The study, sought to find out, if the firms have resources to implement its strategy. As tabulated in Table 4.14, majority comprising 62% of the respondents suggested that resources were adequate to carry out all the tasks and activities effectively. On the contrary 35% of the responses suggest that resources are not adequate while 3% were undecided. A study by Priem and Butler (2001) observed that intangible assets, which include information, knowledge and dynamic capabilities are a source of competitive advantage. The resource-based view (RBV) emphasises the firm's unique resources as the fundamental determinants of competitive advantage and performance (Bridoux, 2004).

From the findings of this study, it can be construed that while the respondents indicated that their companies have some level of resources to implement the strategy, as previously noted, the inadequacy of key resources such as information and skills and know how could constitute factors that hinder competitiveness in the global economy.

Performance Incentives and Rewards

In implementing the strategy, the study sought to know if the SMEs set targets and measure and reward performance based on achieving these targets. As evident in Table 4.14, the results were mixed with about 50% of the respondents being in agreement, cumulative 43% disagreed, and 7% were undecided that their firms have an incentives or rewards system that is based on performance or meeting targets.

Previous study to determine the impact of budgeting on performance among Chinese SMEs, Qi (2010) concluded that clear budget goals or targets lead to higher increase in employee motivation to achieve budget standards. In this case, achievement is a form of non-monetary reward. From these results, it is observed that the practice of rewarding performance is not well practiced among all SMEs in the ICT sector.

Decision Making

As shown in Table 4.14 accumulated 84% comprising those who strongly agreed (19%) and those who agreed (65%), indicated that top management make decisions and managers and other employees must consult at all time. A total of 14% disagreed that decision making is centralised, and 2 % were undecided. Various researchers have reached different conclusions, for example, Simsek, Veiga, Ling & Lubatkin (2008) argue that given the fluid nature of SMEs context and

increased role ambiguity, employees in SMEs are more likely to look to the Chief Executive Officer (CEO) or founder manager for clarification and re-assurance. On the other hand Andersen (2000) found that strategic planning has positive performance when autonomous actions (where managers make responsive decisions that embrace performance under changing environments) are embraced by small firms. Moreover, Tegarden, Sarason, Childers & Hatfield (2005) suggest that in times of highly dynamic environment, higher payoff is achieved when employees are engaged in decision making than in less dynamic environment.

The findings of this study suggest that in the context of SME with majority of them having less than 10 employees, it may be justified for CEO to take strategic decisions and guide and coach the rest of the team. This is justified by the fact that majority of the respondents comprising 84% were in agreement that top management make decisions and other managers and employees must consult in most cases. As tabulated in Table 4.14, the overall mean score of 68.78% tended towards agreement with the effectiveness of the strategy implementation and control.

Table 4.14: Strategy Implementation and Control Indicators

Indicator	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree	Total
Short term plans & targets	2.1%	15.5%	2.5%	56.9%	23%	100%
Annual objectives and targets achievement	1.3%	25.1%	6.3%	51.9%	15.4%	100%
Resource allocation	2.1%	33.1%	2.9%	43.9%	18%	100%
Performance incentives and rewards	3.3%	39.7%	6.7%	35.1%	15.2%	100%
Decision making	1.7%	12.1%	1.7%	65.3%	19.2%	100%
Average/Mean	2.10%	25.10%	4.02%	50.62%	18.16%	100%

4.5 Results and Discussions

The study had six specific objectives as articulated in chapter one. This section presents data analysis based on the findings of each objective. The data was gathered based on statements on a Likert scale questionnaire that had values assigned as 5=very large extent, 4=large extent, 3=moderate extent, 2=small extent, and 1=not at all. Frequencies and descriptive statistics are presented first, followed by statistical modelling using regressions and correlations. In this study, performance was measured by a set of four components that entailed learning and growth, internal business processes, competitive advantage and financial performance. The following sections highlight the key findings of the study:

4.5.1 Strategic Planning and Learning and Growth

The first objective of the study was to determine whether strategic planning influences learning and growth of ICT SME performance in Kenya. The influence of strategic planning on learning and growth was measured by four items that included educational and technical competency within the firm, adequacy and currency of market information, and extent of technology use. Table 4.15 presents the responses on the extent of influence that strategic planning has on learning and growth. Responses on each item indicator are provided in the following section:

Educational Competency

From the findings in Table 4.15, majority, comprising 145 or 61% of the respondents, were in agreement that strategic planning influences learning and growth as demonstrated by the level of educational competency that was present to a very large extent (20%) and large extent (41%) respectively. Those who stated that this was to a moderate extent, small extent or not at all

constituted 92(38%) and (21%) respectively. The mean score of responses regarding educational competency was 3.79, which on a scale of 5 to 1 indicates that majority of the respondents were in agreement to a large extent that strategic planning processes and actions influence learning and growth and that educational competency contributes to learning and growth.

These findings corroborate the (ILO, 2011) assertion that higher levels of educational attainment lead to a more skilled and productive workforce capable of producing more efficiently a higher standard of goods and services. Similarly, previous studies (Gibson & Cassar, 2002; Van der Sluis, Praag & Vijverberg, 2003) concluded that leaders with higher educational competency plan more frequently and hence realising learning and growth.

The above findings suggest that strategic planning influences learning and that the level of educational competency contributes to learning and growth within organisations. These findings are consistent with earlier revelations in Table 4.5, which showed that a significant percentage of ICT SMEs have hired employees with high educational levels. For example, those with university and post-university levels of education accounted for 63%. This is likely to impact positively and significantly on learning and overall firm performance. This conclusion is further supported by the fact that 97% and 91% of the ICT SMEs have written strategic plans with clear mission and vision as shown in Figure 4.3 and Table 4.10.

This revelation suggests that ICT SMEs are adopting strategic planning principles and have identified the importance of educational competency in enhancing learning and growth of their enterprises. Hence, this suggests the important role that strategic planning contributes to learning and growth and, in turn, overall performance of SMEs.

Technical Competency

In terms of whether strategic planning influences learning and growth as demonstrated by technical competency, sixty (60) or 25% of the respondents indicated that this was to a very large extent, while ninety five (95) or 40 % suggested that this was to a large extent. Those who were in agreement that technical skills were important to learning and growth to a moderate and small extent consisted of 78 (33%) and 4 (2%) respectively. Only 2 respondents did not agree that strategic planning processes and actions were important in influencing learning and growth and that technical skills had minimum impact. The mean score of responses regarding technical competency was 3.87, which tended towards agreement that strategic planning influenced learning and growth and that technical competency was present to a large extent.

These findings corroborate the results of a study by Mbogo (2011) in Kenya, which showed that strategic management practices influence SME business practices and capabilities and that technical skills in financial, marketing, human resource and managerial accounting influence decision making, and consequently SME success and development. The findings are consistent with the ILO (2011) assertion that while higher levels of educational attainment lead to a more skilled and productive workforce, good workforce technical skills are fundamental conditions for gaining performance advantages.

Similarly, it has been found that integration of both educational and technical competency is necessary for life-long learning and higher performance (ILO, 2011). A previous study by Nelson and Winter (1982) found that small firms that possess high levels of competencies perform better. Likewise, the resource-based view and ILO (2011) suggest that high technical skills provide a firm with unique, inimitable competence and potential for gaining competitive

advantage. It is, thus, inferred that strategic planning has a role in learning, growth and overall performance of SMEs. The findings suggest that educational and technical competency among ICT SMEs are critical foundations for organisational learning and growth as a combination of these competencies provide the firms with a resource that has the potential for enhancing the internal business processes that, in turn, may lead to higher customer satisfaction and business profitability.

These findings are a demonstration of effective strategic planning processes and are consistent with the theoretical literature, which asserts that effective strategic planning results in improvement of learning and growth, a lead indicator for organisational performance (Kaplan & Norton, 1993).

These findings are validated by the strategic planning finding on the internal orientation process (Table 4.12), which identified skills and know-how as key strategic resources. This was supported further by the findings that indicated that 52% and 58% of the employees had over five years of experience within the firm and industry (Table 4.3 and Table 4.4).

Market Information

When asked if strategic planning influences learning and growth and if market information was adequate and facilitates learning and growth, those who stated that this was to a very large and large extent were 160 respondents comprising 67%. On the other hand, those who stated that this was to a moderate extent were 77 respondents comprising 32%, while 2 respondents or 1% suggested that market information was important and available in facilitating learning and growth to a small extent.

The mean score of responses regarding market information was 3.92, which tended towards agreement, to a large extent, that market information contributed to learning and growth, which in turn, contributed to the overall performance of a firm. These findings are consistent with those of a previous study by Hodgkinson, Whittington, Johnson & Schwarz (2006), which concluded that superior resources include in-house local market knowledge that facilitates superior strategy development by skilled personnel. Likewise, Knight and Kim (2009) concluded that SMEs that rely on market intelligence to understand and serve customers should experience superior performance. Empirical research also suggests that, to survive, firms need to understand the dynamics of competition in the industry and develop skills and competencies that give competitive advantage (Olawale & Garwe, 2010).

The findings suggest that ICT SMEs are endowed with market knowledge and information important for learning and growth. This is likely to help them adapt to environmental changes and, hence, the ability to survive is likely to increase. This also suggests that the industry context within which these firms operate provides them with opportunities for access and use of ICT technology that facilitates information search and knowledge sharing. One of the key processes of strategic planning is to carry out an external analysis of the operating environment.

Like Olawale and Garwe (2010), it can be argued that market information is a resource that facilitates learning and growth as it creates opportunities and market knowledge that enable a firm to serve and understand its customers. This, in turn, is likely to enhance the learning and overall performance and sustainability of SMEs.

Increase in Technology Use

In terms of the role of strategic planning on learning and growth based on technology use and its importance in learning and growth, sixty (60) or 25% of the respondents indicated that this was important and present to a very large extent. Ninety one (91) or 38% suggested that technology use was useful and facilitates learning and growth and that their firms were endowed with this resource to a large extent, while eighty eight (88) or 34% suggested that use of technology was important and present to a moderate extent, and seven (7) or 3% suggested that use of technology was inadequate for learning and growth.

The mean score of responses regarding increase in use of information technology was 3.85, which tended towards agreement, to a large extent, on the influence of strategic planning on learning and growth and this meant that market information contributed to learning and growth.

The above findings corroborate findings from previous studies (Olawale & Garwe, 2010; Pralahad & Hamel, 1990), which concluded that information technology (IT) is important for learning and growth in all firms as IT plays a crucial role helping firms maximise opportunities and resources and, thus, essential in achieving sales increase. Likewise, Wu, Zhang, Xing, Dai & Du (2007) found out that ICT SMEs possess idiosyncratic knowledge-intensive processes that facilitate learning and are hard to imitate like plant and raw materials in factories. This gives rise to superior performance.

From these findings, it can be inferred that strategic planning influences learning and growth and that increased use of information technology is a critical resource for learning and growth, which in turn, is likely to result in improved overall firm performance. Thus, SMEs cannot afford to

ignore investing in strategic planning as a learning tool. These findings show that strategic planning processes and actions influence learning and growth as demonstrated by the increased use of information technology by SMEs.

In summary, the results of this objective and those of prior empirical studies reveal the important role strategic planning processes and actions play in learning and growth of SMEs and that the levels of educational and technical competencies are a demonstration of learning and growth of SMEs. These are resources that if well manipulated, for example, to exploit market information and technology processes, would result in higher firm competencies and capabilities.

Thus, increased access to market information and increased use of IT technology in a firm endowed with appropriate educational and technical competencies are critical in facilitating learning and growth of SMEs. These key indicators are likely to result in a learning organisation and, hence, the potential to increase a firm's likelihood to succeed in a competitive environment. This is demonstrated by the cumulative average score of 63.95% of the responses that tended to be in agreement, to large and very large extent, that strategic planning had a role in learning and growth of SMEs and that educational and technical competencies, market information and increased use of technology were important in learning and growth and, hence, overall firm performance. This explains the reason why the government of Kenya, through its Vision 2030 and Medium Term Plan (MTP) 2008-2012, emphasises the need for capacity building of small and medium enterprises if they have to be the engine for growth. The role of effective strategic planning as a learning tool is critical in an ever-changing and competitive environment. This is demonstrated by the importance placed on educational and technical competencies, use of market information and information technology and advancement by SMEs.

Table 4.15: Strategic Planning and Learning and Growth (n=239)

Indicator	Not at all	Small extent	Moderate extent	Large extent	Very large extent	Total	Mean
Educational competency	0.4%	0.4%	38.5%	40.6%	20.1%	100%	3.79
Technical competency	0.8%	1.7%	32.6%	39.7%	25.2%	100%	3.87
Market information	0%	0.8%	32.2%	41.4%	25.6%	100%	3.92
Use of Technology has increased	0.4%	2.5%	33.9%	38.1%	25.1%	100%	3.85
Average/Mean	1.40%	1.35%	34.30%	39.95%	24.00%	100%	3.86

4.5.1.1 Normality Test

An assessment of the normality of data on learning and growth was undertaken. This was done as many of the statistical procedures including correlation, regression, and t-test are based on the assumption that the data follows a normal distribution. This assumes that the population from which the sample is drawn is normally distributed (Ghasemi & Zahediasi, 2012). The visual inspection of the data on learning and growth using the normal Q-Q plot (quantile-quantile) as shown in Figure 4.6, indicates that data is normally distributed as the data points are close and within the diagonal line.

Graphical interpretation has the advantage of allowing good judgement to assess normality in situations where statistical methods lack objectivity. Thus, normality tests are supplementary to the graphical assessment of normality (Ghasemi & Zahediasi, 2012). However, it is noted that the Shapiro-Wilk Test is sensitive to outliers within the data, and also to large samples >50 (Shapiro & Wilk, 1965; Ghasemi & Zahediasi, 2012) and, hence, was not applied.

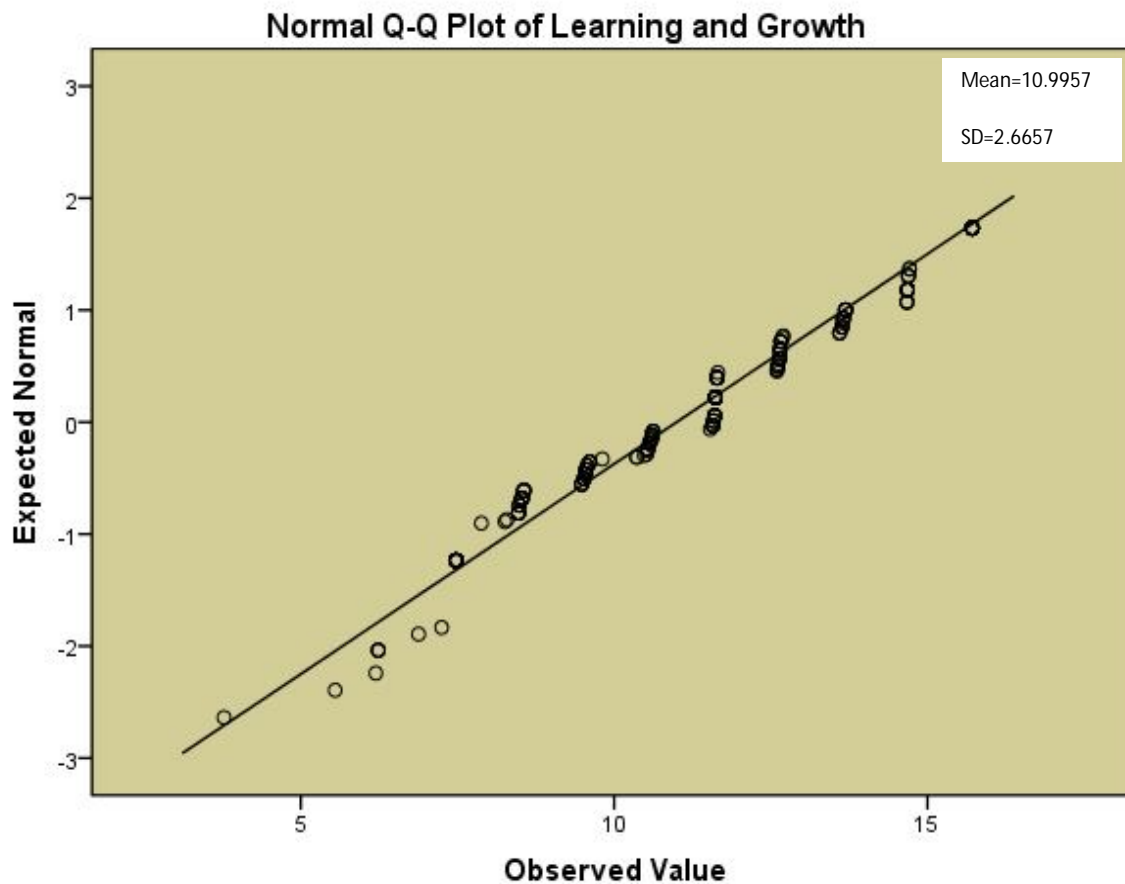


Figure 4.6: Q-Q Plot of Learning and Growth

4.5.1.2 Linear Regression

Linear regression is an approach to modelling the relationships between a scale of variables Y or more variables denoted as X . In linear regression, data is modelled using linear functions and unknown model parameters are estimated from the data (Fowler, 2009). For each variable, a scatter plot was generated to show the kind of relationship that existed between the independent variable (strategic planning) and the sub-components of the dependent variables (learning and growth, internal business processes, competitive advantage and financial performance) while holding the moderating variables (environmental factors and organisational characteristics)

constant. Further, the relationship between the independent variable and the combined dependent variables (overall performance) was also generated. Any linear relationship generated called for linear regression to test the direction and magnitude of the relationship. In this case, both the correlation coefficient r and the coefficient of determination r^2 were analysed. The correlation coefficient measures the degree of linear relationship between dependent and independent variables.

According to (Underhill, 1985; Sekaran, 2006), the correlation coefficient r always lies between 1 and -1 and when r is positive (+), the regression line has a positive slope and when r is negative (-), the regression line has a negative slope. The coefficient of determination measure provides an indication of the strength of the relationship between dependent and independent variables.

The influence of strategic planning practices on performance was assessed by applying multiple regression analysis to determine the relationship between strategic planning and the four organisational performance measures. The two control or moderating variables that might confound the effects of strategic planning were considered in the analysis. The Analysis of Variance (ANOVA) tested for the significance of each variable as well as the significance of the partial and overall model.

4.5.1.3 Statistical Modelling – Learning and Growth versus Strategic Planning

The study sought to examine the extent to which strategic planning correlated with learning and growth as a component of performance of ICT SMEs. This served to address the first objective of the study. A scatter plot demonstrating the correlation between strategic planning and learning

and growth is shown in Figure 4.7. A statistically positive linear relationship between strategic planning practices and learning and growth was observed. This implies that higher strategic planning practices result in more learning and growth of the enterprise and vice versa.

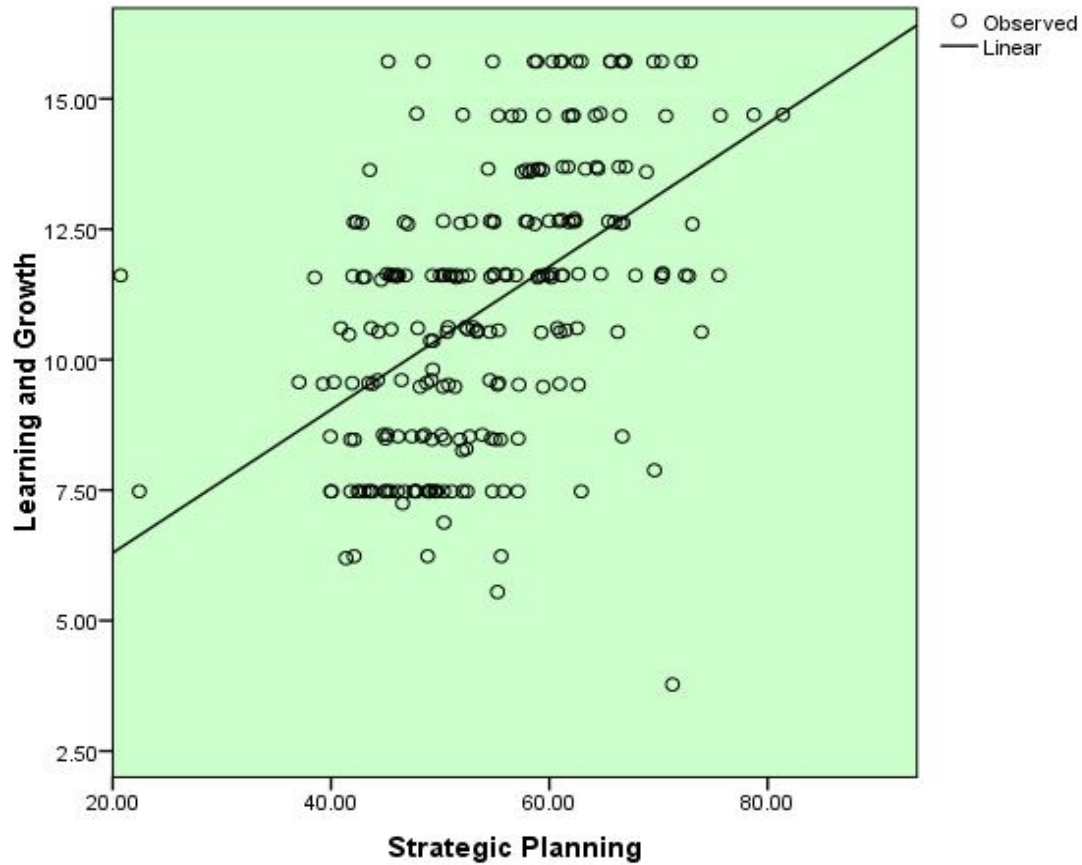


Fig. 4.7: Scatter Plot of Learning and Growth and Strategic Planning

Following the suggested visual relationship between strategic planning and learning and growth, a linear regression analysis was carried out. The results as tabulated in Table 4.16 demonstrate a moderate positive linear relationship with a correlation coefficient of $r=0.491$. The coefficient of determination r^2 , which measures the goodness of fit was determined as $r^2=0.241$.

This implies that 24.1% of the corresponding change in learning and growth of SMEs can be explained by the model $y_1 = \beta_0 + \beta_{11}x_{11} + \epsilon$, where y_1 = learning and growth, x_1 = strategic planning, and ϵ is the error term.

Table 4.16: Model Summary of Correlation between Learning and Growth/Strategic Planning

Model	R	R Square
1	.491 ^a	.241

a. Predictors: (Constant), Strategic Planning

The study further examined the significance of the overall Model I, $y_1 = \beta_0 + \beta_{11}x_{11} + \epsilon$, where y_1 = learning and growth, x_1 = strategic planning, and ϵ is the error term. Using the Analysis of Variance (ANOVA) to test the significance of the overall model, the results as tabulated in Table 4.17, suggested that the overall model is significant at 5% level of significance ($\alpha=0.05$). This means that the null hypothesis is rejected as the alternate hypothesis holds, since the p value is less than the level of significance α (0.05). This implies that x_1 (strategic planning) is considered significant in explaining y_1 (learning and growth) and that the model $y_1 = \beta_0 + \beta_{11}x_{11} + \epsilon$ is significantly fit at 5% level of significance.

Table 4.17: ANOVA^a of Learning and Growth/Strategic Planning

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	408.303	1	408.303	75.422	.000 ^b
Residual	1283.014	237	5.414		
Total	1691.317	238			

a. Dependent Variable: Learning and Growth

b. Predictors: (Constant), Strategic Planning

Further analysis of the beta coefficients as tabulated in Table 4.18 shows the results of the test for the significance of the constant β_0 and x_{1+} in the model $y_1 = \beta_0 + \beta_{11}x_{1+} + \epsilon$. The test results indicate a significant constant of $\beta_0 = 3.552$ with the value of $p = 0.0001$. The resultant coefficient of $\beta_{11} = 0.137$ suggests that for a unit change in strategic planning practices, there is 0.137 positive change in learning and growth. Further, it is observed that the value of p is less than the significance level of $\alpha = 0.05$. This implies that strategic planning could be used to assess the extent of learning and growth in SMEs.

These findings are consistent with both theoretical and empirical literature assertions, for instance, the systems theory, which recognises the interrelationship between the various components and inputs like the strategic planning practices and the outcomes such as learning and growth (Olum, 2004).

A similar study by Kraus *et al.*, (2006), concluded that strategic planning has a positive and highly significant impact on the probability of belonging to the group of growing firms. Kaplan & Norton (1996) also recognised that growth and sustainability of firms come from discipline and commitments to shared vision.

As noted in Table 4.10, 62% of the ICT SMEs strongly agreed that they have clear mission and vision statements. These results suggest that effective strategic planning practices among small firms enhance learning and growth, which in turn, increases the likelihood of survival and sustainability.

Table 4.18: Coefficients^a of Learning and Growth versus Strategic Planning

Coefficients				
Model	B	Std. Error	t	Sig.
1 (Constant)	3.552	.870	4.082	.000
Strategic Planning	.137	.016	8.685	.000

a. Dependent Variable: Learning and Growth

4.5.2 Strategic Planning and Internal Business Processes

The second specific objective of the study sought to investigate whether strategic planning practices influence internal business processes of a firm. Four item indicators were used to measure the influence of strategic planning on the internal business processes of a firm.

These comprised the respondent's perception of their organisational increased use of information technology (IT) for processing information needed for decision making, use of budgets and targets, availability and adequacy of policies and procedures, and adequacy of the billing and delivery systems. The responses relating to the extent of strategic planning on the internal business processes of a firm are shown in Table 4.19. The sections below present the results of the specific indicators:

Information Technology Systems

Regarding whether information technology systems are used for improving internal business processes by processing information for decision making, majority 145 or 60% of the respondents were in agreement that information technology systems were present and useful for processing information for decision making to a very large (44%) and large extent (17%).

Eighty-two (82) or 32% indicated that IT use was useful and available to a moderate extent and 8% suggested that IT is used to a small extent. The overall responses to this question had a mean score of 3.72 and a standard deviation of 0.826, which indicated that the mean score tended towards agreement that strategic planning influences internal business processes as demonstrated by the use of information systems for processing information for decision making.

These results corroborate empirical research by Nieman (2006) and Casson (2003), which concluded that the use of appropriate technology is one of the most important factors for improved internal business processes and, hence, contributes to achieving a competitive advantage among small enterprises.

Use of information technology systems is likely to generate information for quick decision making and, hence, a resource that is likely to lead to creativity and innovation in a competitive environment among SME enterprises. This, in turn, is likely to generate better and more competitive products and services, improved efficiency, reduced operational costs and improved quality of products. This observation was based on the large number of ICT SMEs that embrace IT for processing. In this regard, it can be construed that strategic planning influences the internal business processes of a firm as demonstrated by the results on the importance placed on the appropriate use of technology for processing information for decision making.

Budgets Application

The influence of strategic planning on the internal business processes of a firm was measured by the respondents' perception on the use and importance placed on budgets as control tools. As shown in Table 4.19, forty (40) or 17% of the respondents indicated that application of budgets

for control was important for enhancing internal business processes and was applied to a very large extent, while 84 or 35% suggested that this was to a large extent, and 101 or 42% indicated that this was to a moderate extent. On the other hand, fourteen (14) or 6% of the respondents indicated that budgets as tools for control of costs and performance targets had minimal importance and were applied to a minimal extent. The question had a mean score of 3.63 and standard deviation of 0.830, which meant that the mean response tended towards agreement with the statement.

The findings of this study corroborate previous findings by Obiajolum and Ngoasong (2008) in a case study of Guinness Nigeria, which established the relationship between firm management control systems and performance. The study found that integrated management and budgeting enables a firm to be competitive and that budgeting facilitates creating and sustaining competitive advantage, which when attained translates to high performance. Likewise, a study by Herath and Indrani (2007) concluded that firms that create and sustain competitive advantage adopt processes such as budgets for efficient utilisation of resources and standards by which performance can be judged. For instance, cost control through cost plans assures that actual costs conform to planned costs. Further, these findings are consistent with those of a previous study by Qi (2010), which found out that formal budget planning promotes higher growth of sales revenue among SMEs, and formal budgeting control leads to higher profits.

The findings of this study reflect a mixture of firms that embrace budgeting for planning, control and performance measurement and those that do not fully embrace this tool. This is likely to reflect earlier empirical findings by Njanja *et al.*, (2010) that showed that the level of strategy

control differed among the different categories of micro, small and medium enterprises (MSMEs). A study by Sadler (2003) concluded that through tight budgetary targets and cost control, any organisation can improve production efficiency and reduce costs to its lowest and hence contribute to the achievement of its mission.

Based on previous empirical findings, it can be inferred that the group of SMEs that engage in formal budget planning processes are more likely to perform better than those that do not embrace formal and clear budget processes. This suggests that strategic planning processes and actions influence internal business processes of firms as demonstrated by the application of budgets for control by SMEs that apply budgeting for improving the internal business processes.

Policies and Procedures

As shown in Table 4.19, a total of 114 or 48% of respondents were in agreement that strategic planning had influence on a firm's internal business processes as adequate policies and procedures were in place to a very large (12%) and large extent (36%), ninety two (92) or 38% suggested that this existed to a moderate extent, while 28 (12%) indicated that policies and procedures were applied in their firms to a small extent, and 5(2%) indicated that appropriate policies and procedures did not exist in their firms. The results had a mean score of 3.44 and a standard deviation of 0.918, which meant that the mean tended towards agreement that policies and procedures were useful and present to a moderate extent and this meant that strategic planning had influence on the internal business processes of a firm.

Previous studies by (Obiajolum & Ngoasong, 2008; Qi, 2010) have concluded that firms with adequate policies and procedures are more likely to make better decisions and have a smooth implementation of their strategies.

The results indicate a mixture of firms that adopt adequate policies and procedures and those that have them to a moderate and less extent. Policies and procedures are directives designed to guide decisions and actions of managers and their subordinates in implementing strategy (Pearce & Robinson, 2011).

These findings suggest that SMEs that apply appropriate policies and procedures are likely to make guided decisions and, thus, likely to succeed in a competitive and dynamic environment. These findings further suggest a moderate influence of strategic planning practices on the internal control processes as demonstrated by the use and application of policies and procedures in ICT SMEs.

Delivery and Billing Systems

The extent of the influence of strategic planning processes and actions on the internal business processes was demonstrated by the importance placed on and availability of good delivery and billing systems as a total of 118 or 49% respondents indicated that good billing systems existed in their firms to a very large and large extent, while 83 or 35% and 38 or 16% suggested that this was present to a moderate and small extent respectively. The mean score for this question was 3.53, which meant that the mean score tended towards agreement that strategic planning influences internal business processes as demonstrated by the effectiveness of the delivery and billing systems.

These findings are consistent with those of a previous study by Sadler (2003), which concluded that effective strategic planning practices improve production efficiency and reduce costs to their lowest. Another study by Herath and Indrani (2007), found that firms create and sustain competitive advantage by adopting processes that include billing and delivery systems that enable efficient utilisation of resources. Similarly, previous research results by Olawale and Garwe (2010), found that good customer care and efficient services such as delivery and billing systems are the hallmark of customer retention and that customer retention is a result of good internal business processes.

From these results, it is construed that ICT SMEs leverage on the IT resources to improve their internal business processes such as the billing and delivery systems in order to satisfy their clients' needs. The cumulative average score of 51.41% of the responses suggested moderate influence of strategic planning on the internal business processes of a firm.

Table 4.19: Strategic Planning and Internal Business Processes (n=239)

Indicator	Not at all	Small extent	Moderate extent	Large extent	Very large extent	Total	Mean
Use of ICT for generating information	0.8%	4.2%	34.3%	43.5%	17.2%	100%	3.72
Use of budgets	0%	5.9%	42.3%	35.1%	16.7%	100%	3.63
Policies and procedures	2.1%	11.7%	38.5%	36%	11.7%	100%	3.44
Delivery and billing system	0.8%	15.1%	34.7%	29.3%	20.1%	100%	3.53
Average/Mean	0.93%	9.23%	37.45%	35.98%	16.43%	100%	3.58

4.5.2.1 Normality Test

Using the normal Q-Q plot, the visual representation of the data on internal business processes as shown in Fig. 4.8 reveals that the data was normally distributed as the data points were close and within the diagonal line. The statistics at the legend showed that the mean is 9.44554 with a standard deviation of 2.7363. This shows minimal dispersion as the variance is smaller than the mean.

It was necessary to carry out the normality test as many of the statistical procedures used in the study including correlation, regression, and t-test were based on the assumption that the data follows a normal distribution. This assumes that the population from which the sample is drawn is normally distributed (Ghasemi & Zahediasi, 2012). Graphical interpretation has the advantage of allowing good judgement to assess normality in situations where statistical methods lack objectivity. Thus, normality tests are supplementary to the graphical assessment of normality (Ghasemi & Zahediasi, 2012). However, it is noted that the Shapiro-Wilk Test is sensitive to outliers within the data, and also to large samples >50 (Shapiro & Wilk, 1965; Ghasemi & Zahediasi, 2012) and, hence, was not applied.

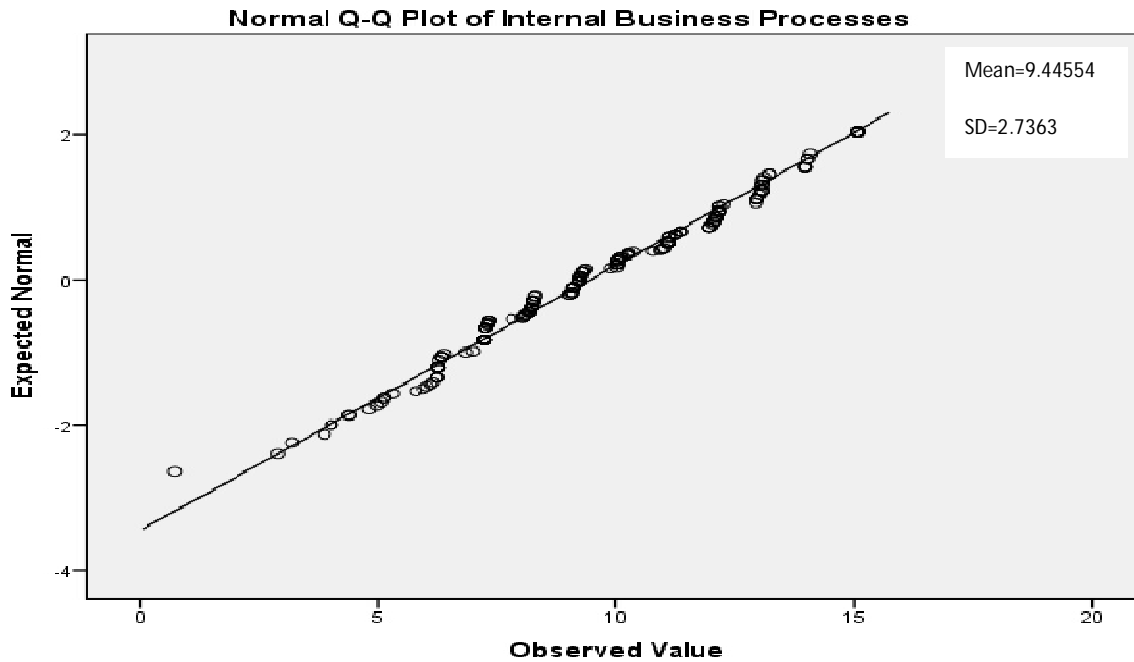


Fig. 4.8: Q-Q Plots of Internal Business Processes

4.5.2.2 Statistical Modelling – Internal Business Processes versus Strategic Planning

The study examined the extent to which strategic planning correlated with the internal business processes of a firm. This served to address the second objective of the study. Figure 4.9 shows a scatter plot of the two variables, which suggests a positive linear relationship between internal business processes and strategic planning practices. This predicts that the more effective the strategic planning practices, the higher the level of internal business processes.

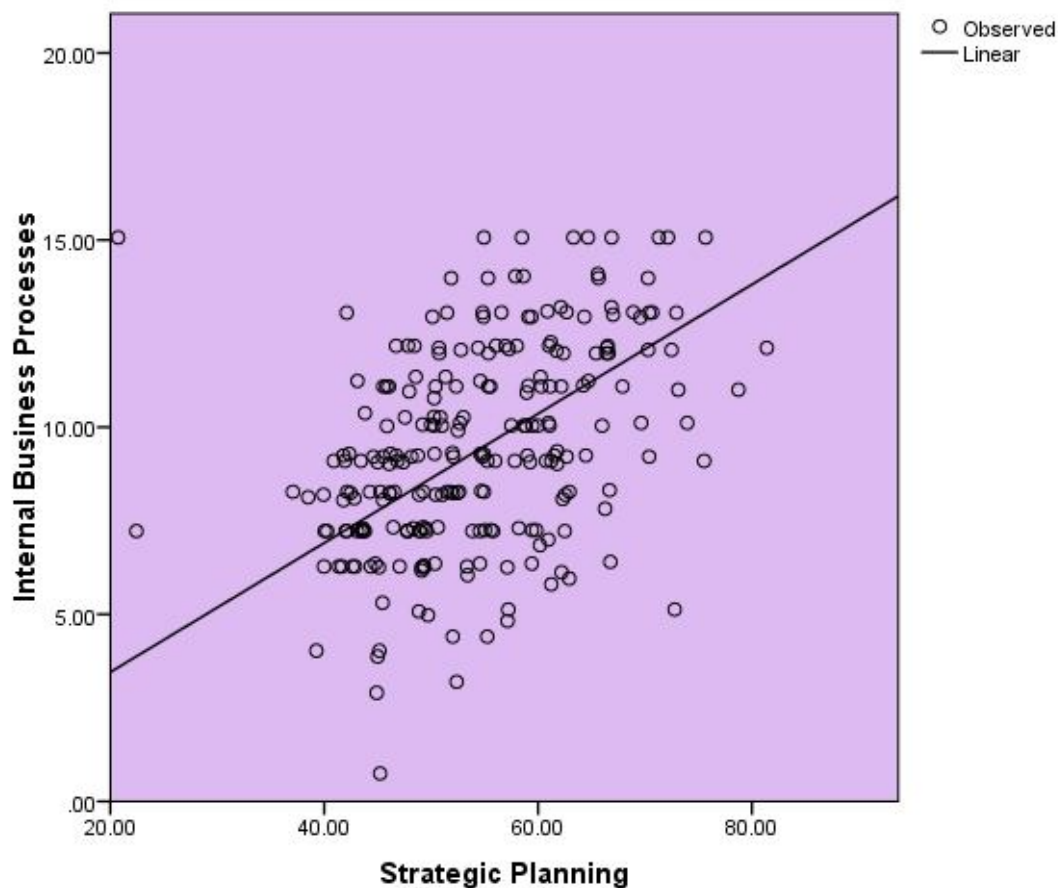


Fig. 4.9: Scatter Plot of Internal Business Processes versus Strategic Planning

Further, linear regression analysis was carried out to determine the nature of the relationship between internal business processes and strategic planning. The results indicate a positive, moderate linear relationship with a correlation coefficient of $r=0.415$. The coefficient of determination, r^2 , was determined as $r^2=0.172$, which meant that a unit change in the strategic planning practices accounts for 17.2% of the corresponding change in the internal business processes in a firm. These analyses are shown in Table 4.20.

Table 4.20: Model Summary of Internal Business Processes and Strategic Planning

Model	R	R Square
1	.415 ^a	.172

a. Predictors: (Constant), Strategic Planning

The significance of Model II, $y_2 = \beta_0 + \beta_{12}x_{1+} + \epsilon$ where y_2 = internal business processes, x_1 = strategic planning, and ϵ is the error term, was examined using the Analysis of Variance (ANOVA). As shown in Table 4.21, the analyses tested for significance of the model that x_1 is significant at 5% significance level ($\alpha=0.05$). The resultant $p=0.0001$ means that the null hypothesis is rejected as the alternate hypothesis holds since the p value is less than α (0.05) level of significance. This implies that x_1 (strategic planning) is considered significant in explaining y_2 (internal business processes) and the model $y_2 = \beta_0 + \beta_{12}x_{1+} + \epsilon$ is significantly fit at 5% level of significance.

Table 4.21: ANOVA^a of Internal Business Processes versus Strategic Planning

Model	Sum of squares	df	Mean square	F	Sig.	
1	Regression	306.918	1	306.918	49.316	.000 ^b
	Residual	1474.977	237	6.224		
	Total	1781.895	238			

a. Dependent Variable: Internal Business Processes

b. Predictors: (Constant), Strategic Planning

Further analysis of the data as shown in Table 4.22 shows the beta coefficient parameters with a constant $\beta_0 = 3.3002$ and $p = 0.001$. The coefficient $\beta_{12} = 0.119$ suggests that a unit change in strategic planning practices results in a 0.119 positive change in the internal business processes.

Further, it is observed that strategic planning has a $p = 0.0001$, which is less than the level of significance $\alpha = 0.05$. This suggests that strategic planning practices can be considered as a variable that could be used to assess internal business processes and, hence, the overall model $model\ y_2 = \beta_0 + \beta_{12}x_{1+} + \epsilon$ is significant at 5% level of significance.

The findings are consistent with previous empirical findings, Phillips & Peterson (1999), which found that increased use of strategic planning practices and tools facilitate improvement in the organisational internal business processes. For instance, increased use of information technology, budgetary systems and policies and procedures improves customer satisfaction and overall organisational performance.

Table 4.22: Coefficients^a of Internal Business Processes versus Strategic Planning

Model	Coefficients		T	Sig.
	B	Std. Error		
(Constant)	3.002	.933	3.217	.001
1 Strategic Planning	.119	.017	7.023	.000

a. Dependent Variable: Internal Business Processes

4.5.3 Strategic Planning and Competitive Advantage

In addressing specific objective three, the study sought to examine the extent to which effective strategic planning practices influence a firm's competitive advantage. This entailed examining

the extent of a firm's attention on customer focus as a way of improving a firm's core competitive competence. Strategic planning influence on competitive advantage was measured by indicators of five items comprising customer satisfaction with a firm's products and services, customer satisfaction with the billing and delivery systems, growth in customer base, extent of competition if similar products and services are offered by other competitors, and the extent of retention of skilled employees.

The responses relating to the extent of strategic planning influence on competitive advantage based on the five indicators are shown in Table 4.20. The sections below present the results of the specific indicators:

Customer Satisfaction with a Firm's Products and Services

Data in Table 4.23 presents responses relating to whether strategic planning influences a firm's competitive advantage based on the extent of customer satisfaction with the firm's products and services. As shown, majority of the respondents totalling 146 (61%) were in agreement that customers were satisfied with the firm's products and services to a large extent. On the other hand, 56 or 23% reported that customers were satisfied to a very large extent, and 37 comprising 16%, were in agreement that customer satisfaction was to a moderate extent. The overall response to this question has a mean score of 4.04 and a standard deviation of 0.615, which indicated that the mean score tended towards agreement that strategic planning influences a firm's competitive advantage as demonstrated by the extent of customer satisfaction with a firm's products and services.

These findings are consistent with empirical research findings that have concluded that competitive advantage grows out of the value a firm creates for its customers, and when such value exceeds the cost of creating it (Rodney & Patricia, 2006; Porter, 1998).

This is also consistent with the theoretical literature on the resource-based view (RBV), which assumes that competitive advantage comes from the firm's resources and capabilities such as organisational processes, management skills, information and knowledge of the market, as well as focus on customer needs.

Further, these findings are consistent with previous conclusions by Raduan *et al.*, (2009) that strategic planning systems can become a source of competitive advantage when they improve the flow of products to users. Likewise, a study by Cumby & Conrod (2001) concluded that sustainable shareholder value is driven by non-financial factors such as customer loyalty, which is a reflection of customer satisfaction with a firm's products and services. Similarly, Kaplan & Norton (1993) concluded that success with targeted customers provides a principal component for improved financial performance as customer satisfaction depends on product or service quality, delivery time and communication.

Moreover, these findings are consistent with the theoretical literature that asserts that customer focus influences both short and long term firm performance. This is supported by Grant (2008), who asserts that knowing what customers want and how the firm survives competition are prerequisites for success and, thus, customer satisfaction is a reflection of customer loyalty to a firm's products and services.

Previous empirical findings by Srivastava, Shervani & Fahey (2000), observed that customer loyalty is a valuable asset in competitive markets and can be measured by positive buying patterns over a period of time through repeat and frequency of purchase.

Anderson (2002) and Narus (2004) also concluded that customer satisfaction and, thus, loyalty enhances sustainability and growth; while Duffy (2003) concluded that customer loyalty only yields significant benefits when it is pursued as part of the overall business strategy of the firm.

From this study, it can be inferred that strategic planning processes influence a firm's competitive advantage as demonstrated by the ICT SMEs likely focus on the customer as a prerequisite to success. Likewise, we can posit that a satisfied customer is more likely to be a reflection of satisfaction with the firm's products and services and, hence, loyalty to its products and services. Further, it may be inferred that a firm's products and services are more likely to be a result of improvement in its internal business processes and learning through innovation and creativity.

Further, we argue that survivability, profitability and growth of SMEs is more likely to increase with focus on customer needs, which create a learning organisation that sees the need to innovate and enhance internal business processes to address customer needs. Such firms are more likely to retain and attract new clients. These benefits are more likely to accrue due to the integration of customer focus to the firm strategy focus. This assertion is in line with Ohmae's (1982) 3Cs strategic triangle model, which suggests that successful business strategies result in a focus on the customer as a key player for success.

Customer Satisfaction with Firm Billing and Delivery Time

Data in Table 4.23 presents responses relating to whether strategic planning has influence on firm competitive advantage based on its focus on customer satisfaction with the billing and delivery system of products and services. As shown, majority, comprising 146 (61%) respondents reported that customers' satisfaction with billing and delivery time was to a large extent, fifty six (56) or 23% indicated that this was to a very large extent, and 37 (16%) showed that customers' satisfaction was to a moderate extent. The mean response score was 4.44, indicating agreement that strategic planning processes and actions influence competitive advantage as demonstrated by the large extent of customer satisfaction with the billing and delivery systems.

These findings corroborate those of a study to determine the relationship between customer satisfaction, loyalty and market share among Kuwaiti banks. In that study, Al-Wugayan and Pleshko (2011) found that there was a positive relationship between customer satisfaction and loyalty and that when satisfaction increases, loyalty increases and a firm's competitive advantage increases.

From the above findings, it can be inferred that strategic planning processes and actions are important in influencing the competitive advantage of firms that focus on customer needs. Further, these findings suggest that most customers served by ICT SMEs were satisfied with the billing and delivery systems. This implies that SMEs that engage in effective strategic planning processes and actions are likely to have good internal business processes, which include the billing and delivery systems to better serve customers.

We argue that to enhance a firm's competitive advantage, SMEs must continually emphasise strategic planning processes and actions that focus on satisfying the needs of customers as they evolve and change if they are to remain sustainable. These needs include sound billing and delivery systems.

Growth in Customer Base

Growth in customer base is a reflection of an organisation's competitive advantage as reflected by customers' satisfaction with its products and services. Data in Table 4.23 shows responses on statements regarding the extent of increase in customer base as a result of strategic planning processes and actions. The data shows that majority, comprising 124 (52%) respondents, were in agreement that customer base had grown to a large extent within their firms. On the other hand, 58 (24%) suggested that the customer base had increased to a very large extent, while 56 (22 %) suggested that there was a moderate growth in customer base. The mean response score of 4.01 indicates agreement that strategic planning processes and actions influence competitive advantage as demonstrated by the large extent of growth in customer base.

These results corroborate those of a study conducted by Al-Wugayan and Pleshko (2011), which investigated a firm's competitive advantage and found that increase in customer satisfaction is likely to enhance customer loyalty and this, in turn, is likely to increase a firm's market share. The study further suggested that increases in market share are associated with a moderate decrease in satisfaction (or vice versa). These findings suggest that general growth in customer base is likely to be as a result of customer satisfaction with the strategic planning processes and actions. The unique characteristics that SMEs possess in terms of size are likely to allow for planning that is focused on customer needs and requirements.

It can, therefore, be inferred that these characteristics of SMEs are a demonstration of unique strategic planning processes and actions that offer SMEs a unique strategic resource, which if well exploited can contribute to increase in customer base. This, in turn, is likely to lead to increase in a firm's competitive advantage and market share and, hence, likelihood of spurring growth in this sector.

Competitors Offer Similar Products and Services

Responses relating to whether strategic planning has influence on a firm's competitive advantage based on the extent to which competitors offer similar products and services, majority comprising 125 or 52% respondents were in agreement that competitors offer similar products and services to a small extent, while 31 respondents (constituting 13%) suggested that competitors do not offer similar products or services at all. Those who suggested that competitors offer similar products and services to a large and very large extent consisted of 31 (13%) and 10 (4%) respondents respectively. The mean response score of 2.28 indicates that strategic planning processes and actions influence firm competitive advantage as demonstrated by agreement that competitors offer, to a small extent, similar products and services.

These findings are a reflection of the theoretical literature, which suggests that competitive advantage arises from cost advantages when a firm provides the same products and services as competitors but at lower cost, or differentiation advantage when a firm provides greater value to customers at the same or lower costs than its competitors (Porter, 2003). Ohmae's (1982) 3Cs model suggests that a successful strategist integrates and focuses on the competitor for possible sources of differentiation.

These findings are more or less consistent with the findings reflected in Fig. 4.5, which shows that a large proportion of sampled SMEs employ a mixture of cost leadership and differentiation strategies, while others deploy either cost leadership or differentiation strategies.

These findings are more likely to be a reflection of the strategies adopted by the ICT firms in differentiating themselves from other competitors and, hence, more likely to achieve competitive advantage. These findings are a reflection of the influence of strategic planning processes and actions on ICT SMEs' competitive advantage.

Retention of Skilled Employees

Data in Table 4.23 shows responses relating to whether strategic planning has influence on firm competitive advantage based on the extent to which it retains skilled employees. To determine the firm's competitiveness in terms of retention of skilled employees, seventy (70) or 29% of the respondents were in agreement that their companies retained skilled employees to a very large extent, while 106(44%) agreed that retention of skilled employees was to a large extent, another 53 (22%) said skilled employees were retained to a moderate extent and 10 (5%) suggested that their firms' retention of skilled employees was minimal. The mean response score of 3.98 indicated agreement that strategic planning processes and actions influence competitive advantage as demonstrated by the large extent of retention of skilled employees within the firms.

A previous study by Pralahad and Hamel (1990), concluded that competitive advantage arises from an organisation's internally developed core competencies or distinctive capabilities such as skilled employees. Similar studies (Hausknecht, Rodda & Howard, 2009; Rappaport, Bancroft & Okum, 2003) observed that companies are likely to remain competitive if they have the ability to

retain highly skilled employees. Employee retention is a critical element of an organisation's talent management, defined as 'the implementation of integrated strategies designed to increase work place productivity by developing improved processes for attracting, developing, retaining and utilising people with required skills and aptitude to meet current and future needs' (Lockwood, 2006, p. 2).

These findings are consistent with earlier findings in Table 4.3, which showed that 52% of the respondents had four and over years of experience in their current employment. It is, thus, inferred that SMEs that are able to retain skilled employees are more likely to have distinctive capabilities and competencies necessary to enhance their competitive advantage. As shown in the table below, the cumulative average score of 67% of the responses tended to suggest that a company's competitive advantage is, to a large extent, influenced by strategic planning practices.

Table 4.23: Strategic Planning and Competitive Advantage

Indicator	Not at all	Small extent	Moderate extent	Large extent	Very large extent	Total	Mean
Customer satisfied with products and service	0%	0%	17.2%	59.8%	23%	100%	4.04
Customer satisfied with billing and delivery time	0%	0%	15.5%	61.1%	23.4%	100%	4.44
Growth in customer base	0%	0.4%	23.4%	51.9%	24.3%	100%	4.01
Competitors offer similar products and services	13%	52.3%	17.6%	13%	4.1%	100%	2.28
Firm able to retain skilled employees	0.4%	3.8%	22.2%	44.4%	29.2%	100%	3.98
Average/Mean	3%	11%	19%	46%	21%	100%	3.75

4.5.3.1 Normality Test

Using the normal Q-Q plot, the visual representation of the data on competitive advantage as shown in Fig. 4.10 indicates that the data was normally distributed as the data points are close and within the diagonal line. The statistics at the legend show that the mean is 7.1783 with a standard deviation of 2.53178. This shows that there is minimal dispersion as the variance is smaller than the mean. It was necessary to carry out the normality test as many of the statistical procedures used in the study including correlation, regression, and t-test are based on the assumption that the data follows a normal distribution. This assumes that the population from which the sample was drawn was normally distributed (Ghasemi & Zahediasi, 2012).

Graphical interpretation was used as it has the advantage of allowing good judgement to assess normality in situations where statistical methods lack objectivity. Thus, normality tests are supplementary to the graphical assessment of normality (Ghasemi & Zahediasi, 2012). However, it is noted that the Shapiro-Wilk Test is sensitive to outliers within the data, and also to large samples >50 (Shapiro & Wilk, 1965; Ghasemi & Zahediasi, 2012) and, hence, was not applied.

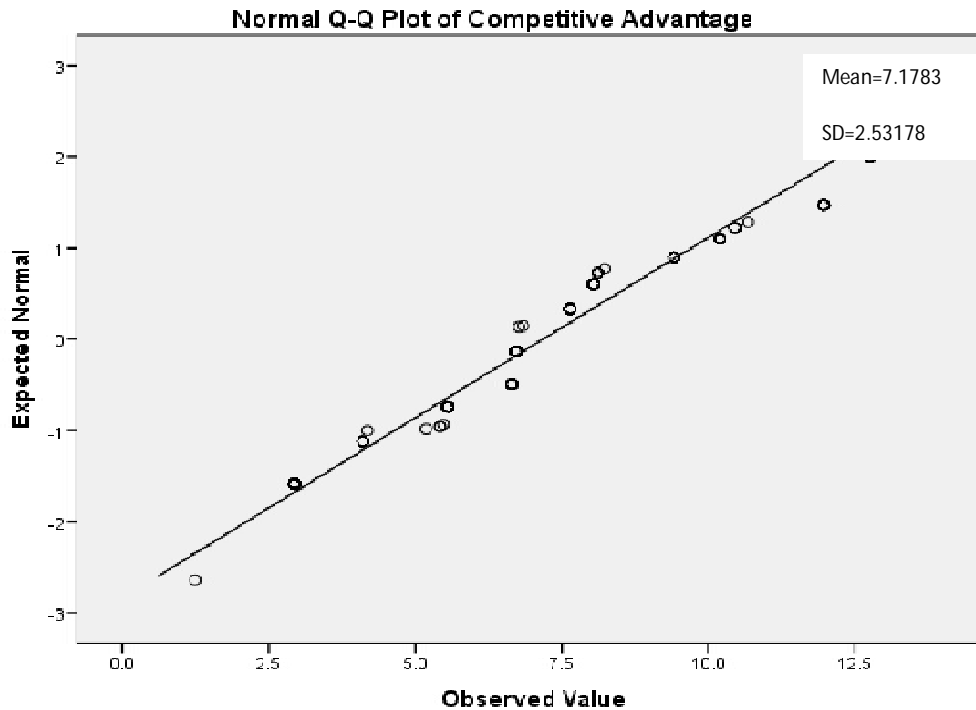


Fig 4.10: Q-Q Plot of Competitive Advantage

4.5.3.2 Statistical Modelling – Competitive Advantage versus Strategic Planning

The study continued to examine the extent to which strategic planning correlated with firm competitive advantage. This served to address the third objective of the study. Figure 4.11 shows a scatter plot of the two variables that suggests a positive linear relationship between firm competitive advantage and strategic planning practices. This means that a firm achieves a higher competitive advantage with a higher level of strategic planning practices.

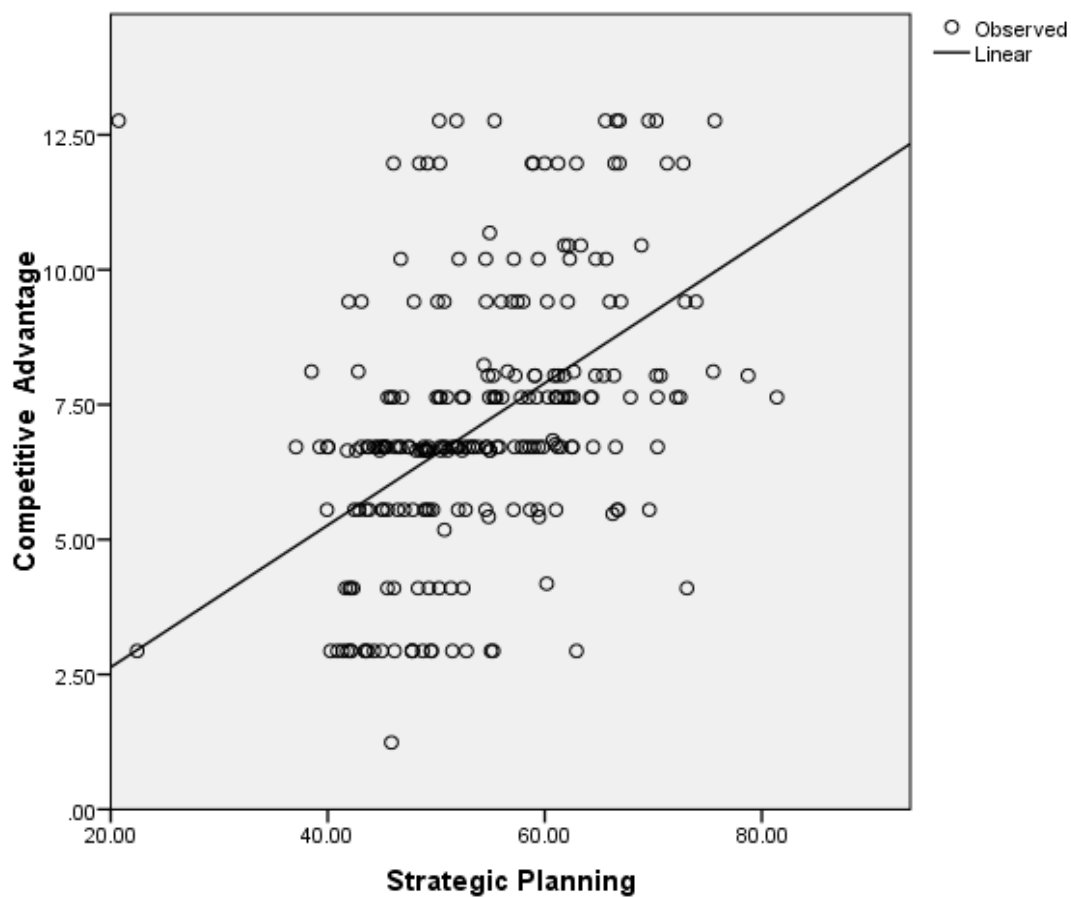


Fig. 4.11: Scatter Plots of Competitive Advantage and Strategic Planning

Based on the scatter plot revelation, a linear regression analysis was carried out to determine the nature of the relationship between a firm's competitive advantage and strategic planning. The results indicate a positive, moderate linear relationship with a correlation coefficient of $r=0.412$.

The coefficient of determination r^2 , which measures the goodness of fit was determined as $r^2=0.170$, which means that 17% of the corresponding change in the firm competitive advantage can be explained by the model $y_3 = \beta_0 + \beta_{13}x_{13} + \epsilon$. These analyses are shown in Table 4.24.

Table 4.24: Model Summary of Competitive Advantage versus Strategic Planning

Model	R	R Square
1	.412 ^a	.170

a. Predictors: (Constant), Strategic Planning

The study further examined the significance of the overall model III, $y_3 = \beta_0 + \beta_{13}x_{1+} + \epsilon$ where y_3 = competitive advantage, x_1 = strategic planning, β_{13} = the change in the dependent variable for a unit change in the independent variable, and ϵ is the error term, was examined. The Analysis of Variance (ANOVA) as shown in Table 4.4.3 (b) tests for the significance of the model that x_1 is significant at 5% level of significance ($\alpha = 0.05$) as shown in Table 4.25, the value of $p = 0.000$ means that the null hypothesis is rejected and the alternate hypothesis is taken to hold as p value is less than $\alpha = 0.05$. This implies that x_1 (strategic planning) is significant in explaining y_3 (competitive advantage) and that the model $y_3 = \beta_0 + \beta_{13}x_{1+} + \epsilon$ is significantly fit at 5% level of significance.

Table 4.25: ANOVA^a of Competitive Advantage versus Strategic Planning

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	258.863	1	258.863	48.433	.000 ^b
Residual	1266.698	237	5.345		
Total	1525.560	238			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Strategic Planning

Further analysis as shown in Table 4.26 shows the beta coefficient parameters of the test of the significance of the constant β_0 and x_1 in the model $y_3 = \beta_0 + \beta_{13}x_{1+} + \epsilon$. The results indicate an

insignificant constant of $\beta_0=1.251$ and a $p = 0.149$. The coefficient $\beta_{13} = 0.109$ suggests that for a unit change in strategic planning practices, there is 0.109 positive change in the competitive advantage of a firm. Further, it is observed that the strategic planning variable is significant as the $p\text{ value} = 0.0001$ is less than the level of significance $\alpha = 0.05$. This suggests that strategic planning is a variable that could be used to assess the competitive advantage of a firm.

Similar studies by (Liedholm, 2001; Kargar & Parnell, 1996) concluded that strategic planning is a source of competitive advantage and that the sector in which a firm operates significantly explains comparative advantage of the industry. This suggests that strategic planning has a significant positive effect on organisational performance (Andersen, 2000).

Table 4.26: Coefficient^a Parameters of Competitive Advantage versus Strategic Planning

Model	Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	1.251	.865	1.447	.149
Strategic Planning	.109	.016	6.959	.000

a. Dependent Variable: Competitive Advantage

4.5.4 Strategic Planning and Financial Profitability

The fourth objective of the study sought to examine the extent to which effective strategic planning practices influence a firm's financial profitability. The objective was assessed by use of subjective statements of self-reporting measures comprising six items, which consisted of increase in sales, profit, assets and adequacy of cash, sufficiency of assets and capital in the implementation of strategy or firm activities. The results of this objective are shown in Table 4.24. The section below presents the results of the specific indicators.

Sales Growth

Data in Table 4.27 shows responses on statements regarding the influence of strategic planning processes and actions on the financial profitability of ICT SMEs as indicated by the extent of sales growth. The data shows that a significant number of respondents totalling 136 (57%) and 35 (15%) suggested that sales had increased in their companies to a large and very large extent respectively as a result of strategic planning practices. Those who were in agreement that strategic planning processes and actions resulted in moderate and small sales growth constituted 59 (25%) and 9 (3%) respondents respectively. The mean score of responses regarding the effect of strategic planning on profitability as demonstrated by sales growth was 3.82, which tended towards agreement, to a large extent, that there was increase in sales growth as a result of strategic planning processes and actions.

These results corroborate previous empirical findings, which established that the level of strategic planning is directly proportional to the level of increase in sales (Schayek, 2011). Likewise, a study by Olawale and Garwe (2010), revealed that sales growth is one of the measures of business performance and growth. These findings were supported by Barringer, Jones & Donald(2005) study, which concluded that sales may be considered a precise indicator of how a firm is competing relative to its markets.

These findings are consistent with those observed by Carland & Carland (2003), whose study revealed that small businesses that strategically plan are more likely to achieve higher sales growth. This argument is further supported by Olawale & Garwe (2010) in their study to determine obstacles to the growth of new SMEs in South Africa when they concluded that SMEs

need strategic planning in order to determine the nature of competition and how to position the business. In addition, a study by Nguyen (2001), observed that sales are affected by the type of product, degree of competition, degree of capital intensity as well as firm size.

In light of these findings, it can be concluded that sales growth in ICT SMEs is likely to be an indication of right positioning and understanding of the competitive environment. The influence of strategic planning practices and actions is reflective of the financial profitability as reflected by the agreement on the statement on the extent of increase in sales growth over the past three years of the ICT SMEs' operation. It is also likely that the ICT SMEs' sector is growing and thus endowed with a favourable business environment, which is unsaturated.

Profit Growth

Responses on statements regarding the influence of strategic planning processes and actions on the financial profitability of ICT SMEs as indicated by the extent of profit growth are shown on Table 4.27. The data shows that majority, comprising 136 (57%) of the respondents, indicated that there had been increase in profit earned by their firms, to a large extent, as a result of strategic planning processes and actions, while 26 (11%) suggested that profitability had increased to a very large extent. Those who suggested that profitability had increased to a moderate and small extent constituted 65 (27%) and 10 (5%) respectively. Only 1% suggested that there has been no effect and no profit increase.

The mean score of responses regarding the effect of strategic planning on profitability as demonstrated by the sales growth was 3.73, which tended towards agreement, to a large extent, that there was increase in profit growth as a result of strategic planning processes and actions.

Previous empirical results have showed mixed findings on the effect of strategic planning practices on profit growth. A study by Rue & Ibrahim (1998) found that strategic planning was associated with growth in sales and no significant relationship with respect to profit growth. On the other hand, a study by Aldehayyat and Twaissi (2011) among Jordanian small industrial firms found a positive relationship between strategic planning and firm financial performance. These findings were consistent with those of previous studies (Gibson & Cassar, 2005; Carland & Carland, 2003), which concluded that small businesses that strategically plan are more likely to achieve higher profit margins. Further, a study by Burns (1978) concluded that return on investment (ROI) calculated as net profit divided by total assets is a useful measure of a firm's efficient use of assets and return on owner or shareholder's capital and firm performance.

These findings suggest that ICT SMEs were endowed with profit growth over time. It is likely that these firms enjoy a favourable return on investment (ROI), maintain cost efficiency and low capital costs. These results point to the importance of strategic planning as it has potential influence on firm profitability.

Assets Growth

Responses on statements regarding the influence of strategic planning processes and actions on the financial profitability of ICT SMEs as indicated by the extent of asset growth are shown in Table 4.27. The data shows that cumulative 141 respondents (comprising 59%) were in agreement that strategic planning processes and actions had influence on the growth of asset bases. This constituted 11% and 48% for those who responded that asset growth had occurred to a very large and large extent respectively. On the other hand, this was to a moderate and small extent based on the response of 81 (34%) and 12 (5%) respectively. Only 5 or 2% suggested that

there had been no asset or investment growth effect. The mean score of responses regarding the effect of strategic planning on profitability as demonstrated by the asset growth was 3.61, which tended towards agreement, to a large extent, that increase in asset growth was as a result of strategic planning processes and actions.

These findings reflect those of a study by Dolence (2004) among Asian SMEs, which found positive and significant relationship between planning and performance as measured by reinvestment in assets within the firm. Return on investment (ROI), calculated as net profit divided by total assets is a useful measure of a firm's efficient use of assets, return on owner or shareholder's capital and firm performance (Burns, 1978). Based on the study findings on perceived profit and asset growth, it can be inferred that the ICT SMEs, to a large extent, enjoy a favourable return on investment.

Adequacy of Cash

Responses on statements regarding the influence of strategic planning processes and actions on the financial profitability of ICT SMEs as indicated by the extent of adequacy of cash in a firm are shown in Table 4.27. The data shows 152 (64%) respondents were in agreement that strategic planning processes and actions had influence on their firm profitability as they were endowed, to a large and very large extent, with adequate cash to meet obligations, while 16 (7%) and 6 (2%) reported that this was to a moderate and small extent respectively. The mean score of responses regarding the effect of strategic planning on profitability as demonstrated by the sales growth was 3.62, which tended towards agreement, to a large extent, that there was adequate cash as a result of strategic planning processes and actions.

These results are consistent with those of a study by Van Horne (1986), which concluded that if a firm maintains a relatively large proportion of liquid assets; its profitability is likely to decrease. A study by Nguyen (2001) concluded that adequacy of cash owned by a firm was important as cash ensures business obligations such as wage bills, tax payments, loan repayments and others are paid when due. Further, the study concluded that any temporary inability to meet obligations is likely to damage business credit rating.

The results above suggest that ICT SMEs invest in effective strategic planning processes and actions to enhance profitability as demonstrated by the extent of adequacy of liquidity. Nguyen (2001) refers to liquidity as the overall level of cash and near-cash assets held. It can, thus, be construed that ICT SMEs maintain adequate cash to meet their obligations. However, this calls for caution to avoid excess liquidity, which could be used to increase investment for future growth and expansion.

Sufficiency of Assets and Capital to Finance Operations

Data in Table 4.27 shows responses on statements regarding the influence of strategic planning processes and actions on the financial profitability of ICT SMEs as indicated by the extent of sufficiency of assets to finance business operations. The data shows that majority (comprising 150 or 63% of the respondents), suggested that strategic planning practices influenced their organisation's profitability and that their firms had sufficient assets to implement strategy to very large (10%) and large extent (53%). Cumulative 87 or 36% suggested that this was to a moderate and small extent, with those having moderate assets constituting 31%, and only 2 or 1% suggested inadequacy of assets in their firms.

The mean score of responses regarding the effect of strategic planning on profitability as demonstrated by the adequacy of assets to support business operations was 3.65, which tended towards agreement, to a large extent, that there was adequacy of assets in supporting business operations.

Regarding the influence of strategic planning processes and actions on the financial profitability of ICT SMEs as indicated by the extent of sufficiency of capital to finance business operations, data shown in Table 4.27 reveals that majority, comprising 153 or 64% of respondents, were in agreement that strategic planning processes and actions influenced their organisations' profitability as capital was adequate to finance business operations to a very large and large extent, with those indicating to a very large extent constituting 10%. Those who stated that their firms were endowed with capital to a moderate and small extent constituted 81 (34%). Five (5) respondents comprising 2% indicated inadequate capital within their firms. The mean score of responses regarding the effect of strategic planning on profitability as demonstrated by the extent of adequacy of capital to finance business operations was 3.64, which tended towards agreement, to a large extent, that strategic planning processes and actions influenced profitability.

These results are consistent with those of a study by Olawale and Garwe (2010), which concluded that unavailability of capital or finances can be a constraint for business growth. Likewise, these results corroborate the findings of a study by O'Regan, A-Sims and Gallear (2007), which concluded that strategic planning is positively linked to financial performance as measured in terms of adequacy of capital and finances. Likewise, the study observed that new SMEs are likely to be funded by owner's sources of finance or borrowed funds and further development can be financed using retained earnings.

In summary, the findings indicate that strategic planning processes and actions have influence on firm profitability as revealed by growth in sales, profit, and assets over the past three years. Similarly, it is observed from the overall average score that 53.62% of the responses tended to agree that strategic planning influences financial profitability to a large extent. The results further suggest that adequacy of cash reflects prudence and efficiency in internal business processes of cost control. On the other hand, excess cash is likely to be a reflection of inadequate growth. The study reveals that the ICT SME sector is profitable and capable of spurring further growth in the sector.

Table 4.27: Strategic Planning and Financial Performance Indicators

Indicator	Not at all	Small extent	Moderate extent	Large extent	Very large extent	Total	Mean
Sales increase	0.4%	3.3%	24.7%	56.9%	14.7%	100%	3.82
Profit increase	0.8%	4.2%	27.2%	56.9%	10.9%	100%	3.73
Asset increase	2.1%	5%	33.9%	48.1%	10.9%	100%	3.61
Enough cash	2.5%	6.7%	27.2%	53.1%	10.5%	100%	3.62
Sufficient assets	0.8%	5.4%	31%	53.1%	9.7%	100%	3.65
Adequate capital	2.1%	6.3%	27.6%	53.6%	10.4%	100%	3.64
Average/Mean	1.45%	5.15%	28.60%	53.62%	11.18%	100%	3.68

4.5.4.1 Normality Test

Using the normal Q-Q plot, the visual representation of the data on financial profitability as shown in Fig. 4.12 indicates that data was normally distributed as the data points are close and within the diagonal line. The statistics at the legend show that the mean is 14.9073 with a standard deviation of 4.11757. This shows minimal dispersion as the variance is smaller than the mean.

It was necessary to carry out the normality test as many of the statistical procedures used in the study including correlation, regression, and t-test were based on the assumption that the data follows a normal distribution. This assumes that the population from which the sample was drawn was normally distributed (Ghasemi & Zahediasi, 2012). Graphical interpretation was used as it has the advantage of allowing good judgement to assess normality in situations where statistical methods lack objectivity. Thus, normality tests are supplementary to the graphical assessment of normality (Ghasemi & Zahediasi, 2012). However, it is noted that the Shapiro-Wilk Test is sensitive to outliers within the data, and also to large samples >50 (Shapiro & Wilk, 1965; Ghasemi & Zahediasi, 2012) and, hence, was not applied. We conclude that the graphical representation of normality is a better measure.

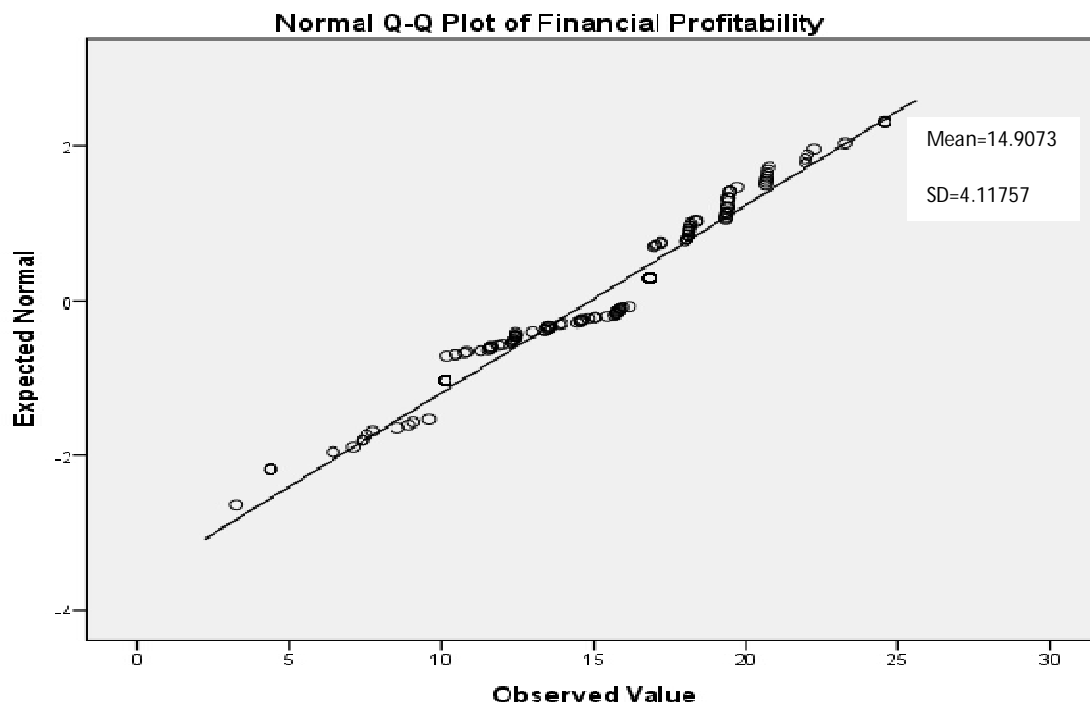


Figure 4.12: Q-Q Plot for Financial Profitability

4.5.4.2 Statistical Modelling of Financial Profitability versus Strategic Planning

To address the fourth objective of the study, an analysis to determine the extent to which strategic planning correlated with financial profitability was conducted. Figure 4.13 shows a scatter plot of the two variables, which suggests a weak but positive linear relationship between financial profitability and strategic planning practices. This suggests that a firm's financial profitability is influenced by increase in strategic planning practices.

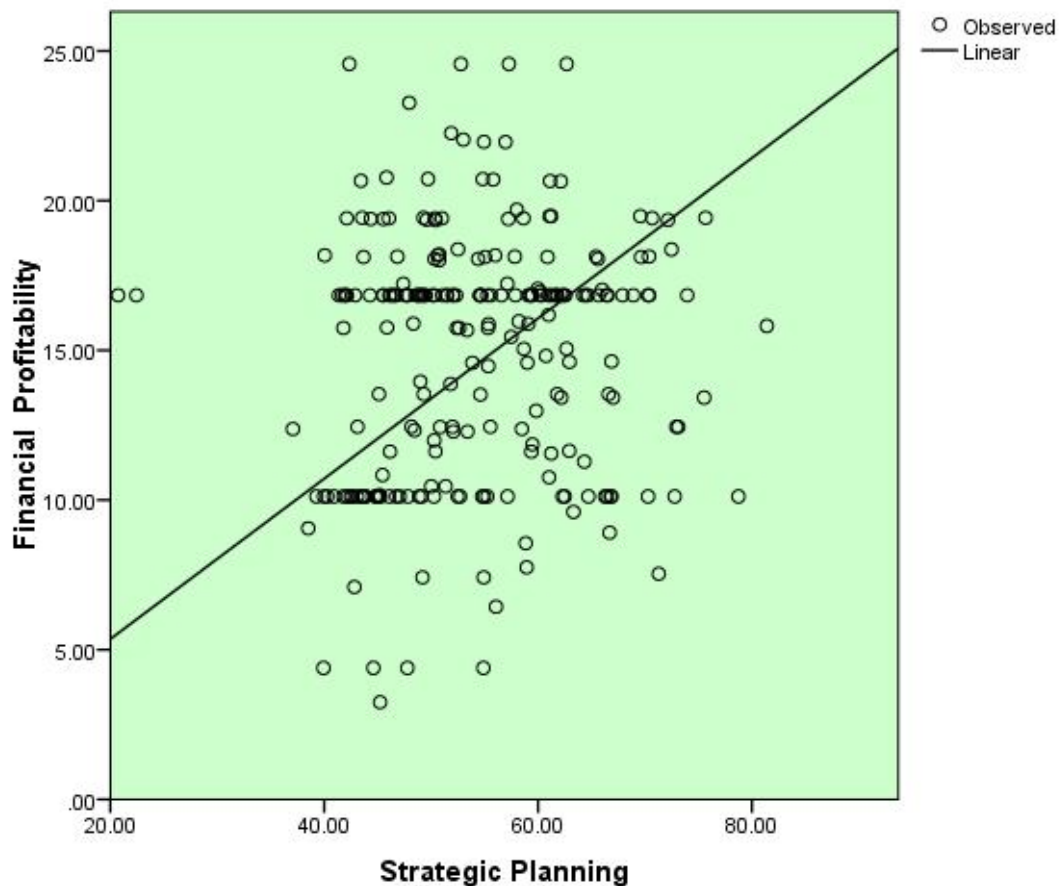


Fig. 4.13: Scatter Plot of Financial Profitability versus Strategic Planning

Further, a linear regression analysis was carried out to determine the nature of the relationship between financial profitability and strategic planning. The results indicate a positive, low linear relationship with a correlation coefficient of $r=0.095$. The coefficient of determination r^2 , which measures the goodness of fit, was determined as $r^2=0.009$, which means that about 1% of the corresponding change in the financial profitability can be explained by the model $y_4 = \beta_0 + \beta_{14}x_{14} + \epsilon$. In this model, y_4 = financial profitability, x_1 strategic planning, β_{14} = the change in the dependent variable for a unit change in the independent variable, and ϵ is the error term. These analyses are shown in Table 4.28.

Table 4.28: Model Summary of Financial Profitability versus Strategic Planning

Model	R	R Square
1	.095 ^a	.009

a. Predictors: (Constant), Strategic Planning

Further analysis was carried out to examine the significance of the overall model IV, $y_4 = \beta_0 + \beta_{14}x_{14} + \epsilon$, where, y_4 = financial profitability, x_1 = strategic planning, β_{14} = the change in the dependent variable for a unit change in the independent variable, and ϵ is the error term. The Analysis of Variance (ANOVA) as shown in Table 4.29 tested for significance of the overall model that x_1 is significant at 5% level of significance $\alpha = 0.05$. As shown in Table 4.29, the derived value of $p = 0.142$ means that we fail to reject the null hypothesis as the alternate hypothesis does not hold since the p value is less than $\alpha=0.05$. This implies that x_1 (strategic planning) is insignificant in explaining y_4 (financial profitability) and the model $y_4 = \beta_0 + \beta_{14}x_{14} + \epsilon$ may not be significantly fit at 5% level of significance.

Table 4.29: ANOVA^a of Financial Profitability versus Strategic Planning

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	36.618	1	36.618	2.170	.142 ^b
Residual	3998.520	237	16.871		
Total	4035.138	238			

a. Dependent Variable: Financial Profitability

b. Predictors: (Constant), Strategic Planning

Additionally, as shown in Table 4.30, the beta coefficient parameters show the results of the test of significance of the constant β_0 and x_1 in the model $y_4 = \beta_0 + \beta_{14}x_{1+} + \epsilon$. The test results indicate a significant constant $\beta_0 = 12.679$ with the value of $p = 0.001$. The coefficient $\beta_{14} = 0.041$ suggests that for a unit change in strategic planning practices, there is 0.041 positive change in the financial profitability.

This change is, however, not significant as the p value = 0.142. This is greater than the level of significance $\alpha = 0.05$. This suggests that although strategic planning has a positive linear relationship with financial profitability, its influence is insignificant.

Previous studies (Hisrich & Peters, 1989; Castrogiovanni, 1996) have found that the impact of strategic planning on business outcomes such as profitability is transitive and may not be direct. A similar study by O' Regan *et al.*, (2007) established that firm performance is likely to emanate from strategic planning actions. Like (Hisrich & Peters, 1989; Castrogiovanni, 1996), we argue that strategic planning processes and actions may not necessarily translate directly to financial outcomes.

These findings are consistent with theoretical literature on the balanced score card (BSC) model, which assumes that financial measures are lagging indicators of a strategic planning process (Kaplan & Norton, 1993).

Table 4.30: Coefficient^a Parameters of Financial Profitability versus Strategic Planning

Model	Coefficients			t	Sig.
	B	Std. Error			
1 (Constant)	12.678	1.536		8.253	.000
Strategic Planning	.041	.028		1.473	.142

a. Dependent Variable: Financial Profitability

4.5.5 Environmental Factors and Strategic Planning Performance Outcomes

The fifth objective of the study sought to find out if environmental factors moderate the relationship between strategic planning practices and strategic planning performance outcomes. The objective was assessed by two item indicators comprising the perceived intensity of changes in the external business environmental and the perceived effect of such environmental changes on the organisational performance components of learning and growth, internal business processes, competitive advantage and financial profitability.

Environmental factors examined comprised of competitors, the technological and political situations, customers and suppliers. The results of this objective are shown in Table 4.11 and Table 4.12. Further, the results are shown in Fig.4.14 and Fig. 4.15. The section below presents the results of the specific indicators.

Intensity of External Environmental Factors

The study examined the extent to which environmental factors moderate strategic planning and firm performance as measured by the rate of change in the environmental factors. Data was gathered based on statements on a Likert scale questionnaire that had values assigned as 1=very rapid, 2=rapid, 3=moderate, 4=slow and stable, 5=stable. Data in Table 4.31 presents responses of the respondents' perception of the intensity of the environmental changes and their moderating effect on strategic planning and firm performance. The key business environmental factors assessed comprised of the intensity of rivalry among competitors, political stability, availability of inputs from suppliers, technological innovations, economic factors such as inflation and growth, and customer tastes and preferences.

The cumulative average responses indicate that 143 or 60% of the respondents were in agreement that the environmental changes were rapid and that this had an influence on strategic planning and firm performance. Seventy four (74) or 31% suggested that the rate of change in the environmental factors was moderate, and 22 or 9% suggested that this was slow and stable. The mean score was 2.34, which meant that it tended towards agreement that the rate of change in the environmental factors was rapid and influenced strategic planning processes and firm performance.

As shown in Fig. 4.14, the respondents perceived competition and technological environment as most dynamic, changing very rapidly, and having great influence on strategic planning processes and firm performance. In terms of the specific factors, the percentage of those who reported that the environmental factors change very rapidly constituted 39% for competition, 24% for

technological innovation, 15% for economic factors, and 14% for political instability. Those who suggested that customer tastes and preferences change very rapidly constituted 13%, and those who stated that inputs' availability change very rapidly constituted 11%. These results are consistent with those of a study by O'Regan *et al.*, (2007) that concluded that the degree of awareness of environmental threats is associated with the degree of overall emphasis on strategic planning process, which is considered as a strategic resource for competitive advantage.

In their study to assess the link between strategic planning aspects of the external environment and overall corporate performance among manufacturing SMEs, they further concluded that where environmental threats exist, they should be taken into account during the strategic planning process. However, the study observed that an overemphasis on environmental issues at any level of strategic planning could lead to reduction in financial performance. A study by Olawale and Garwe (2010) concluded that to rightly position themselves in the competitive business environment, SMEs require to adopt strategic planning practices.

From the findings, it can be construed that environmental factors are important and SMEs should take them into account in the strategic planning processes. In particular, the competition and the technological environment are perceived to be dynamic, changing very rapidly. This is considered critical for SMEs' survival and growth. These results also demonstrate the importance of continuous environmental scanning for search of information that could enhance strategic planning processes and actions of SMEs.

Based on the study findings and empirical literature, environmental factors are dynamic and have the potential to influence firm performance and are construed to have indirect influence on organisational learning, internal configuration of processes, competitive advantage, financial profitability and long term growth of SMEs.

Table 4.31: Intensity of Environmental Factors and Strategic Planning Performance Outcomes (n=239)

Variable indicator	Very rapid	Rapid	Moderate	Slow and stable	Stable	Total	Mean
Competitors - intensity of rivalry	39%	38%	17%	3%	3%	100%	1.92
Political stability	14%	42%	29%	10%	5%	100%	2.49
Suppliers and availability of inputs	11%	49%	38%	4%	7%	100%	2.56
Technology and new innovations	24%	36%	34%	3%	3%	100%	2.26
Economic factors - inflation , growth	15%	41%	35%	7%	2%	100%	2.40
Customer tastes and preferences	13%	42%	36%	7%	2%	100%	2.43
Average/Mean	19%	41%	31%	5%	4%	100%	2.34

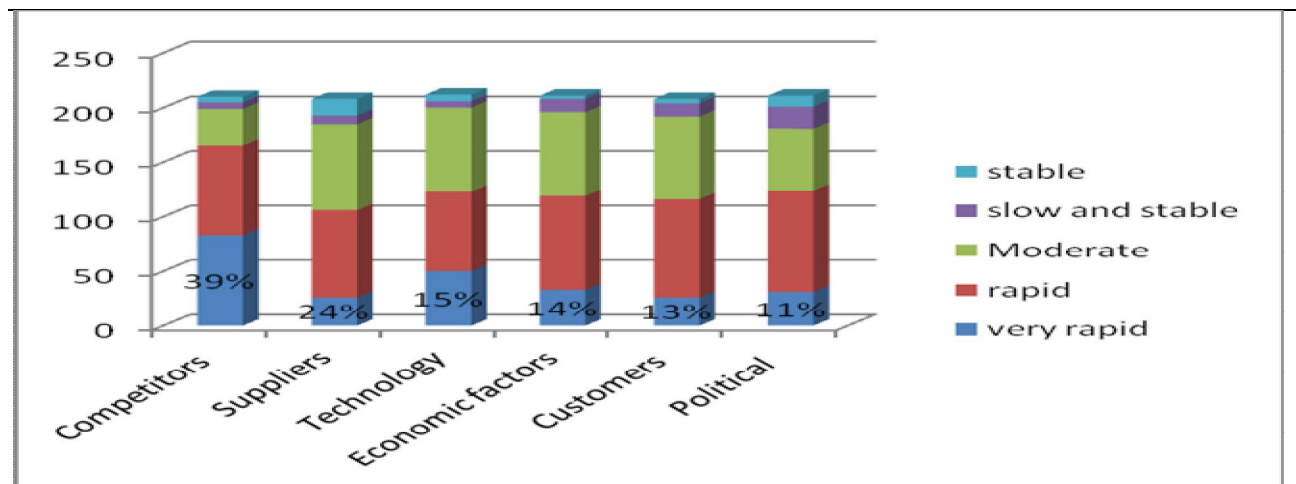


Figure 4.14: Respondents' Perception of the Extent of Changes in the External Environment

The Effect of Environmental Changes on Firm Performance

The study examined the extent to which environmental factors moderate strategic planning and firm performance as measured by the respondents' perception of the influence of the environmental factors on firm performance. The data was gathered based on statements on a likert scale questionnaire that had values assigned as 1=strongly disagree, 2=disagree, 3=undecided, 4=agree, 5=strongly agree. Data in Table 4.32 presents responses of the respondents' perception of the moderating influence of the environmental factors on strategic planning and firm performance. The key business environmental factors assessed comprised of the competitors' influence, influence of political instability, availability of inputs from suppliers, technological innovations, economic factors such as inflation and growth, and customer tastes and preferences.

The cumulative average response indicates that the majority (217 or 91% of the respondents) were in agreement that environmental factors have a moderating influence on strategic planning and firm performance, 15 or 6% were not in agreement while 7 or 3% were undecided. The mean score was 2.34, which meant that it tended towards agreement that the rate of change in the environmental factors was rapid and that this influenced strategic planning processes and firm performance.

As shown in Fig. 4.15, majority, comprising 48% and 42% of the respondents strongly agreed and perceived political instability and technological innovations as having more influence on the strategic planning processes and firm performance respectively. On the other hand, those who strongly agreed that customer tastes and preferences, economic factors, suppliers of input, and competition had an influence on strategic planning and firm performance comprised 41%, 33%,

20 % and 15 % respectively. These findings are consistent with previous research findings by Jasra, *et al.*, (2011), which found that business success is directly dependent on technological factors. A study by Phillips and Peterson (1999) concluded that unanticipated environmental factors directly affect the strategic planning process, implementation and performance. Previous studies (Schwenk & Shrader, 1993, Raduan *et al.*, 2009; Metcalfe *et al.*, 2003) have concluded that strategic planning increases strategy-environment fit and, hence, becomes a source of firm competitive advantage. From the findings of this study, it is noted that while small business firms acknowledge and strive to survive competition among other environmental factors, political instability is seen as having the greatest potential to affect the firms and, thus, likely to affect growth and expansion of the ICT industry in Kenya. This is likely to be the case if it is argued that political instability is likely to create a multiplier effect with the potential to trigger other environmental factors either positively or negatively.

This suggestion is supported by a comment by a Chief Executive of an SME who claimed that his company expanded and opened a branch business location in Kisumu, only for the branch to be closed due to the post-election violence in 2007 and the branch has not been reopened since.

Table 4.32: Environmental Factors’ Influence on Strategic Planning Performance Outcomes (n=239)

Variable indicator	Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Total	Mean
Competitors-intensity of rivalry	1%	10%	1%	73%	15%	100%	3.92
Political stability influence	1%	6%	4%	41%	48%	100%	4.29
Suppliers and availability of inputs	1%	5%	3%	71%	20%	100%	4.06
Technology and new innovations	1%	4%	1%	52%	42%	100%	4.30
Economic factors - inflation, growth	1%	1%	2%	63%	33%	100%	4.27
Customer tastes and preferences	1%	2%	4%	52%	41%	100%	4.28
Average/Mean	1%	5%	3%	59%	33%	100%	4.19

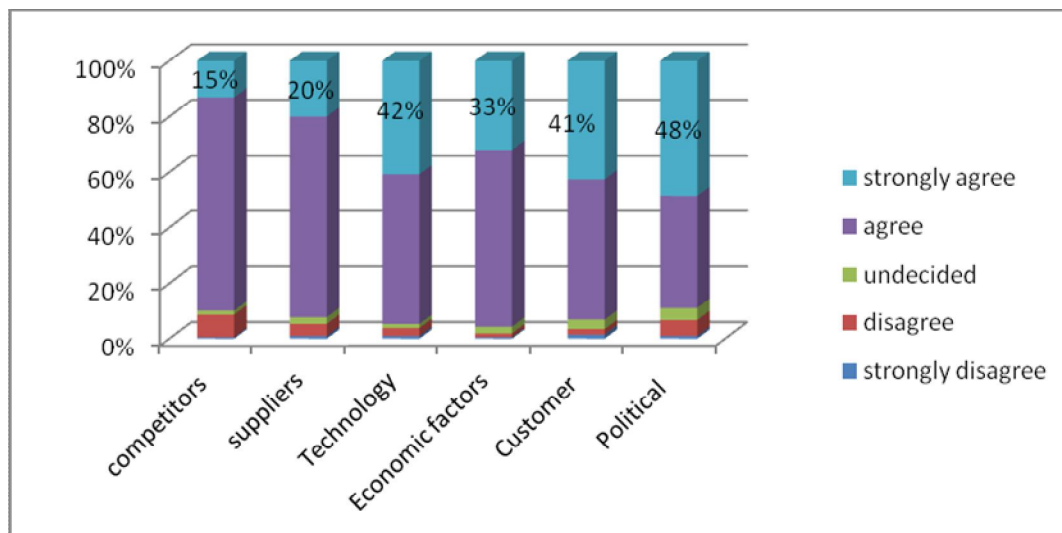


Figure 4.15: Respondents’ Perception of the Effect of Environmental Changes on their Firm’s Performance

4.5.5.1 Statistical Modelling: Environmental Factors Moderating the Relationship between Strategic Planning and Learning and Growth

The study examined the extent to which environmental factors moderate the relationship between strategic planning as the independent variable and the dependent variable learning and growth. This addressed the fifth objective of the study in regard to the first dependent variable, learning and growth. As shown in Table 4.33, there is a positive moderate linear relationship between strategic planning and learning and growth when environmental factors are taken into account.

It is, however, observed that the moderating influence of the environmental factors on the relationship between strategic planning and learning and growth is not significant as the correlation coefficient $r=0.495$ is not significantly different from the correlation coefficient of $r=0.491$ established in Table 4.16 between strategic planning and learning and growth. This means that environmental factors have insignificant moderating influence on the relationship between strategic planning and learning and growth.

Table 4.33: Model Summary of Learning and Growth versus Strategic Planning and Environment

Model	R	R Square
1	.495 ^a	.245

a. Predictors: (Constant), Environment, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_2 (environmental factors) in Model I, $y_1 = \beta_0 + \beta_{11}x_1 + \beta_{21}x_2 + \epsilon$, where $y_1 =$ learning and growth, $x_1 =$ strategic planning, $x_2 =$ environmental factors, and ϵ is the error term. The results as shown in Table 4.32 show the value of $p=0.0001$. This means that the null hypothesis is rejected and the alternate hypothesis is taken to hold as the p value is less than $\alpha(0.05)$.

This suggests that x_1 (strategic planning) and x_2 (environmental factors), taken jointly, are significant in explaining y_1 (learning and growth) and, thus, the model $y_1 = \beta_0 + \beta_{11}x_{1+} + \beta_{21}x_{2+} + \epsilon$ is significantly fit at 5% level of significance.

Table 4.34: ANOVA^a of Learning and Growth versus Strategic Planning and Environment

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	414.582	2	207.291	38.317	.000 ^b
	Residual	1276.735	236	5.410		
	Total	1691.317	238			

a. Dependent Variable: Learning and Growth

b. Predictors: (Constant), Environment, Strategic Planning

The beta coefficient analysis shows the significance of the overall model $y_1 = \beta_0 + \beta_{11}x_{1+} + \beta_{21}x_{2+} + \epsilon$. As shown in Table 4.35, the impact of environmental factors as a moderating variable on the relationship between strategic planning and learning and growth indicates a constant of $\beta_0 = 2.878$ and the $\beta_{21} = 0.066$, and this suggests that for a unit change in environmental factors, there is 0.066 positive change in learning and growth. However, the value of $p = 0.282$, and this is greater than the significance level $\alpha = 0.05$.

This means that the environmental factors have an insignificant moderating influence on the relationship between strategic planning and learning and growth at 5% level of significance and that environmental factors may not be significant in the overall model.

Table 4.35: Coefficients^a of Learning and Growth versus Strategic Planning and Environment

Model	Unstandardised Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	2.878	1.071	2.686	.008
Strategic planning	.137	.016	8.694	.000
environment	.066	.061	1.077	.282

a. Dependent Variable: Learning and Growth

In addition to the above analysis, the study went further as shown in Table 4.36, to determine partial correlation between learning and growth and the environmental factors while controlling for the strategic planning influence. The findings reveal a low but positive linear relationship that is insignificant as the value $p=0.282$ is greater than the significance level of $\alpha =0.05$. This implies that, when taken separately, environmental factors have insignificant influence on learning and growth.

Table 4.36: Partial Correlations of Learning and Growth versus Environment with Strategic Planning as Constant

Control Variables	Correlation	Learning and growth	Environment
Strategic planning	Learning and growth	1.000	
	Correlation significance (2-tailed)		
	Df	0	
Environment	Correlation	.070	1.000
	Correlation significance (2-tailed)	.282	
	Df	236	0

The above findings are supported by the Pearson correlation between learning and growth, strategic planning, and environmental factors. As shown in the correlation matrix Table 4.37, the Pearson's correlation (r) and corresponding p values for the relationship between learning and growth and strategic planning indicate $r = 0.491$ and $p = 0.0001$ respectively.

On the other hand, the correlation between learning and growth and environmental factors was not statistically significant with $p = 0.372$ that is greater than the significance level of $p = 0.05$. Thus, $r_{y_1x_2} = 0.491$ and $r_{y_1x_3} = 0.058$ measure the strength of the linear association with the dependent variable y_1 (learning and growth) and this shows that x_1 (strategic planning) is the variable with the stronger linear relationship to learning and growth compared with environmental factors.

The results above suggest that strategic planning influences (linearly) learning and growth more than the environmental factors. The results also reflect the presence of multicollinearity between strategic planning and environmental factors as shown by the Pearson correlation of 0.926. This suggests a strong correlation between strategic planning and environmental factors. Cameron (2005) argues that multicollinearity arises from the presence of a correlation between independent variables or variables on the right hand side of a single equation. This situation is unlikely to present a potential consequence as there is less than perfect multicollinearity (Cameron, 2005) and the Ordinary Least Square (OLS) estimators are still best linear unbiased estimators (BLUE). The analysis suggests a model expression including the environmental factors as the moderating variable as follows: $y_1 = 3.552 + 0.137x_1 + 0.066x_2 + \epsilon$

Table 4.37: Correlation Matrix of Learning and Growth versus Strategic Planning and Environment

Variables	Correlation	Learning and growth(y_1)	Strategic planning(x_1)	Environment(x_2)
Learning and growth	Pearson correlation	1		
	sig. (2-tailed)			
	N	239		
Strategic planning	Pearson correlation	.491**	1	
	sig. (2-tailed)	.000		
	N	239	239	
Environment	Pearson correlation	.058	-.006	1
	sig. (2-tailed)	.372	.926	
	N	239	239	239

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

4.5.5.2. Statistical Modelling: Environmental Factors Moderating the Relationship between Strategic Planning and Internal Business Processes

The study examined the extent to which environmental factors moderate the relationship between strategic planning and the internal business processes. This addressed the fifth objective of the study in regard to the second dependent variable, internal business processes. As shown in Table 4.38, there is a significant linear relationship between strategic planning and the internal business processes when the environmental factors are taken into account.

It is, however, observed that the influence of the environmental factors on the relationship between strategic planning and the internal business processes is not significant as the correlation coefficient $r=0.417$ marginally increased from the correlation coefficient of $r=0.415$ established in Table 4.20 on the relationship between strategic planning and the internal business processes.

This means that environmental factors have a positive but insignificant moderating influence on the relationship between strategic planning and the internal business processes.

Table 4. 38: Model Summary of Internal Business Processes versus Strategic Planning and Environment

Model	R	R Square
1	.417 ^a	.174

a. Predictors: (Constant), Environment, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_2 (environmental factors) in Model II, $y_2 = \beta_0 + \beta_{12}x_1 + \beta_{22}x_2 + \epsilon$ where y_2 =internal business processes, x_1 =strategic planning, x_2 =environmental factors, and ϵ is the error term. As shown in Table 4.39, the resultant p value of 0.0001 means that the null hypothesis is rejected and the alternate hypothesis is taken to hold as the p value is less than $\alpha=0.05$.

This implies that x_1 (strategic planning) and x_2 (environmental factors), taken jointly, are significant variables in explaining y_2 (internal business processes) and that the model $y_2 = \beta_0 + \beta_{12}x_1 + \beta_{22}x_2 + \epsilon$ is significantly fit at 5% level of significance.

Table 4.39: ANOVA^a of Internal Business Processes versus Strategic Planning and Environment

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	310.023	2	155.012	24.855	.000 ^b
Residual	1471.872	236	6.237		
Total	1781.895	238			

a. Dependent Variable: Internal Business Processes

b. Predictors: (Constant), Environment, Strategic Planning

To establish the significance of the environmental factors in the overall model, the analysis on the beta coefficient of model $y_1 = \beta_0 + \beta_{11}x_1 + \beta_{21}x_2 + \epsilon$ was carried out. The results as shown in Table 4.40 indicate the moderating effect of environmental factors on the relationship between strategic planning and learning and growth with a constant $\beta_0 = 2.878$ and $\beta_{21} = 0.046$. This suggests that for a unit change in environmental factors, there is 0.046 positive change in the internal business processes. However, the value of $p=0.282$ is greater than the level of significance $\alpha=0.05$. This means that the environmental factors, taken singly, are not significant in explaining the relationship between strategic planning and internal business processes of a firm.

Table 4.40: Residual Statistics^a of Internal Business Processes versus Strategic Planning and Environment

Model	Unstandardised Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	2.528	1.150	2.197	.029
Strategic planning	.119	.017	7.019	.000
Environment	.046	.065	.706	.481

a. Dependent Variable: Internal Business Processes

The model is supported by the results of the correlation matrix in Table 4.41. The correlation matrix identifies which of the independent and moderating variables correlate strongly with the dependent variable and how significant the influence is. It is noted that the Pearson's correlation (r) and corresponding p values for the relationship between internal business processes and strategic planning are $r = 0.415$ and $p = 0.0001$ respectively.

On the other hand, the correlation between internal business processes and environmental factors was not statistically significant with ($r=0.039$) and $p=0.546$, which is greater than the significance level $\alpha =0.05$. The correlations, $y_2 x_1= 0.415$ and $y_2 x_2= 0.039$, measure the strength of the linear association with the dependent variable Y_2 (internal business processes) and this shows that x_1 (strategic planning) is the variable with a stronger linear relationship with the internal business processes compared with x_2 (environmental factors).

This implies that strategic planning influences (linearly) the firm's internal business processes and the environmental factors have insignificant moderating influence on the relationship between strategic planning and internal business processes. The model as predicted holds and is consistent with conceptual literature from which dimensions were distilled and confirms positive linear relationship between strategic planning practices and internal business processes of a firm. However, it was observed that the environmental factors had an insignificant moderating influence on the relationship between strategic planning and the internal business processes.

As suggested previously (Raduan *et al.*, 2009; Sussman *et al.*, 2006) concluded that information from the environment increasingly drives the strategic planning processes and the degree of awareness of external environmental threats and opportunities is associated with the degree of overall emphasis on the strategic planning process. This may suggest that environmental factors are likely to have more direct influence on strategic planning components, which in turn increase the organisational learning and improvement of its internal business processes. We conclude that increase in the effectiveness of strategic planning practices and the increased awareness of the

environmental factors and their possible effects on strategic planning processes, implementation and control, contribute to the improvement in the internal business processes of a firm, which in turn is likely to contribute to overall firm performance and its likelihood of success and sustainability.

Table 4.41: Correlation Matrix of Internal Business Processes versus Strategic Planning and Environment

Variables	Correlation	Internal business processes	Strategic planning	Environment
Internal business processes	Pearson correlation Sig. (2-tailed) N	1 239		
Strategic planning	Pearson correlation Sig. (2-tailed) N	.415** .000 239	1 239	
Environment	Pearson correlation Sig. (2-tailed) N	.039 .546 239	-.006 .926 239	1 239

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

4.5.5.3. Environmental Factors Moderating the Relationship between Strategic Planning and Competitive Advantage

To address objective five, the study was interested in testing whether x_1 (strategic planning) and x_2 (environmental factors) variables, taken collectively, significantly improve the prediction of y_3 (competitive advantage). As shown in Table 4.42, there is a positive moderate linear relationship between strategic planning and the competitive advantage of a firm when x_1 and x_2 are tested collectively. It is, however, observed that the environmental factors do not significantly improve the positive linearity of the relationship between strategic planning and the

competitive advantage as the correlation coefficient $r=0.412$ remained the same as that observed in Table 4.24 between strategic planning and competitive advantage.

Table 4. 42: Model Summary Parameters of Competitive Advantage versus Strategic Planning and Environment

Model	R	R Square
1	.412 ^a	.170

a. Predictors: (Constant), Environment, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_2 (environmental factor) in Model III, $y_3 = \beta_0 + \beta_{13}x_1 + \beta_{23}x_2 + \epsilon$, where $y_3 =$ competitive advantage, $x_1 =$ strategic planning, $x_2 =$ environmental factors, β_{13} and β_{23} show the change in the dependent variable for a unit change x_1 and x_2 , and ϵ is the error term. As shown in Table 4.43, the ANOVA analysis tested for significance of the model that x_1 and x_2 , taken collectively, are significant at 5% level of significance ($\alpha = 0.05$). The test of the hypothesis showed the value $p=0.0001$, which means that the null hypothesis, $H_0: \beta_{12} = \beta_{23} = 0$ is rejected and the alternate hypothesis is taken to hold as the p value is less than 0.05.

This implies that x_1 (strategic planning) and x_2 (environmental factors), taken collectively, explain y_3 (competitive advantage) and the model $y_3 = \beta_0 + \beta_{13}x_1 + \beta_{23}x_2 + \epsilon$ is significantly fit at 5% level of significance.

Table 4.43: ANOVA^a of Competitive Advantage versus Strategic Planning and Environment

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	258.970	2	129.485	24.127	.000 ^b
Residual	1266.591	236	5.367		
Total	1525.560	238			

To establish the significance of the environment in the model, the analysis on the beta coefficient of model $y_3 = \beta_0 + \beta_{13}x_{13} + \beta_{23}x_{23} + \epsilon$ was carried out. The results as shown in Table 4.44 indicate the impact of environmental factors on the relationship between strategic planning and competitive advantage with a constant $\beta_0 = 1.339$ and $\beta_{23} = -0.009$ implying that for a unit change in environmental factors, there is a -0.009 (negative) change in the competitive advantage.

It is also noted that, taken alone, the influence of the environment on the comparative advantage is insignificant as the value of $p = 0.888$ is greater than the significant level of $\alpha = 0.05$. This means that environmental factors are not significant in explaining y_3 (competitive advantage) at 5% level of significance.

Table 4.44: Residual Statistics^a of Competitive Advantage versus Strategic Planning and Environment

Model	Unstandardised Coefficients		t	Sig.
	B	Std. Error		
1 (Constant)	1.339	1.067	1.255	.211
Strategic planning	.109	.016	6.944	.000
Environment	-.009	.061	-.141	.888

a. Dependent Variable: Competitive Advantage

The resulting model is supported by the results of the correlation matrix in Table 4.45. The correlation matrix identifies which of the variables x_1 =strategic planning and x_2 =environmental factors correlate strongly with the dependent variable x_3 (competitive advantage). It is noted that the Pearson correlation (r) and the corresponding p values for the relationship between competitive advantage and strategic planning are $r = 0.412$ and $p = 0.0001$ respectively. On the other hand, the correlation between competitive advantage and environmental factors was negative ($r = -0.011$) with $p = 0.867$, which is greater than the significance level of $p = 0.05$.

Thus, the correlations $y_3 x_1 = 0.412$ and $y_3 x_2 = -0.11$ measure the strength of the linear association with the dependent variable y_3 (competitive advantage) and this shows that x_1 (strategic planning) is the variable with a stronger linear relationship to competitive advantage compared with x_2 (environmental factors). This implies that strategic planning influences (linearly) a firm's competitive advantage, and the environmental factors have a low and negative moderating influence on competitive advantage. The model, as predicted, holds and is consistent with conceptual literature from which dimensions were distilled and confirms a positive linear relationship between strategic planning practices and competitive advantage of a firm.

However, the environment has less moderating influence on the relationship between strategic planning and competitive advantage. As suggested by the previous studies, the degree of awareness of external environmental threats and opportunities is associated with the degree of overall emphasis on the strategic planning process (Sussman *et al.*, 2006).

This suggests that environmental factors are likely to have more direct influence on strategic planning components. Mugler (2002) concluded that environmental factors play a decisive role in the strategic development of an organisation. Previous studies (Schwenk & Shrader, 1993; Raduan *et al.*, 2009; Metcalfe *et al.*, 2003) have concluded that strategic planning increases strategy-environment fit and, hence, becomes a source of firm competitive advantage.

We conclude that the increase in the effectiveness of strategic planning practices and the increased awareness of the environmental factors and their possible effects on strategic planning processes, implementation and control, contribute to the improvement in competitive advantage, which in turn contributes to overall firm performance.

Table 4.45: Correlation Matrix of Competitive Advantage versus Strategic Planning and Environment

Variables		Competitive advantage	Strategic planning	Environment
	Pearson correlation	1		
	Sig. (2-tailed)			
	N	239		
Strategic planning	Pearson correlation	.412**	1	
	Sig. (2-tailed)	.000		
	N	239	239	
Environment	Pearson correlation	-.011	-.006	1
	Sig. (2-tailed)	.867	.926	
	N	239	239	239

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

4.5.5.4. Environmental Factors Moderating the Relationship between Strategic Planning and Financial Profitability

To address objective five, the study was interested in testing whether x_1 (strategic planning) and x_2 (environmental factors) variables, taken collectively, significantly improve the prediction of y_4 (financial profitability). As shown in Table 4.46, there is a positive but low linear relationship between strategic planning and the financial profitability of a firm when x_1 and x_2 are tested collectively. It is also observed that the environmental factors do not significantly improve the positive linearity of the relationship between strategic planning and financial profitability as the correlation coefficient $r=0.096$ is not significantly different from that observed in Table 4.28 of $r=0.095$ between strategic planning and financial profitability.

Table 4.46: Model Summary of Financial Profitability versus Strategic Planning and Environment

Model	R	R Square
1	.096 ^a	.009

a. Predictors: (Constant), Environment, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_2 (environmental factors) in the Model IV, $y_4 = \beta_0 + \beta_{14}x_{14} + \beta_{24}x_{24} + \epsilon$ where y_4 = financial profitability, x_1 = strategic planning, x_2 = environmental factors, and ϵ is the error term. As depicted in Table 4.47, the results show the value of $p=0.334$.

This means that we fail to reject the null hypothesis as the alternate hypothesis does not hold since the p value is less than $\alpha = 0.05$. This implies that x_1 (strategic planning) and x_2 (environmental factors), taken collectively, may not explain y_4 (financial profitability) and the model $y_4 = \beta_0 + \beta_{14}x_{14} + \beta_{24}x_{24} + \epsilon$ may not be significantly fit at 5% level of significance.

Table 4.47: ANOVA^a of Financial Profitability versus Strategic Planning and Environment

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	37.311	2	18.656	1.101	.334 ^b
	Residual	3997.826	236	16.940		
	Total	4035.138	238			

a. Dependent Variable: Financial Profitability

b. Predictors: (Constant), Environment, Strategic Planning

To establish the significance of the environment in the overall model, the analysis on the beta coefficient of model $y_4 = \beta_0 + \beta_{14}x_{1+} + \beta_{24}x_{2+} + \epsilon$ was carried out. The results as shown in Table 4.48 indicate the impact of environmental factors on the relationship between strategic planning and financial profitability with a significant constant $\beta_0 = 12.454$ and $p=0.0001$, while the strategic planning practices indicate insignificant values with $\beta_{24} = 0.041$ and $P = 0.143$. This suggests a positive but insignificant influence of strategic planning on financial profitability. Similarly, environmental factors show insignificant values of $\beta_{24} = 0.022$ and $P = 0.840$. This means that x_1 (strategic planning) and x_2 (environmental factors), taken jointly, are not significant in explaining y_4 (financial profitability).

Table 4.48: Residual Statistics^a of Financial Profitability versus Strategic Planning and Environment

Model	Coefficients			
	B	Std. Error	T	Sig.
1 (Constant)	12.454	1.896	6.569	.000
Strategic planning	.041	.028	1.471	.143
Environment	.022	.108	.202	.840

a. Dependent Variable: Financial Profitability

The results above are supported by the results of the correlation matrix in Table 4.49. The correlation matrix identifies which of the variables $x_1 = \text{strategic planning}$ and $x_2 = \text{environmental factors}$ correlates strongly with the dependent variable y_4 (financial profitability). It is noted that the Pearson correlation (r) and the corresponding p values of the relationship between financial profitability and the strategic planning are $r = 0.095$ and $P = 0.142$ respectively. On the other hand, the correlation between financial profitability and environmental factors is ($r = 0.013$) with $P = 0.847$. It is noted that the p value is greater than the level of significance $\alpha = 0.05$. Thus, the correlations, $y_4 x_1 = 0.095$ and $y_4 x_2 = 0.013$, measure the strength of the linear association with the dependent variable y_4 (financial profitability).

This shows that although x_1 (strategic planning) is the variable with a stronger linear relationship to financial profitability compared with x_2 , environmental factors, both variables are insignificant in explaining the dependent variable. Previous studies concluded that an overemphasis on the environmental issues could lead to reduction in financial performance (Sussman *et al.*, 2006; Hitt *et al.*, 2007; McLarney, 2001). A business environment consists of factors internal and external to an organisation that may influence the continued and successful existence of the organisation (Smit, Cronje, Brevis & Vrba, 2007).

These results are likely due to the multicollinearity effect and the strong correlation between strategic planning and the environmental factors of $r = 0.926$. The above results suggest that strategic planning is unlikely to have a direct influence on the financial profitability of small firms.

Table 4.49: Correlation Matrix of Financial Profitability versus Strategic Planning and Environment

Variables	Correlation	Financial profitability	Strategic planning	Environment
Financial profitability	Pearson correlation Sig. (2-tailed)	1		
Strategic planning	N Pearson correlation Sig. (2-tailed)	239 .095 .142	1	
Environment	N Pearson correlation Sig. (2-tailed)	239 .013 .847	239 -.006 .926	1
	N	239	239	239

4.5.6 Organisational Characteristics and Strategic Planning Performance Outcomes

The sixth objective of the study sought to investigate if organisational characteristics moderate the relationship between strategic planning practices and performance of SMEs. The objective was assessed by five item indicators comprising firm ownership, age of the firm, the business sector of operation, number of business locations, number of employees, and firm category in terms of annual sales and total assets and whether these influence firm performance.

Strategic planning performance outcomes comprise of learning and growth, internal business processes, competitive advantage and financial profitability. The section below presents the results of specific indicators:

Firm Ownership

The ownership type of the firms as shown in Table 4.50, shows that majority, comprising 106 firms or 86%, were privately owned or sole proprietorships, sixteen (16) or 13% were in form of partnerships and one (1) firm or 1% was a public institution.

A previous study by Hakimpoor *et al.*, (2011) showed that the type of industry, ownership structure, firm size, age and technology are major determinants of formal strategic planning. Likewise, a study by Simsek *et al.*, (2008), concluded that firms that are privately held allow the Chief Executive Officers (CEOs) of SMEs to enjoy greater freedom with greater managerial discretion from the kind of oversight imposed by capital markets on their publicly owned counterparts. This instils individual commitment, engagement and greater hands-on experience in implementing firm strategy. Simsek *et al.*, (2008) further argue that this organisational context provides an advantageous setting for transformational CEOs to play a crucial role in enhancing firm performance.

From our findings, it can be inferred that firm ownership influences the strategic planning and performance of organisations. Likewise, it can be construed that CEOs of privately owned ICT firms have more flexibility and opportunities to transform their firms and are more likely to embrace strategic planning practices, which in turn, enhances firm performance. This characteristic can be considered as a strategic resource which, if well used, can enhance firm competitiveness.

Table 4.50: Firm Ownership Type

Ownership Type	Frequency	Percent (%)
Parastatal	1	0.8
Private	98	79.7
Sole proprietorship	8	6.5
Partnership	16	13
Total	123	100

Age of the Respondent Firms

The study examined whether the age of the firm moderated strategic planning and firm performance as measured by the number of years the firm had been in operation. The data was gathered based on the respondents' perception of the actual number of years the firm had been in existence. The responses were further categorised into age ranges assigned values as 1 for ≤ 5 years, 2 for 6-10 years, 3 for 11-15 years and 4 for ≥ 16 years. Data in Figure 4.16 presents responses of the respondents' perception of the ages of ICT SMEs.

As presented in Figure 4.16, a total of 40 (33%) of the firms had been in operation between 1 to 5 years, another 50 (41%) had been in operation between 6 to 10 years, while 19 (15%) had been in existence between 11 to 15 years, and 14 (11%) had been in existence for over 16 years.

The mean score was 2.025, which meant that the mean age of the firms was in the range of 6-10 years. These results corroborate with those of a previous study by Coad, Segarra & Teruel (2010), in their study among Spanish manufacturing firms covering the period 1998 and 2006. This study found that young firms (in terms of age) are the most numerous, and that as age increases,

the number of firms steadily decreases. The results of this survey present similar trends as those found by Coad *et al.*, (2010), and reflect the ICT sector as a relatively young industry that has flourished mainly in the past decade. This is consistent with Kenya's quest for development of the ICT sector, which started in 2000/2001 when it became apparent that the ICT sector was a crucial catalyst in the development process (GoK, 2008).

Further, a study by Hakimpour *et al.*, (2011) concluded that firm size, age and type of industry are major determinants of formal strategic planning and firm performance. An important observation from the study findings reveals that majority of the firms, constituting 67%, were aged 5 years and above.

This is a demonstration of survivability and likelihood of such firms embracing strategic planning practices in order to cope with the competitive and fluid environment. This is consistent with earlier revelations in Figure 4.3, which showed majority (comprising 82%) of the ICT SMEs adopt formal strategic planning practices. This is a reflection of the influence of firm age on the strategic planning practices and performance of SMEs.

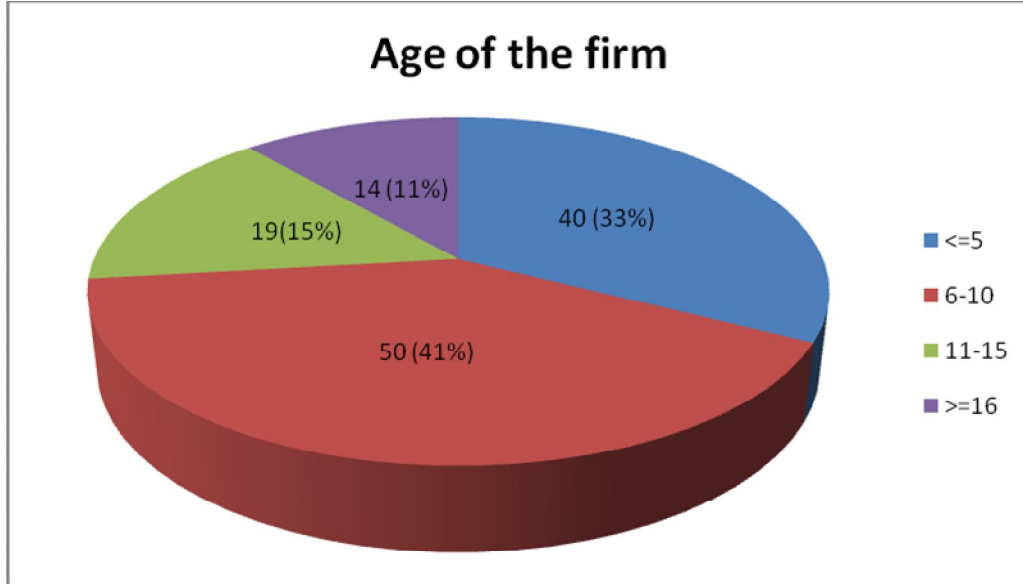


Figure 4.16: Distribution of Respondent Firms by Age Stratum (n=123)

ICT Business Sector

The findings shown in Table 4.51, show that majority of firms, comprising 93 (75%), were engaged in all-systems integration operations. This entailed the integration of networking, hardware, sales and maintenance; networking and software development; or networking, hardware and software development. Another 18 (15%) and 12 (10%) operated networking and design businesses respectively.

Some of the major pillars that are envisaged to transform Kenya into a knowledge and information society include ICT hardware infrastructure, ICT software and the connectivity required to increase accessibility of ICT (GoK, 2008). The findings suggest that the ICT SME sector is contributing towards the achievement of Kenya Vision 2030 goals through provision of integrated services to the other business sectors.

Table 4.51: Business Sector Types

Business Sector	Frequency	Percent (%)
Networking	18	14.6
System integration	93	75.6
Design	12	9.8
Total	123	100.0

Number of Business Locations

The study further examined the number of business operations owned by the firms as an indication of growth and whether it moderates strategic planning practices and firm performance. From the responses received, majority (comprising 65 or 53% of the firms) operate in one business location, 35 or 28% operate in two business locations, while 15 or 11% operate in three business locations, and 5 and 3 firms comprising 4% and 2% operate in 4 and 5 business locations respectively. These findings are shown in Table 4.52. Previous empirical research (Stonehouse & Pemberton, 2002; Hakimpour *et al.*, 2011) concluded that the number of business branches or locations, the type of industry, ownership structure, firm size, age and technology are measures of business growth and major determinants of formal strategic planning. The study by Stonehouse and Pemberton (2002) further revealed that a firm's growth is partly assessed by the number of business locations and branches it operates.

The findings of this study suggest that about 47% of the SMEs in the ICT sector display growth characteristics as they operate in more than one business branch or location. Likewise, it can be construed that firms that display growth characteristics are more likely to embrace strategic planning practices, like having a vision, mission and strategy to cope with the competition and

changes in the environment (Stonehouse & Pemberton, 2002). Likewise, it is inferred that the number of business locations a firm operates influences its strategic planning practices and performance.

Table 4.52: Number of Business Locations

Number of business locations	Frequency	Percent (%)
1	65	52.8
2	35	28.5
3	15	12.2
4	5	4.1
5	3	2.5
Total	123	100.0

Respondent Firm's Number of Full Time Employees

Regarding whether the size of the firm, based on the number of full time employees, influences strategic planning and firm performance, the results as shown in Figure 4.17 indicate that majority, comprising 77 firms or 63%, had between 1-10 employees. Of this number, 25 firms or 20% had 1-5 employees. Forty (40) or 33% had 10 to 50 employees, and 6 firms or 5% had 50 to 100 employees.

Findings from previous studies (Stonehouse & Pemberton, 2002; Hakimpour *et al.*, 2011) indicate that the type of industry and firm size as measured by the number of employees is a measure of business growth and major determinant of formal strategic planning. In Kenya, a micro enterprise consists of a firm with 1-10 employees, while small enterprises are classified as those with 10-50 employees, and medium enterprises are considered as those with 50 to 100 employees (Government of Kenya, 2005).

According to Phillips and Peterson (1999) firm size (measured by the number of employees) can be used as a proxy for firm age. This assertion is not necessarily reflective of the findings of this study. As indicated in Figure 4.16, only 33% of the firms (young in terms of age) are ≤ 5 years while those considered young in terms of full time employees as indicated in Figure 4.17 constitute 63%.

The above findings may be an indication that the ICT SME sector is not necessarily labour intensive and, thus, the number of full time employees as a measure of growth in this sector may not be the most desirable, reliable and conclusive measurement of growth. In this regard, it may not conclusively be construed that firm size based on the number of full time employees moderates strategic planning and firm performance.

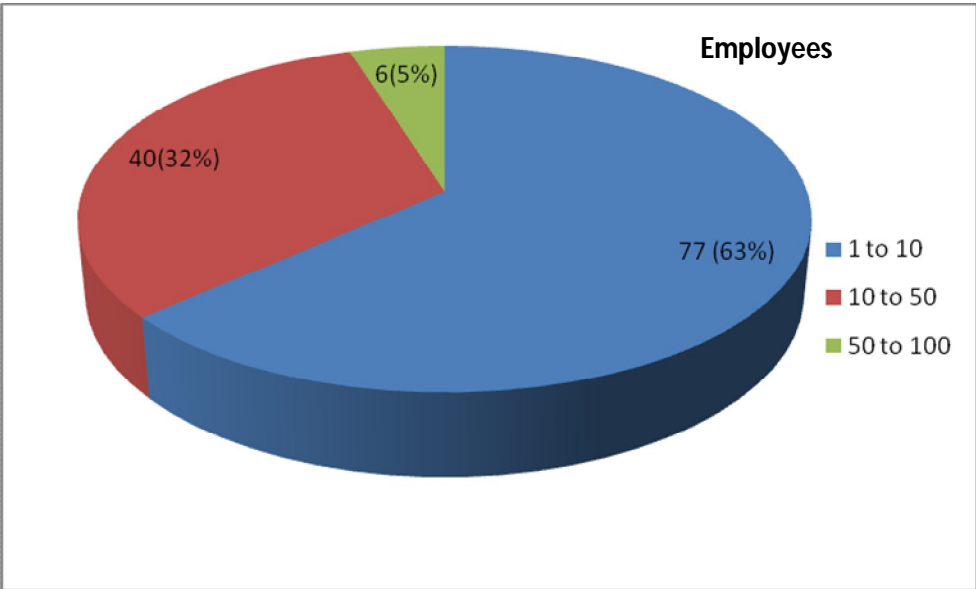


Figure 4.17: Number of Full-Time Employees (n=123)

Firm Categorisation Based on Annual Sales and Total Assets

Regarding whether the size of the firm based on the annual turnover influences the strategic planning and performance of a firm, data as shown in Table 4.53 reveals that 53 or 43% of the firms had annual turnovers of between Ksh 500,000 to Ksh5 million. Thirty-eight (38) or 31% had annual turnovers of between Ksh5 to 20 million, those with Ksh 20 to 100 million annual sales constitute 18 or 15%, and 11 and 3 firms constituting 10% and 2% had annual turnovers of between Ksh 100 million to 800 million and more than Ksh 800 million respectively.

Previous findings agree that organisational size and age positively moderate the strategic planning and performance relationship (Hakimpoor *et al.*, 2011). Further, these findings are consistent with a previous study by Kraus *et al.*, (2008), which found that strategic planning is a function of increasing company size and that there is a correlation between a company's size in terms of its turnover and workforce size and use of strategic planning processes.

As already noted earlier, in Kenya, a small enterprise is classified as a firm with annual turnover of between Ksh500, 000 and Ksh5 million, while medium enterprises are classified as firms with annual sales of between Ksh 5 million to 20 million (Republic of Kenya, 2005). It is noted that while the results of this study are more or less consistent with the classification of SMEs, thirty two (32) firms constituting 27% have annual sales exceeding Ksh20 million.

Table 4.53: Firm Category Based on Annual Sales

Annual sales	Frequency	Percent
Ksh500,000-5 million	53	43.1
Ksh5 million-20million	38	30.9
Ksh20 million -100million	18	14.6
Ksh100million-800million	11	8.9
>Ksh800million	3	2.4
Total	123	100

On the firm's classification based on total investments or assets, as shown in Table 4.54, similar trends as in annual sales were observed, with 56 firms (comprising 46%) having investments of between Ksh500,000 to 5 million, those with investments worth Ksh 5 million to 20 million constituted 38 or 31%, while 18 firms or 15% had assets worth Ksh 20 million to 100 million, and those with investments worth Ksh100 million to 800 million and above Ksh800 million were 9 or 7% and 2 or 1% respectively.

Previous empirical findings attest to this as Gibson and Cassar (2002) assert that small firms are concerned with manipulation and maximisation of scarce and limited resources. In terms of investments, a small enterprise is classified in Kenya as a firm with more than Ksh 5 million and less than 20 million worth of investments, while medium enterprises are classified as having investments of between Ksh20 million to Ksh100 million (Republic of Kenya, 2005).

From the above findings, it can be inferred that the ICT SME sector in Kenya may not be labour or capital intensive. However, this sector is able to generate large volumes of sales with less physical resources. Likewise, the SME classification for ICT firms may not fit entirely into the

general definition of SMEs as 43% of the firms have investments ranging between Ksh500,000 and Ksh 5 million, and 10% have investments over Ksh 100 million.

Table 4.54: Firm Category Based on Total Assets

Assets	Frequency	Percent (%)
Ksh 500,000 to 5 million	57	46.3
Ksh 5million to 20 million	38	30.9
Ksh 20 million to 100 million	18	14.6
Ksh 100 million to Ksh 800 million	9	7.3
>Ksh 800 million	1	0.8
Total	123	100.0

4.5.6.1.Organisational Characteristics Moderating the Relationship between Strategic Planning and Learning and Growth

The study set to find out the extent to which organisational characteristics moderated the relationship between strategic planning as the independent variable and the dependent variable, learning and growth. This addressed the sixth objective of the study in regard to the first dependent variable, learning and growth. As shown in Table 4.55, there is a positive moderate linear relationship between strategic planning and learning and growth when the organisational characteristics are taken into account.

It is also observed that the influence of the organisational characteristics on the relationship between strategic planning and learning and growth is not significant as the correlation coefficient $r=0.498$ is not significantly different from the correlation coefficient of $r=0.491$ established in Table 4.16 between strategic planning and learning and growth. This means that

organisational characteristics do not significantly influence the relationship between strategic planning and learning and growth.

Table 4.55: Model Summary of Learning and Growth versus Strategic Planning and Organisational Characteristics

Model	R	R Square
1	.498 ^a	.248

a. Predictors: (Constant), Organisational Characteristics, Strategic Planning

Further analysis of ANOVA was undertaken to test the significance of x_3 (organisational characteristics) in Model I, $y_1 = \beta_0 + \beta_{11}x_1 + \beta_{31}x_3 + \epsilon$ where y_1 =learning and growth, x_1 =strategic planning, x_3 =organisational characteristics, and ϵ is the error term. As shown in Table 4.56, test for significance of the model that x_1 and x_3 , taken jointly, are significant at 5% level of significance $\alpha = 0.05$ was carried out. The results show the value of $p=0.0001$. This means that the null hypothesis is rejected and the alternate hypothesis is taken to hold as the p value is less than α (0.05). It can, thus, be concluded that x_1 and x_3 , taken collectively, are significant in explaining y_1 and the model $y_1 = \beta_0 + \beta_{11}x_1 + \beta_{31}x_3 + \epsilon$ is significantly fit at 5% level of significance.

Table 4.56: ANOVA^a of Learning and Growth versus Strategic Planning and Organisational Characteristics

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	419.945	2	209.972	38.976	.000 ^b
Residual	1271.372	236	5.387		
Total	1691.317	238			

a. Dependent Variable: Learning and Growth

b. Predictors: (Constant), Organisational Characteristics, Strategic Planning

The beta coefficient of model $y_1 = \beta_0 + \beta_{11}x_{11} + \beta_{31}x_{31} + \epsilon$ as shown in Table 4.57 indicates the impact of organisational characteristics on the relationship between strategic planning and learning and growth with a constant $\beta_0 = 3.590$ and the $\beta_{31} = 0.029$. This suggests that for a unit change in the organisational characteristics, there is 0.029 positive change in learning and growth. However, the value of $p=0.143$ is greater than the level of significance $\alpha = 0.05$. This means that organisational characteristics, taken separately, are not significant in explaining $y_1 = \text{learning and growth}$.

Table 4.57: Coefficients^a of Learning and Growth versus Strategic Planning and Organisational Characteristics

Model	Coefficients			t	Sig.
	B	Std. Error			
1 (Constant)	3.590	.868		4.134	.000
Strategic planning	.131	.016		8.022	.000
Organisational characteristics	.029	.020		1.470	.143

a. Dependent Variable: Learning and Growth

Further analysis was carried out as shown in Table 4.58, to determine partial correlation between learning and growth and the organisational characteristics while controlling for the strategic planning influence. The findings reveal a low but positive linear relationship of $r=0.095$. The influence of organisational characteristics on learning and growth is insignificant with a p value of 0.143. This is greater than the level of significance $\alpha = 0.05$.

Table 4.58: Partial Correlations of Learning and Growth versus Organisational Characteristics with Strategic Planning as a Constant

Control variables		Correlation	Learning and growth	Organisational characteristics
Strategic planning	Learning and growth	Correlation	1.000	
		Significance (2-tailed)		
		df	0	
	Organisational characteristics	Correlation	.095	1.000
		Significance (2-tailed)	.143	
		df	236	0

The Pearson correlation between learning and growth, strategic planning and organisational characteristics shows significant levels. As shown in the correlation matrix in Table 4.59, the relationship between learning and growth and strategic planning is stronger, that is $r=0.491$ as compared with a moderate low but positive linear relationship of $r=0.208$ between learning and growth and organisational characteristics.

This means that strategic planning has more influence on learning and growth than organisational characteristics. It is also observed that the Pearson correlation $p=0.001$ is less than $\alpha =0.05$, hence, implying that firm characteristics are a significant variable in explaining the relationship between strategic planning and learning and growth. The analysis suggests a model expression, including the organisational characteristics, as the moderating variable. The outcome model thus remains: $Y_1 = 3.590 + 0.131x_1 + 0.029x_2 + \epsilon$

The model, as predicted, holds and is consistent with conceptual literature from which dimensions were distilled and confirms a positive linear relationship between strategic planning practices and learning and growth with organisational characteristics as a moderating variable.

These findings are consistent with previous findings as Kraus *et al.*,(2008) found that strategic planning is a function of increasing company size and that there is a correlation between a company's workforce size and use of strategic planning activities. Kargar and Parnell (1996) concluded that organisational characteristics, in terms of such factors as size and age, affect a firm's performance.

The study findings imply that effective strategic planning practices, in terms of its processes, implementation and control as well as stronger organisational characteristics, contribute to learning and growth, which also influences overall firm performance.

Table 4.59: Correlation Matrix of Learning and Growth versus Strategic Planning and Organisational Characteristics

Variables	Correlation	Learning and growth	Strategic planning	Organisational characteristics
Learning and growth	Pearson correlation	1		
	Sig. (2-tailed)			
	N	239		
Strategic planning	Pearson correlation	.491**	1	
	Sig. (2-tailed)	.000		
	N	239	239	
Organisational characteristics	Pearson correlation	.208**	.260**	1
	Sig. (2-tailed)	.001	.000	
	N	239	239	239

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

4.5.6.2 Organisational Characteristics Moderating the Relationship between Strategic Planning and Internal Business Processes

The study set to find out the extent to which organisational characteristics moderate the relationship between strategic planning as the independent variable and the dependent variable, internal business processes. This addressed the sixth objective of the study in regard to the second dependent variable, internal business processes. As shown in Table 4.60, it is observed that the influence of the organisational characteristics on the relationship between strategic planning and internal business processes is moderately positive as the correlation coefficient of $r=0.432$ is established. This is, however, not significantly different from the correlation coefficient of $r=0.415$ established in Table 4.20 between strategic planning and internal business processes. This suggests that organisational characteristics have a positive but low moderating influence on the relationship between strategic planning and internal business processes of a firm.

Table 4.60: Model Summary of Internal Business Processes versus Strategic Planning and Organisational Characteristics

Model	R	R Square
1	.432 ^a	.186

a. Predictors: (Constant), Organisational Characteristics, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_3 =(organisational characteristics) in Model II, $y_2 = \beta_0 + \beta_{12}x_{1+} + \beta_{32}x_{3+} + \epsilon$ where y_2 = internal business processes, x_1 =strategic planning, and x_3 =organisational characteristics and ϵ is the error term. As shown in Table 4.61, tests for significance of the model that x_1 and x_3 , taken jointly, are significant at 5%

level of significance ($\alpha = 0.05$) were undertaken. The resultant value of $p=0.0001$ means that the null hypothesis, $H_0: \beta_{12} = \beta_{32} = 0$, is rejected and the alternate hypothesis, $H_1: \text{At least one of } \beta_{12} \text{ or } \beta_{32} \neq 0$, is taken to hold as the p value is less than $\alpha(0.05)$. Hence, x_1 (strategic planning) and x_3 (organisational characteristics), taken collectively, are significant in explaining y_2 (internal business processes), thus, the model $y_2 = \beta_0 + \beta_{12}x_{1+} + \beta_{32}x_{3+} + \epsilon$ is significantly fit at 5% level of significance.

Table 4.61: ANOVA^a of Internal Business Processes versus Strategic Planning and Organisational Characteristics

Model	Sum of squares	Df	Mean square	F	Sig.
1 Regression	332.204	2	166.102	27.040	.000 ^b
Residual	1449.691	236	6.143		
Total	1781.895	238			

a. Dependent Variable: Internal Business Processes

b. Predictors: (Constant), Organisational Characteristics, Strategic Planning

Further analysis to determine the significance of x_3 (**organisational Characteristics**) on the overall model, $y_2 = \beta_0 + \beta_{12}x_{1+} + \beta_{22}x_{2+} + \beta_{32}x_{3+} + \epsilon$, as shown in Table 4.62 revealed the impact of the organisational characteristics on the relationship between strategic planning and internal business processes, with a constant $\beta_0 = 3.058$ and $P = 0.001$, while $\beta_{32} = 0.043$ suggests that for a unit change in organisational characteristics, there is 0.043 positive change in the internal business processes. It is also observed that the value of $p=0.044$ is less than the significance level $\alpha = 0.05$.

This means that organisational characteristics are significant in explaining y_2 (internal

business processes). Thus, the model $y_2 = \beta_0 + \beta_{12}x_1 + \beta_{32}x_3 + \epsilon$ holds as significant at 5% level of significance.

Table 4.62: Coefficients^a of Internal Business Processes versus Strategic Planning and Organisational Characteristics

Model	Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	3.058	.927	3.297	.001
Strategic planning	.110	.017	6.296	.000
Organisational Characteristics	.043	.021	2.029	.044

a. Dependent Variable: Internal Business Processes

The above conclusion is supported by the correlation matrix results, which test the strength of the relationship between internal business processes and strategic planning, with a moderating effect of the organisational characteristics. As shown in the correlation matrix in Table 4.63, the relationship between internal business processes and strategic planning is positive and stronger at 0.415 as compared with a positive moderate relationship of 0.223 between internal business processes and organisational characteristics. This means that strategic planning has more influence on internal business processes than organisational characteristics. It is also observed that the Pearson correlations of $x_1, P = 0.0001$ and $x_3, P = 0.001$ are significant and less than $\alpha = 0.05$. The result suggests that organisational characteristics have positive and significant moderating influence on the relationship between strategic planning and internal business processes. The outcome of the model, thus, remains: $y_2 = 3.058 + 0.119x_1 + 0.043x_3 + \epsilon$.

The model, as predicted, holds and is consistent with conceptual literature from which dimensions were distilled and confirms a positive linear relationship between strategic planning practices and internal business processes with the moderating effects of organisational characteristics. Previous findings agree that organisational size and age positively moderate the strategic planning and performance relationship (Hakimpoor *et al.*, 2011).

Likewise, a study by Kraus *et al.*,(2008) concluded that planning activities intensify with firm age or a company’s development stage. These findings suggest that organisational characteristics have a moderating influence on the relationship between strategic planning and internal business processes. This means that improvement of organisational characteristics’ variables is important in strategic planning performance outcomes.

Table 4.63: Correlation Matrix of Internal Business Processes versus Strategic Planning and Organisational Characteristics

Variables	Correlation	Internal business processes	Strategic planning	Organisational characteristics
Internal business processes	Pearson correlation Sig. (2-tailed) N	1 239		
Strategic planning	Pearson correlation Sig. (2-tailed) N	.415** .000 239	1 239	
Firm characteristics	Pearson correlation Sig. (2-tailed) N	.223** .001 239	.260** .000 239	1 239

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

4.5.6.3 Organisational Characteristics Moderating the Relationship between Strategic Planning and Competitive Advantage.

To address objective six, the study was interested in testing whether x_1 (strategic planning) and x_3 (organisational characteristics) variables, taken collectively, significantly improve the prediction of y_3 (competitive advantage). As shown in Table 4.64, there is a positive moderate linear relationship between strategic planning and the competitive advantage of a firm when x_1

and x_3 are tested collectively. It is, however, observed that the organisational characteristics do not significantly improve the positive linearity of the relationship between strategic planning and the competitive advantage.

As observed in Table 4.24, the correlation coefficient $r=0.412$ between competitive advantage and strategic planning is not significantly different from $r=0.417$ when organisational factors are taken into account.

Table 4.64: Model Summary Parameters of Competitive Advantage versus Strategic Planning and Organisational Characteristics

Model	R	R Square
1	.414 ^a	.171

a. Predictors: (Constant), Organisational Characteristics, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_3 (organisational characteristics) in Model III, $y_3 = \beta_0 + \beta_{13}x_1 + \beta_{33}x_3 + \epsilon$ where y_3 =competitive advantage, x_1 =strategic planning, and x_3 =organisational characteristics, and ϵ is the error term. As shown in Table 4.65 (p), the results show the value of $p=0.0001$. This means that the null hypothesis is rejected and the alternate hypothesis is taken to hold as the p value is less than 0.05.

This implies that x_1 (strategic planning) and x_3 (organisational characteristics), taken collectively, explain y_3 (competitive advantage), hence, the model $y_3 = \beta_0 + \beta_{13}x_1 + \beta_{33}x_3 + \epsilon$ is significantly fit at 5% level of significance.

Table 4.65: ANOVA^a of Competitive Advantage versus Strategic Planning and Organisational Characteristics

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	261.618	2	130.809	24.424	.000 ^b
	Residual	1263.942	236	5.356		
	Total	1525.560	238			

a. Dependent Variable: Competitive Advantage

b. Predictors: (Constant), Organisational Characteristics, Strategic Planning

To establish the significance of the organisational characteristics in the model, the analysis on the beta coefficient of model $y_3 = \beta_0 + \beta_{13}x_1 + \beta_{33}x_2 + \epsilon$ was carried out. The results, as shown in Table 4.66, indicate the impact of organisational characteristics on the relationship between strategic planning and competitive advantage with a constant $\beta_0 = 1.270$ and $\beta_{33} = 0.014$.

This suggests that for a unit change in organisational characteristics, there is a 0.014 positive change in the relationship between strategic planning and competitive advantage. However, the value of $P = 0.474$ is greater than the significance level $\alpha = 0.05$. This means that organisational characteristics are insignificant in explaining y_3 (competitive advantage).

Table 4.66: Residual Statistics^a of Competitive Advantage versus Strategic Planning and Organisational Characteristics

Model	Coefficients		t	Sig.
	B	Std. Error		
1 (Constant)	1.270	.866	1.466	.144
Strategic planning	.106	.016	6.525	.000
Firm characteristics	.014	.020	.717	.474

a. Dependent Variable: Competitive Advantage

The model is supported by the results of the correlation matrix in Table 4.67. The correlation matrix identifies which of the independent and moderating variables correlate strongly with the dependent variable and how significant the influence is. It is noted that the Pearson's correlation (r) and corresponding P values for the relationship between the competitive advantage and strategic planning are $r = 0.412$ and $p = 0.0001$ respectively.

On the other hand, the correlation between competitive advantage and organisational characteristics was also statistically significant ($r = 0.148$) with $p = 0.022$, which is less than the significance level $\alpha = 0.05$.

The correlations, $y_3x_1 = 0.412$ and $y_3x_3 = 0.148$, measure the strength of the linear association with the dependent variable, Y_3 (competitive advantage), and this shows that x_1 (strategic planning) is the variable with a stronger linear relationship to the competitive advantage compared with x_3 (organisational characteristics).

This implies that strategic planning influences (linearly) the firm's competitive advantage and organisational characteristics have a significant and moderating effect on the relationship between strategic planning and competitive advantage.

The model, as predicted, holds and is consistent with conceptual literature from which dimensions were distilled and confirms a positive linear relationship between strategic planning practices and competitive advantage of the firm. As a strategic resource, strategic planning practices explain the high performance in SMEs (Wernerfelt, 1984).

Table 4.67: Correlation Matrix of Competitive Advantage versus Strategic Planning and Organisational Characteristics

Variables	correlation	Competitive advantage	Strategic planning	Organisational characteristics
Competitive advantage	Pearson correlation	1		
	Sig. (2-tailed)			
	N	239		
Strategic planning	Pearson correlation	.412**	1	
	Sig. (2-tailed)	.000		
	N	239	239	
Firm characteristics	Pearson correlation	.148*	.260**	1
	Sig. (2-tailed)	.022	.000	
	N	239	239	239

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

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

4.5.6.4 Organisational Characteristics Moderating the Relationship between Strategic Planning and Financial Profitability

To address objective six, the study was interested in testing whether x_1 (strategic planning) and x_3 (organisational characteristics) variables, taken collectively, significantly improve the prediction of y_4 (financial profitability). As shown in Table 4.68, there is a positive and low

linear relationship between strategic planning and the financial profitability of a firm when x_1 and x_3 are tested collectively. It is also observed that the organisational characteristics significantly improve the positive linearity of the relationship between strategic planning and the financial profitability.

As observed in Table 4.28, the correlation coefficient $r=0.095$ between financial profitability and strategic planning is considered significantly different from $r=0.176$ when organisational factors are taken into account.

Table 4.68: Model Summary Parameters of Financial Profitability versus Strategic Planning and Organisational Characteristics

Model	R	R Square
1	.176 ^a	.031

a. Predictors: (Constant), Organisational Characteristics, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_3 (organisational characteristics) in Model IV, $y_4 = \beta_0 + \beta_{14}x_1 + \beta_{34}x_3 + \epsilon$, where y_4 = financial profitability, x_1 = strategic planning, x_3 = organisational characteristics, and ϵ is the error term. As shown in Table 4.69, the significance of the model that x_1 and x_3 , taken together, are significant in influencing y_4 at 5% level of significance was tested. The results show the value of $p=0.025$, which means that the null hypothesis is rejected and the alternate hypothesis is taken to hold since the p value is less than 0.05. This implies that the variables x_1 (strategic planning) and x_3 (organisational characteristics), taken collectively, explain y_4 (financial profitability) and the model $y_4 = \beta_0 + \beta_{14}x_1 + \beta_{34}x_3 + \epsilon$ is significantly fit at 5% level of significance.

Table 4.69: ANOVA of Financial Profitability versus Strategic Planning and Organisational Characteristics

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	124.794	2	62.397	3.766	.025 ^b
Residual	3910.344	236	16.569		
Total	4035.138	238			

a. Dependent Variable: Financial Profitability

b. Predictors: (Constant), Organisational Characteristics, Strategic Planning

To establish the significance of the organisational characteristics in the model, the analysis on the beta coefficient of model $y_4 = \beta_0 + \beta_{14}x_{14} + \beta_{34}x_{34} + \epsilon$ was carried out. The results, as shown in Table 4.70, indicate the influence of organisational characteristics on the relationship between strategic planning and financial profitability with a significant constant $\beta_0 = 12.782$ with $p=0.0001$. The resulting values of the strategic planning practices, $\beta_{14} = 0.024$ and $P = 0.405$, suggest a positive but insignificant influence of strategic planning on financial profitability. On the other hand, firm characteristics are significant with $\beta_{34} = 0.079$ and $P = 0.022$ suggesting that organisational characteristics influence financial profitability more than strategic planning practices.

Table 4.70: Residual Statistics^a of Financial Profitability versus Strategic Planning and Organisational Characteristics

Model	Coefficients			t	Sig.
	B	Std. Error			
1 (Constant)	12.782	1.523		8.392	.000
Strategic planning	.024	.029		.834	.405
Firm characteristics	.079	.034		2.307	.022

a. Dependent Variable: Financial Profitability

The coefficient parameters are consistent with the correlation matrix analysis shown in Table 4.71. The correlation matrix identifies which of the variables, x_1 =strategic planning and x_3 =organisational characteristics, correlate strongly with the dependent variable y_4 (financial profitability). It is noted that the Pearson's correlation (r) and corresponding p values of the relationship between financial profitability and strategic planning are $r =0.095$ and $p=0.142$ respectively.

On the other hand, the correlation between financial profitability and organisational characteristics is ($r=0.168$ with $p=0.009$), which is less than the significance level of 0.05. Thus $y_4x_1= 0.095$ and $y_4x_3= 0.168$ measure the strength of the linear association with the dependent variable y_4 (financial profitability) and this shows that x_3 (organisational characteristics) is the variable with a stronger linear relationship to financial profitability compared with x_1 .

This implies that organisational characteristics are significant and influence (linearly) financial profitability of a small business more than the strategic planning practices. The analysis suggests a model expression that includes the organisational characteristics as the moderating variable.

The model is adjusted as: $y_4 = 12.782 + 0.024x_1 + 0.079x_3 \in$

Our findings correspond with the findings of previous studies (Sorooshian *et al.*, 2010; Andersen, 2000; Greve, 2008) which concluded that organisational characteristics such as firm age and size moderate positively the effect of strategic issues on the financial performance and

support the multidimensional approach in the treatment of planning effectiveness (Kargar & Parnell, 1996).

We conclude that increase in the effectiveness of strategic planning practices moderated by the strength of the organisational characteristics increases the probability of achieving a high financial profitability, in terms of increase in sales, profits, liquidity and assets.

Table 4.71: Correlation Matrix of Financial Profitability versus Strategic Planning and Organisational Characteristics

Variables	Correlation	Financial profitability	Strategic planning	Firm characteristics
Financial profitability	Pearson correlation Sig. (2-tailed) N	1 239		
Strategic planning	Pearson correlation Sig. (2-tailed) N	.095 .142 239	1 239	
Firm characteristics	Pearson correlation Sig. (2-tailed) N	.168** .009 239	.260** .000 239	1 239

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

4.6. Combined Influence of Moderating Variables and Strategic Planning Outcomes

The study investigated the collective influence of the two moderating variables on the strategic planning outcomes (learning and growth, internal business processes, competitive advantage and financial profitability). The following section presents the results of the hypothesis testing.

4.6.1. Environment and Organisational Characteristics Moderating the Relationship Between Strategic Planning and Learning and Growth

The study further continued with exploratory analysis to determine whether the two moderating variables taken collectively improve significantly the influence of the independent variable on the dependent variable. As shown in Table 4.72, there is a positive moderate linear relationship between strategic planning and learning and growth when the strategic planning, environmental factors and organisational characteristics are collectively tested. This is indicated by the positive linear correlation coefficient $R=0.501$. The correlation of determination $R^2=0.251$ measure the strength of the linear relationship between Y_1 (learning and growth), x_1 (strategic planning), x_2 (environmental factors), and x_3 (organisational characteristics).

From the observation, however, the influence of the environmental factors and organisational characteristics on the relationship between strategic planning and learning and growth is not significant as the correlation coefficient $R=0.501$ is not significantly different from the correlation coefficient of $R=0.491$ established in Table 4.16 of the relationship between strategic planning and learning and growth. This means that x_2 and x_3 taken jointly increases the influence of the relationship between strategic planning and learning and growth, but this influence may not be significant.

Table 4.72: Model Summary of Learning and Growth versus Strategic Planning, Environment and Organisational Characteristics

Model	R	R Square
1	.501 ^a	.251

a. Predictors: (Constant), Organisational Characteristics, Environment, Strategic Planning
 Further analysis tested the significance of the overall model using the Analysis Of Variance (ANOVA) for regression. Based on the overall model 1, $y_1 = \beta_0 + \beta_{11}x_1 + \beta_{21}x_2 + \beta_{31}x_3 + \epsilon$ it was necessary to test the null hypothesis $H_0: \beta_{11} = \beta_{21} = \beta_{31} = 0$ versus the alternate hypothesis H_1 : **At least one of the β 's** is not zero. This was analysed using the equation F calc (calculation) and comparing with the Fcrit (critical). Using the equation below:

$$F_{calc} = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

$$F_{calc} = \frac{0.251/3}{(1 - 0.251)/(239 - 3 - 1)} = 26.25056$$

The value of the F critical based on the following equation where k=number of x variables, n = sample size and α is the 5% level of significance.

$$F_{crit} = F_{(k, (n-k-1))}(\alpha)$$

$F_{crit} = F_{(3, (239-3-1))}(0.05) = 2.6430$. Since F_{calc} is $\geq F_{crit}$, the null hypothesis is rejected as one or more of the β 's is not equal to zero and, therefore, the overall model is significant at 5% level of significance. The analysis suggests a model expression including the moderating variables as:

$$Y = 3.590 + 0.131x_1 + 0.066x_2 + 0.029x_3 + \epsilon$$

Thus the model as predicted holds and is consistent with conceptual literature from which dimensions were distilled and confirms positive linear relationship between strategic planning practices and learning and growth with the environmental factors and organisational characteristics as moderating variables.

Similar studies by (Kargar & Parnell, 1999(year); Greve, 2008; Mugler, 2002) concluded that performance of an enterprise depends more on how variables are interrelated than on the effect of isolated success factors and thus support a multidimensional treatment of the effectiveness of strategic planning. Moreover, Phillips and Peterson (1999) found that strategic planning results to learning which in the long run accumulates to competencies.

4.6.2:Environmental Factors and Organisational Characteristics Moderating the Relationship Between Strategic Planning and Internal Business Processes

The study further continued with the analysis to find out whether the independent and moderating variables taken collectively improve significantly the influence of the independent variable on the dependent variable. As shown in Table 4.73, there is a positive moderate linear relationship between strategic planning and internal business processes when the environmental factors and organisational characteristics are taken into account .This is indicated by the positive linear correlation coefficient $R=0.433$.

The correlation of determination $R^2 =0.187$ measure the strength of the linear relationship between Y_2 (internal business processes) and the variables x_1 , (strategic planning), x_2 (environmental factors and x_3 (organisational characteristics) and this implies that 18.7 per cent

of the corresponding change in the internal business processes is as a result of a unit change in the strategic planning and moderating variables taken collectively.

Table 4.73 Model Summary of internal business Processes versus Strategic Planning, Environment and Organisational Characteristics

Model	R	R Square
1	.433 ^a	.187

Predictors: (Constant), Organisational Characteristics, Environment, Strategic Planning

Further analysis tested the significance of the overall model using the Analysis Of Variance (ANOVA) for regression. Based on the overall model I1, $y_2 = \beta_0 + \beta_{12}x_1 + \beta_{22}x_2 + \beta_{32}x_3 + \epsilon$ it was necessary to test the null hypothesis $H_0: \beta_{12} = \beta_{22} = \beta_{32} = 0$ versus the alternate hypothesis, H_1 : that at least one of the β 's is not zero.

This was analysed using the equation F calc (calculation) and comparing with the Fcrit(critical).

Using the equation below:

$$F_{calc} = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

$$F_{calc} = \frac{0.187/3 = 0.0623}{(1 - 0.187)/(239 - 3 - 1)} = 18.01763$$

The value of the F critical based on the following equation where k=number of x variables, n = sample size and α is the 5% level of significance.

$$F_{crit} = F_{(k, (n-k-1))}(\alpha)$$

$F_{crit} = F_{(3, (239-3-1))} (0.05) = 2.6430$. Since F_{calc} is $\geq F_{crit}$, the null hypothesis is rejected as one or more of the β 's is not equal to zero therefore, the overall model is significant at 5% level of significance. The analysis suggests a model expression including the organisational characteristics as the moderating variable. The outcome model thus remains: $y = 2.708 + 0.110x_1 + 0.034x_2 + 0.041x_3 + \epsilon$. The model as predicted holds and is consistent with conceptual literature from which dimensions were distilled and confirms positive linear relationship between strategic planning practices and internal business processes with the environmental factors and organisational characteristics as the moderating variables.

These finding also consistent with previous finding which found that the adoption of the internal business processes such as budgetary targets and cost control improve the organisational efficiency (Sadler, 2003; Obiajolum & Ngoasong, 2008).

Another study by Andersen (2000) concluded that strategic planning is an important performance driver and enhances organisational economic performance and innovation.

4.6.3 Environmental Factors and Organisational Characteristics. Moderating the Relationship between Strategic Planning and Competitive Advantage

To address objective six, the study was interested in testing the overall model and whether x_1 (strategic planning) x_2 (environmental factors), and x_3 (organisational characteristics) variables, taken collectively, significantly improve the prediction of y_3 (competitive advantage). As tabulated in Table 4.74, there is a positive moderate linear relationship between strategic planning and the competitive advantage of a firm when

x_1 , x_2 and x_3 are tested collectively. This is indicated by the positive linear correlation

coefficient $R=0.414$. The correlation of determination $R^2=0.172$ measure the strength of the linear relationship between y_3 (competitive advantage) and the variables x_1 (strategic planning), x_2 (environmental factors), and x_3 (organisational characteristics) taken jointly.

Table 4.74 Model Summary of Competitive Advantage Versus Strategic Planning, Environment and Organisational Characteristics

Model	R	R Square
1	.414 ^a	.172

a. Predictors: (Constant), Firm Characteristics, Environment, Strategic Planning

Further analysis tested the significance of the overall model using the Analysis Of Variance (ANOVA) for regression. Based on the overall model $y_3 = \beta_0 + \beta_{13}x_1 + \beta_{23}x_2 + \beta_{33}x_3 + \epsilon$ it was necessary to test the null hypothesis $H_0: \beta_{13} = \beta_{23} = \beta_{33} = 0$ Vs the alternate hypothesis, H_1 : that at least one of the β 's is not zero. This was analysed using the equation F calc(calculation) and comparing with the F_{crit} (critical). Using the equation below:

$$F_{calc} = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

$$F_{calc} = \frac{0.172/3}{(1 - 0.172)/(239 - 3 - 1)} = 16.27214$$

The value of the F critical based on the following equation where k =number of x variables, n = sample size and α is the 5% level of significance.

$$F_{crit} = F_{(k,(n-k-1))}(\alpha)$$

$F_{crit} = F_{(3,(239-3-1))}(0.05)=2.6430$. Since F_{calc} is $\geq F_{crit}$, the null hypothesis is rejected and

Thus one or more of the β 's is not equal to zero and therefore, the overall model is significant at 5% level of significance. The analysis suggests a model expression including the moderating as the moderating variables. The outcome model thus remains:

$$y_3 = 1.402 + 0.106x_1 - 0.009 + 0.014x_3 + \epsilon$$

The model as predicted holds and is consistent with conceptual literature from which dimensions were distilled and confirms positive linear relationship between strategic planning practices and competitive advantage of a firm with both the environmental factors and organisational characteristics as the moderating variables. These finding are also consistent with previous finding which concluded that performance of an enterprise depends more on how variables are interrelated than on the effects of isolated success factors and that such configuration are likely to lead to positive or negative strategic developments (Mugler, 2002; Kargar & Parnell, 1996; O'Regan *et al.*, 2007).

4.6.4. Environmental Factors and Organisational Characteristics Moderating the Relationship Between Strategic Planning and Financial Profitability

To address objective six, the study was interested in testing whether the overall model in respect of x_1 (strategic planning) x_2 (environmental factors), and x_3 (organisational characteristics) variables, taken collectively, significantly improve the prediction of y_4 (financial profitability). As tabulated in Table 4.75, there is a low positive linear relationship between strategic planning and the financial profitability of a firm when x_1 , x_2 and x_3 are tested collectively. This is indicated by the positive linear correlation coefficient of $R=0.176$.

The correlation of determination $R^2 = 0.031$ measure the strength of the linear relationship between y_4 (financial profitability) and the variables x_1 , (strategic planning), x_2 (environmental factors), and x_3 (organisational characteristics) taken jointly.

Table 4.75 Model Summary of Financial Profitability versus Strategic Planning, Environment and Organisational Characteristics

Model	R	R Square
1	.176 ^a	.031

a. Predictors: (Constant), Organisational Characteristics, Environment, Strategic Planning

Further analysis tested the significance of the overall model using the Analysis of Variance (ANOVA) for regression. Based on the overall model IV $y_4 = \beta_0 + \beta_{14}x_1 + \beta_{24}x_2 + \beta_{34}x_3 + \epsilon$, it was necessary to test the null hypothesis $H_0: \beta_{14} = \beta_{24} = \beta_{34} = 0$ versus the alternate hypothesis, H_1 : that at least one of the β 's is not zero.

This was analysed using the equation F_{calc} (calculation) and comparing with the F_{crit} (critical).

Using the equation below:

$$F_{calc} = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

$$F_{calc} = \frac{0.031/3}{(1 - 0.031)/(239 - 3 - 1)} = 2.5060$$

The value of the F critical based on the following equation where k=number of x variables, n = sample size and α is the 5% level of significance.

$$F_{crit} = F_{(k, (n-k-1))}(\alpha)$$

$F_{crit} = F_{(3, (239-3-1))}(0.05) = 2.6430$. Since F_{calc} is $< F_{crit}$, we fail to reject the null hypothesis as the alternate hypothesis indicate that at least one or more of the β 's is equal to zero and therefore, the overall model is not significant at 5% level of significance.

The analysis suggests that the collective influence of strategic planning and the moderating variables have no direct influence on the financial performance of SMEs. These findings are consistent with previous findings which found that having strategic planning practices does not lead automatically to higher performance in terms of sales and profits (Andersen, 2000) and that financial performance represents the narrowest conceptualisation of a firm performance (Hakimpoor *et al.*, 2011).

Likewise, as predicted by theory on the balanced score card (Kaplan & Norton, 1996), it is observed that operational performance in terms of the lead indicators like learning and growth and internal business improvement are key parameters that may lead to improved financial performance (Hakimpoor *et al.*, 2011). This reflects an indirect effect of strategic planning on the financial performance of a firm.

4.7. Overall Performance

The following section presents the results of the exploratory analysis of the extent of strategic planning on the overall performance of the SMEs, as well as the extent of the moderating variables taken singly and collectively on the overall performance.

4.7.1 Overall Performance Versus Strategic Planning

Further exploratory analysis examined the relationship between the overall performance, which constitutes the sub-performance measures of learning and growth, internal business processes, competitive advantage and financial profitability and the strategic planning. Figure 4.18 showing a scatter plot of the two variables portrays a high positive linear relationship between overall performance and strategic planning practices.

This suggests that the overall performance of small firms improves as strategic planning practices.

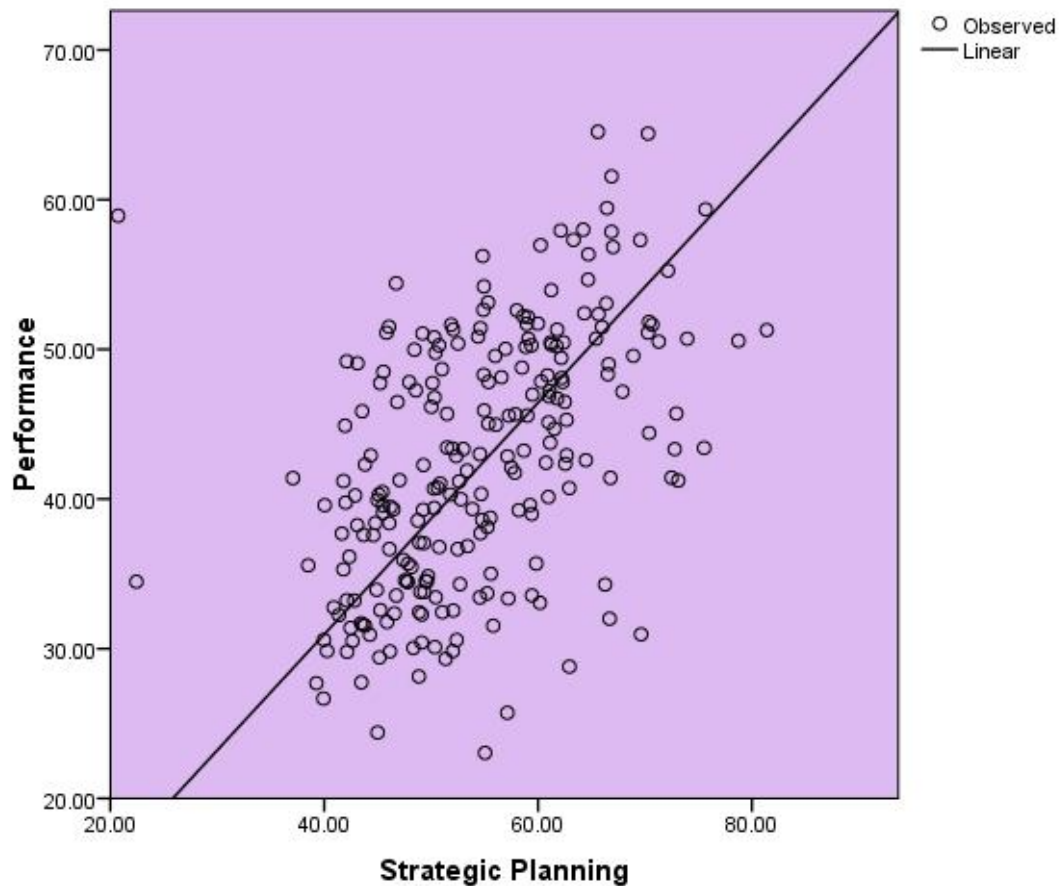


Fig. 4.18 Scatter Plot of Overall versus Strategic Planning Performance

To determine the nature of the overall relationship between overall performance and strategic planning, a linear regression analysis was conducted. The results as shown in Table 4.76 indicate a high positive linear relationship with correlation coefficient of $R=0.494$. The coefficient of determination was determined as $R^2=0.244$, indicating a moderate strength in the relationship between performance and strategic planning practices as 24.4% of the

corresponding change in the firm performance can be explained by a unit change in the strategic planning practices. Two aspects are noted from the above results. First, learning and growth constitute the dependent variable that seem to contribute significantly to the overall performance, as it had coefficient determination of $R^2=0.241$.

The internal business processes and competitive advantage had $R^2=0.172$ and $R^2=0.170$ respectively, while the financial profitability had the lowest coefficient of determination of $R^2=0.009$. Secondly, these results are an indication that there are obviously other important determinants of performance.

Table 4.76: Model summaries of Overall Performance versus Strategic Planning

Model	R	R Square ^b
1	.494 ^a	.244

a. Predictors: (Constant), Strategic Planning

Further exploratory analysis was carried out in respect to the overall model $y = \beta_0 + \beta_1 x_1 + \epsilon$ where, $y = \text{overall performance}$, $x_1 = \text{strategic planning}$, β_1 shows the change in dependent variable for a unit change in the independent variable, and ϵ is the error term. The Analysis of Variance (ANOVA) as tabulated in Table 4.77 tests for significance of the partial overall model that x_1 is significance at 5 % level of significance ($\alpha = 0.05$) by testing the assumption of the null hypothesis $H_0: \beta_1 = 0$ versus the alternate hypothesis $H_1: \beta_1 \neq 0$. As shown in Table 4.77, the value of $P = 0.0001$ means that the null hypothesis is rejected and the alternate hypothesis

holds since the **P value is less than (0.05)**. This implies that x_1 (strategic planning) is significant in explaining y (overall performance) of a firm and the model $y = \beta_0 + \beta_1 x_1 + \epsilon$ is significantly fit at 5 % level of significance.

Table 4.77:ANOVA^a of Overall Performance versus Strategic Planning

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	4225.806	1	4225.806	76.359	.000 ^b
Residual	13115.813	237	55.341		
Total	17341.619	238			

a. Dependent Variable: Performance

b. Predictors: (Constant), Strategic Planning

Additionally, as tabulated in Table 4.78 the beta coefficients parameters indicate a significant constant $\beta_0 = 18.590$ and $P = 0.001$. The coefficient $\beta_1 = 0.441$ and P value = 0.0001 suggests that for a unit change in strategic planning practices there is 0.441 positive change in the overall performance and that this change is significant as the **P value** is less than the level of significance $\alpha = 0.05$. This suggests that an increase in performance is contributed by increase in strategic planning practices. These results are consistent with previous empirical standing and conclusions that supported the multidimensionality treatment of performance based on planning effectiveness (Kargar & Parnell, 1996; Hakimpoor *et al.*, 2011; Mugler, 2002).

Table 4.78:Coefficient^a parameters of Overall Performance versus Strategic Planning

Model	Unstandardised Coefficients				Sig.
	B	Std. Error	t		
1 (Constant)	18.590	2.782	6.681	.000	
Strategic Planning	.441	.051	8.738	.000	

a. Dependent Variable: Performance

4.7.2 Environmental Factors Moderating the Relationship between Strategic Planning and Overall Performance

The study proceeded to test whether x_1 (strategic planning) and x_2 (environmental factors) variables, taken collectively, significantly improve the prediction of y (overall performance). As tabulated in Table 4.79, x_1 and x_2 taken together did not improve the prediction of y as the correlation coefficient $R=0.494$ did not change from that observed in Table 4.76, on the relationship between y (overall performance) and x_1 (strategic planning). This is not surprising as it supports the multicollinearity effect due to the strong correlation between strategic planning and environmental factors.

Table 4.79: Model Summary Parameters of Overall Performance Versus Strategic Planning and Environment

Model	R	R Square
1	.494 ^a	.244

a. Predictors: (Constant), Environment, Strategic Planning

Further analysis on ANOVA was undertaken to test the significance of x_2 (environmental factors) in Model, $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \epsilon$. Where, $y = \text{overall performance}$, $x_1 = \text{strategic planning}$, $x_2 = \text{environmental factors}$, and ϵ is the error term. As tabulated in Table 4.80 the results show the value of $P = 0.0001$ and this means the null hypothesis is rejected as the alternate hypothesis is taken to hold since P value is less than $\alpha = 0.05$. This implies that x_1 (strategic planning) and x_2 (environmental factors) taken collectively explain y (overall performance) and the model $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \epsilon$ is significantly fit at 5 % level of significance.

Table 4.80:ANOVA^a of the Overall Performance versus Strategic Planning and Environment

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	4227.700	2	2113.850	38.041	.000 ^b
Residual	13113.919	236	55.567		
Total	17341.619	238			

a. Dependent Variable: Performance

b. Predictors: (Constant), Environment, Strategic Planning

To establish the significance of the environment in the partial model, the analysis on the beta coefficient of model $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \epsilon$ was carried out. The results as shown in Table 4.81 indicate the impact of environmental factors on the relationship between strategic planning and the overall performance with a significant constant $\beta_0 = 18.960$ with $P = 0.0001$, while the strategic planning practices parameters ($\beta_1 = 0.441, P = 0.0001$) suggests a positive and significant influence of strategic planning on the overall performance.

On the other hand, environmental factors shows insignificant values of $\beta_2 = -0.036$ and $P = 0.854$ suggesting that for a unit change in environmental factors, there is - 0.036 (negative) change in the overall performance. This means that $x_1 = \text{strategic planning}$ and $x_2 = \text{environmental factors}$ taken collectively are not significant in explaining y (overall performance) at 5% level of significance.

Table 4.81: Residuals Statistics^a of the Overall Performance versus Strategic Planning and Environment

Model	Unstandardised Coefficients			
	B	Std. Error	t	Sig.
1 (Constant)	18.960	3.434	5.522	.000
Strategic Planning	.441	.051	8.719	.000
Environment	-.036	.195	-.185	.854

a. Dependent Variable: Performance

The resulting model is supported by the results of the correlation matrix in Table 4. 82. The correlation matrix identifies which of the variables $x_1 = \text{strategic planning}$, $x_2 = \text{environmental factors}$ correlate strongly with the dependent variable y (overall performance). It is noted that the Pearson's correlation (r) and corresponding P values of the relationship between overall performance and strategic planning are $r = 0.494$ and $P = 0.0001$ respectively. On the other hand the correlation between overall performance and environmental factors is $r = -0.013$ and $P = 0.836$ respectively. It is noted that the P value is greater than the significance level of $P = 0.05$ and thus not significant. The correlation $yx_1 = 0.494$ and $yx_2 = -0.013$ measure the strength of the linear association with the dependent variable y (overall performance). This shows that x_1 (strategic planning) is the variable with a stronger linear relationship to the overall performance compared with x_2 , environmental factors which reflect low negative linear relationship.

The analysis suggests that x_2 is not significant in the model. The presence of multicollinearity suggested by the strong correlation between strategic planning and environmental factors are reflective of the results observed. As suggested by the previous studies, the degree of awareness

of external environmental threats and opportunities is associated with the degree of overall emphasis on the strategic planning process (Sussman *et al.*, 2006). This may suggest that environmental factors are likely to have more direct influence on strategic planning components.

Table 4.82: Correlation Matrix of Overall Performance Versus Strategic Planning and Environment

Variables	Correlation	Performance	Strategic Planning	Environment
Performance	Pearson Correlation Sig. (2-tailed)	1		
	N	239		
Strategic Planning	Pearson Correlation Sig. (2-tailed)	.494**	1	
	N	239	239	
Environment	Pearson Correlation Sig. (2-tailed)	-.013	-.006	1
	N	239	239	239

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

4.7.3 Organisational Characteristics Moderating the Relationship Between Strategic Planning and Overall Performance

The study was interested in testing whether x_1 (strategic planning) and x_3 (organisational characteristics) variables, taken collectively, significantly improve the prediction of y (overall performance). As tabulated in Table 4.83, there is a high and positive moderate linear relationship between strategic planning and the overall performance of a firm when x_1 and x_3 are tested collectively.

It is also observed that the organisational characteristics significantly improves the positive linearity of the relationship between strategic planning and the overall performance. As observed in Table 4.76 the correlation coefficient $r=0.494$ between overall performance and strategic planning is considered as significantly different from $r=0.510$ when organisational factors are taken into account.

Table 4.83: Model Summary Parameters of the Overall Performance versus Strategic Planning and Organisational Characteristics

Model	R	R Square
1	.510 ^a	.260

b. Predictors: (Constant), Firm Characteristics, Strategic Planning

An analysis on ANOVA was undertaken to test the significance of x_3 (organisational

characteristics) in model $y = \beta_0 + \beta_1 x_1 + \beta_3 x_3 + \epsilon$ where;

$y = \text{overall performance}$, $x_1 = \text{Strategic Planning}$, $x_3 = \text{organisational characteristics}$, and ϵ is

the error term. Results shown in Table 4.84 tested for significance of the model that x_1 and x_3

taken together are significant at 5% level of significance ($\alpha = 0.05$). This was done by testing

the null hypothesis $H_0: \beta_1 = \beta_3 = 0$ versus the alternate hypothesis H_1 : At least one of the β_1 or

$\beta_3 \neq 0$. The results show the value of $P = 0.0001$ and this means that we fail to reject the

null hypothesis as the alternate hypothesis fails to hold as the P value is $\leq \alpha = 0.05$. This implies

that the variables x_1 (strategic planning) and $x_3 = \text{organisational characteristics}$ taken

collectively explain y (overall performance) at 5% level of significance.

Table 4.84: ANOVA of the Overall Performance versus Strategic Planning and Organisational Characteristics

Model	Sum of squares	df	Mean square	F	Sig.
1 Regression	4515.553	2	2257.777	41.543	.000 ^b
Residual	12826.065	236	54.348		
Total	17341.619	238			

b. Predictors: (Constant), Organisational Characteristics, Strategic Planning

To establish the significance of the organisational characteristics in the partial model, the analysis on the beta coefficient of model $y = \beta_0 + \beta_1 x_1 + \beta_3 x_3 + \epsilon$ was carried out. The results as shown in Table 4.85 indicate the influence of organisational characteristics on the relationship between strategic planning and overall performance with a significant constant $\beta_0 = 18.779$ and $P = 0.0001$, while the strategic planning practices values are $\beta_1 = 0.410$ and $P = 0.0001$. This suggests a positive and significant influence on the overall performance.

Likewise, the firm characteristics is significant with $\beta_3 = 0.144$ and $P = 0.022$ suggesting that for a unit change in organisational characteristics there is 0.144 positive change in the overall performance. Thus, the overall model $y = \beta_0 + \beta_1 x_1 + \beta_3 x_3 + \epsilon$ is significant at 5% level of significance.

Table 4.85: Residual Statistics^a of the Overall Performance versus Strategic Planning and Organisational Characteristics

Model	Unstandardised Coefficients		t	Sig.
	B	Std. Error		
1 (Constant)	18.779	2.758	6.808	.000
Strategic Planning	.410	.052	7.912	.000
Firm Characteristics	.144	.062	2.309	.022

a. Dependent Variable: Performance

The resulting model is consistent with the correlation matrix analysis shown in Table 4.86. The correlation matrix identifies which of the variables $x_1 = \text{strategic planning}$ and $x_3 = \text{organisational characteristics}$ correlate strongly with the dependent variable y (overall performance).

It is noted that the Pearson's correlation (r) and the corresponding P values of the relationship between overall performance and strategic planning are $r = 0.494$ and $P = 0.0001$ respectively. On the other hand the correlation between the overall performance and organisational characteristics are $r = 0.253$ with $P = 0.0001$. Thus both variables are significant and influence overall performance. The results $yx_1 = 0.494$ and $yx_3 = 0.253$ measure the strength of the linear association with the dependent variable $y(\text{overall performance})$ and this shows that x_1 (strategic planning) is the variable with a stronger linear relationship to the overall performance compared with x_3 (organisational characteristics).

This implies that strategic planning influences (linearly) a small business overall performance more than the organisational characteristics. The analysis suggests a partial model expression that include the organisational characteristics as the moderating variable. The model is reflected as: $y = 18.779 + 0.410x_1 + 0.144x_3 \epsilon$.

The model as predicted holds and is consistent with conceptual literature from which dimensions were distilled and confirms positive linear relationship between strategic planning practices and the firm performance with moderating effects of the organisational characteristics (Mugler, 2002; Kargar & Parnell, 1996; Hakimpour *et al.*, 2011).

Table 4.86: Correlation Matrix of the Overall Performance Versus Strategic Planning and Organisational Characteristics

Variables	Correlation	Performance	Strategic Planning	Firm Characteristics
Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	239		
Strategic Planning	Pearson Correlation	.494**	1	
	Sig. (2-tailed)	.000		
	N	239	239	
Firm Characteristics	Pearson Correlation	.253**	.260**	1
	Sig. (2-tailed)	.000	.000	
	N	239	239	239

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

4.7.4. Environmental Factors and Organisational Characteristics Moderating the Relationship Between Strategic Planning and Overall Performance

The study was interested in testing whether x_1 (strategic planning), x_2 (environmental factors), and x_3 (organisational characteristics) taken collectively, significantly improve the prediction of y (overall performance). As tabulated in Table 4.87, there is a high positive linear relationship

between strategic planning and the overall performance when x_1, x_2 and x_3 are tested collectively. This is indicated by the positive linear correlation coefficient $R=0.511$. The correlation of determination $R^2=0.261$ measure the strength of the linear relationship between y and x_1, x_2 and x_3 taken jointly. This means that 26.1% of the corresponding change in the overall firm performance can be explained by a unit change in the x_1, x_2 , and x_3 taken collectively.

Table 4.87: Model Summary of Overall performance Versus Strategic Planning, Environment and Organisational Characteristics

Model	R	R Square
1	.511 ^a	.261

a. Predictors: (Constant), Organisational Characteristics, Environment, Strategic Planning

Further analysis tested the significance of the overall performance model using the Analysis Of Variance (ANOVA) for regression. Based on the overall model $y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \epsilon$, the analysis tested the null hypothesis $H_0: \beta_1 = \beta_2 = \beta_3 = 0$ versus the alternate hypothesis, $H_1: \text{At least one of the } \beta\text{'s is not zero}$. This was analysed using the equation F_{calc} (calculation) and comparing with the F_{crit} (critical). Using the equation below:

$$F_{calc} = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

$$F_{calc} = \frac{0.261/3}{(1 - 0.261)/(239 - 3 - 1)} = 27.66576$$

The value of the F critical based on the following equation where k=number of x variables, n = sample size and α is the 5% level of significance.

$$F_{crit} = F_{(k, (n-k-1))}(\alpha)$$

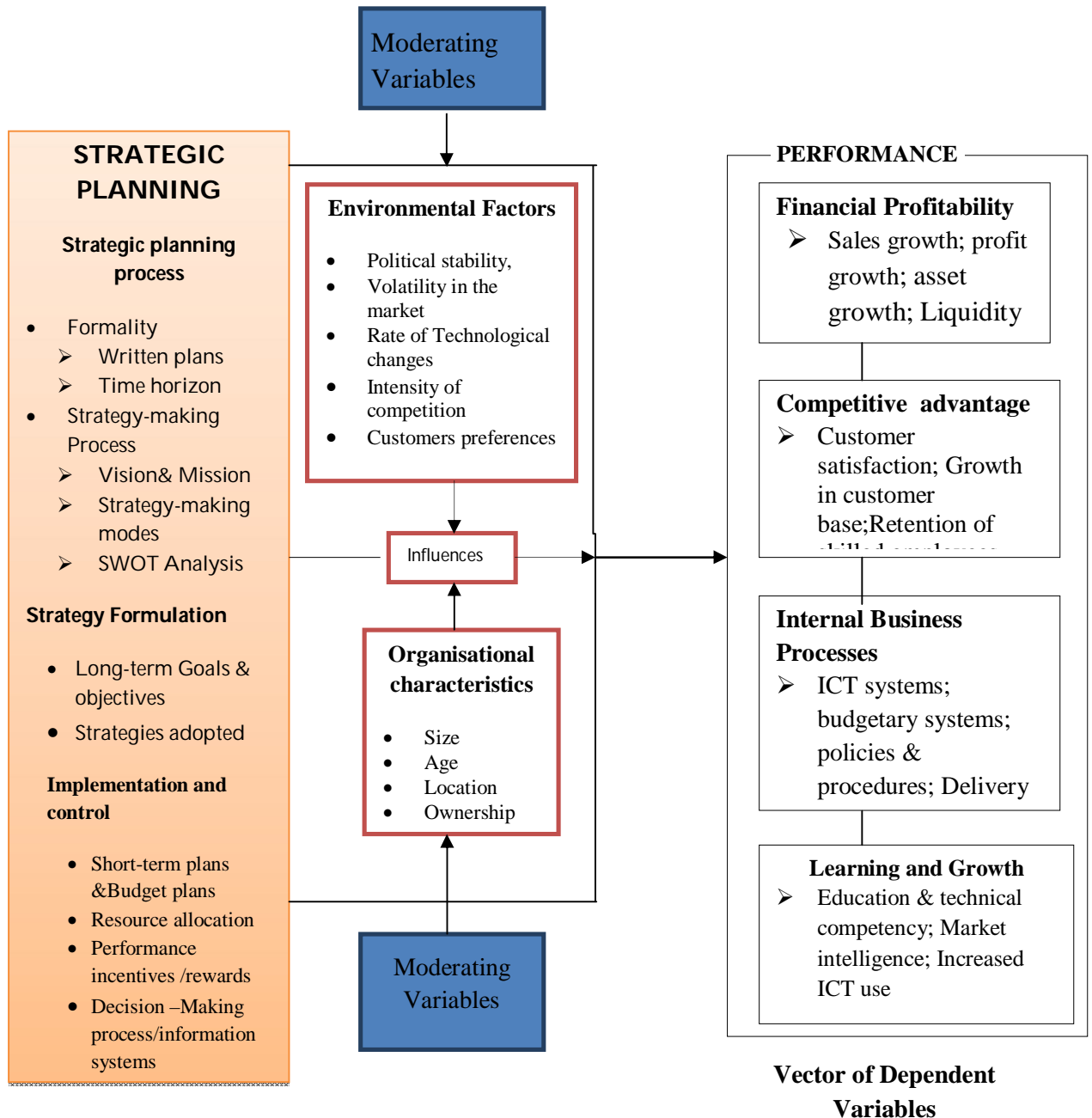
$F_{calc} = F_{(3, (239-3-1))}(0.05) = 2.6430$. Since F_{calc} is $\geq F_{crit}$, the null hypothesis is rejected and the alternate hypothesis holds. This means that the overall model is significant at 5% level of significance. The model as predicted holds and is consistent with conceptual literature from which dimensions were distilled and confirms positive linear relationship between strategic planning practices and the firm overall performance.

These findings are consistent with previous findings which found that strategic planning practices positively and significantly influence the performance of the SMEs through the improvement of key performance indicators, namely learning and growth, internal business processes, competitive advantage and financial profitability (Andersen, 2000; Hakimpoor *et al.* 2011; Mugler, 2002; Kraus *et al.*, 2006).

The theoretical literature was equally supported and systems theory which advocates for the interrelationships between the variables and linkages on key factors in assessing organisational performance. The resource based view (RBV) was justified when organisations view effective strategic planning practices as a resource and a learning tool that increase competencies and long run competitive advantage, sustainability and superior performance.

4.8. The Study Outcome Model

From the research findings above, the study model is revised as shown in Figure 4.19.



Vector of Independent Variable

Figure 4.19: Revised Study Model

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter summarises the findings of the study. The chapter also presents the conclusions and recommendations based on the research findings, and suggest areas for further research. Thus, the chapter proceeds as follows: Section 5.2: Summary of findings; Section 5.3: Conclusions; Section 5.4: Recommendations; Section 5.5, and Section 5.5: Areas for future research.

5.2 Summary of Findings

This study sought to explore the role of strategic planning and performance of small and medium enterprises (SMEs) in the Information Communication and Technology (ICT) sector in Kenya. Specifically, the study examined the influence of strategic planning practices on the multi-dimensional performance measures comprising learning and growth, internal business processes, competitive advantage and financial profitability while moderating for the effects of environmental factors and organisational characteristics.

The central question of the research was to establish the extent to which strategic planning influences the performance of SMEs. The study was conducted among 146 ICT SMEs selected randomly from a stratified population of 438 ICT firms based in Nairobi. Data was collected using a questionnaire after pilot testing to determine its reliability.

The questionnaire was distributed to three levels of management comprising, top, middle and lower management and supplemented by an interview guide. Of the sample target of 146 firms, respondents from 123 firms participated in the survey achieving 84.2% response rate. In terms of the respondent types, a total of 239 respondents participated representing 55%.

The summaries of findings for each research question investigated are outlines in the following section. This section also reports the findings on the combined model of the influence of strategic planning on overall performance.

5.2.1 Preliminary Findings

The preliminary study findings revealed key characteristics of the respondents in terms of the level of education, age and gender. The study revealed that 64% of the respondents had a higher educational level of a degree and above. This was noted to be higher than in other sectors like the manufacturing and trade industries, which were found to have 30% (Ngugi, 2012). This study concluded that the ICT SME sector in Kenya is, to a large extent, endowed with higher educational resource capacity. Thus, it has potential to be more productive and likely to engage in good management practices such as strategic planning.

In terms of age distribution, majority of the respondents comprising 80% were less than forty (40) years with those aged between 26-30 constituting 47%. This is unlike other business sectors, which showed that 60% of employees were between 36 and 55 years (Ngugi, 2012). The findings revealed that the ICT industry is endowed with a mix of human capital that is both young and mature.

This is likely to encourage flexibility, innovation and creation of new core competencies and, hence, the likelihood of enhanced firm capabilities. Gender analysis revealed that 76% of the respondents were male and 24% were female. Key firm characteristics included firm age, number of employees, firm category based on annual sales and total assets. The study revealed that majority comprising 67% of ICT SMEs had been in existence for over 6 years, while 33% had been in existence for five years and below.

In terms of the number of employees, 63% had 1-10 employees, 33% had 11-50, and 4% had 51 to 100 employees. Based on Kenya's definition of SMEs, the majority of the SMEs with 1-10 employees would be classified under micro enterprises, yet in terms of annual sales and total assets, this study found that most of them fall either under small or medium enterprise categories.

This may be an indication that the ICT SME sector is not necessarily labour intensive and, thus, the number of full-time employees as a measure of growth in this sector may not be the most desirable, reliable and conclusive measurement of growth. The SME classification based on annual sales and total investments revealed that the results were more or less consistent with the classification of SMEs in Kenya. However, 27% and 8% had annual sales and total assets exceeding Ksh 20 million and Ksh 800 million respectively. This exceeded the category limits for a medium-sized enterprise.

5.2.3 Study Objective and Hypotheses

The study set out to investigate and test six specific research objectives. The answers to the specific research objectives and hypothesis are summarised in the following sections:

5.2.3.1 Objective 1: To determine whether strategic planning influences learning and growth of ICT SMEs performance in Kenya.

The study sought to find out whether strategic planning combined processes and actions, influences learning and growth in the businesses owned by Kenyan SMEs in the Information, Communication and Technology (ICT) sector. The findings of this study suggested that strategic planning processes and actions influence learning and growth of a business owned by ICT SMEs. The study revealed business enterprises analyze key internal resources as part of the strategic planning processes and view skills and know-how, market information and internal systems and operations as important in establishing a firm's capabilities.

The influence of these strategic planning processes and actions on learning and growth are demonstrated by the extent of educational and technical competency levels, adequacy of market information, and increase in technology use. The study suggests that ICT SMEs were endowed with adequate educational and technical competencies levels. In addition, based on strategic planning processes businesses see more need for market information and increased use of technology.

From the study, strategic planning processes and actions were found to have a positive and significant influence on learning and growth and that strategic planning explain 24.1 % of learning and growth in ICT SMEs business performance. In addition, the study found that a unit change in the strategic planning processes and actions could lead to positive changes of 0.137 in learning and business growth of SMEs ICT sector.

It is thus inferred that strategic planning practices has a role and influence positively learning and growth and overall performance of SMEs ICTs. Strategic planning can be considered as a strategic resource, a learning tool, and a system that can foster interrelationship between

components. This corroborates with findings from previous study by Kraus, Harms and Schwarz (2006) which concluded that strategic planning has positive and highly significant impact on the probability of belonging to the group of growing firms.

Similarly, these findings are consistent with the those of a study by Mbogo (2011) which showed that strategic management influence business practices and capabilities and that technical skills in financial, marketing, human resource and managerial accounting influence decision making, and consequently SMEs success and developments.

5.2.3.2 Objective 2: To determine whether strategic planning influences internal business processes of ICT SMEs performance in Kenya.

The study sought to find out if strategic planning combined processes and actions, influences the internal business processes in the businesses owned by Kenyan SMEs in the Information, Communication and Technology (ICT) sector. The findings of this study suggested that strategic planning processes and actions have a moderate influence on the internal business processes of a business owned by ICT SMEs. Thus strategic planning practices result in the use of information technology systems to generate information for decision making, use of budgets and targets for monitoring performance, application of policies and procedures to guide decisions, and improvement in delivery and billing systems. Improvement in the internal business processes is likely to result in better service to customers, customer satisfaction and increased sales.

Strategic planning had positive and significant influence on the internal business processes of a firm. This is because 17.2% of the improvements in the internal business processes are the result of effectiveness in the strategic planning processes and actions. In addition, the study found that

a unit change in the strategic planning processes and actions could lead to positive changes of 0.119 in the internal business processes performance of SMEs. It is thus inferred that increased use of strategic planning practices and tools facilitates improvement in organisational internal business processes such as increased use of information and technology, budgetary systems, policies, and procedures.

Additionally, improved internal business processes are likely to improve customer satisfaction and overall firm performance. This is consistent with findings from previous studies by Niemal *et al.*(2009) and Casson (2003) which concluded that improvement in organisational internal processes is a result of effective strategic planning practices.

5.2.3.3 To establish whether strategic planning influences competitive advantage of ICT SMEs performance in Kenya.

One of the objectives of this study was to determine if strategic planning influence the competitive advantage of businesses owned Kenyan ICT SMEs. The findings of this study suggested that strategic planning processes and actions influence the internal business processes of businesses owned by ICT SMEs. This was demonstrated by the level of customer satisfaction with the enterprises products and services , customer satisfaction with the billing and delivery systems of , growth in customer base , moderate competition level due to differentiation, and ability to retain skilled employees.

Enterprises that develop effective strategic planning processes and actions build internally developed core competencies that are likely to contribute to increase in firm competitive advantage. A firm's competitive advantage is demonstrated by distinctive capabilities such as skilled employees, efficient billing and delivery systems that remain uniquely differentiated from other competitors.

Further, strategic planning was found to have positive and significant influence on competitive advantage and explain 17% of increase in competitive advantage performance of businesses owned by SMEs in the ICT sector. In addition, the study found that a unit change in the strategic planning processes and actions could lead to positive changes of 0.109 in the competitive advantage. It can thus be construed that an organisation that achieves a higher competitive advantage has potential to increase its performance. Strategic planning, therefore, has a significant and positive effect on organisational performance.

These results are consistent with those of previous studies (Prahalad and Hamel, 1990; Hausknecht, Rodda & Howard, 2008) which concluded that competitive advantage arises from an organisation's internally developed core competencies and distinctive capabilities such as skilled employees, efficient billing and delivery systems that remain uniquely differentiated from other competitors.

5.2.3.4 To find out whether strategic planning influences the financial profitability of ICTSMEs performance in Kenya.

This study set to find out if strategic planning influence the financial profitability of businesses owned Kenyan ICT SMEs. The findings of this study suggested that strategic planning processes and actions had an overall moderate influence on the financial profitability performance of businesses owned by ICT SMEs in Kenya. This was demonstrated by the respondent's perception of increase in profitability measures including sales growth, increase in profitability, asset growth, adequacy of cash to meet business operations, and sufficiency of assets and capital.

Increase in financial profitability of SMEs is likely to be an indication of right positioning and understanding of competitive environment achieved through the application of strategic planning processes and actions. Firms with these characteristics are likely to enjoy a favorable return on investment (ROI) which is an indication of efficient use of assets and firm performance.

From the findings of this study, strategic planning was found to have a low but positive influence on the financial profitability of businesses owned by ICT SMEs and explain 1% of performance in financial profitability.

A unit change in strategic planning processes and actions could lead to 0.041 changes in financial profitability performance of businesses owned by Kenyan ICT SMEs. This change is however, lower as compared to the influence of strategic planning on the other variables of learning and growth, internal business processes, and competitive advantage.

These findings support previous empirical findings, which assert that the effect of strategic planning on financial profitability may be transitive and may not be direct (Castrogiovanni, 1996 and Ramanujam & Venkatraman, 1987). Additionally, the results build on the theoretical literature which asserts that financial profitability is a lagging performance indicator and thus strategic planning influence on financial profitability could be indirect.

5.2.3.5 To investigate whether environmental factors moderate the relationship between strategic planning and performance of ICT SMEs in Kenya.

This study set to investigate whether environmental factors moderate the strategic planning performance outcomes namely; learning and growth, internal business processes, competitive advantage and financial profitability. In terms of the intensity of changes in the external business

environment and the effect of such environmental changes on organisational performance, the findings suggested that the environmental changes in terms of political stability, economic factors, technological innovations, customer tastes and preferences, competition, and availability of supplies were rapid and that these changes influence the strategic planning processes and actions and that this affects the business performance of ICT SMEs.

This was demonstrated environmental factors such as the political instability and technological innovations which were found to have the greatest influence on the relationship between strategic planning processes and actions and performance. Changes in customer's tastes and preferences and economic factors were found to have moderate influence on strategic planning and performance outcomes, while availability of supplies and competition were found to have less influence on the relationship between strategic planning and performance.

The moderating influence of environmental factors on each of the strategic planning performance outcomes are summarised in the sections below:

- i) ***To investigate whether Environmental Factors Moderate the Relationship between Strategic Planning and Learning and Growth of ICT SMEs.***

The findings of this study revealed that environmental factors have low moderating influence on the relationship between strategic planning and learning and growth. Environmental factors taken collectively with strategic planning were found to have a low moderating effect and could explain 24.5% of the performance in learning and growth. However, this influence was not significantly different from 24.1% observed when no moderating effect was applied.

The findings revealed that a unit change in the environmental factor could lead to 0.066 positive changes in learning and growth of businesses owned by ICT SMEs. From the findings, it can be construed that environmental factors are important and SMEs should take them into account in the strategic planning processes. In particular, the competition and the technological environment are perceived to be dynamic, changing very rapidly.

These results also demonstrate the importance of continuous environmental scanning for search of information that could enhance strategic planning processes and actions of SMEs. This is considered critical for SMEs' survival and growth.

This corroborate with a study by Olawale and Garwe (2010) which recommended that to rightly position themselves in the competitive business environment, SMEs require to adopt strategic planning practices. Based on the study findings and empirical literature, environmental factors are dynamic and have the potential to influence firm performance and are construed to have indirect influence on organisational learning.

ii) To Investigate whether Environmental Factors Moderate the Relationship between Strategic Planning and Internal Business Processes of ICT SMEs.

The study found that environmental factors positively moderated the relationship between strategic planning and internal business process. However, this influence was noted as weak as environmental factors when taken collectively with strategic planning could explain 17.4% of performance in the internal business processes. This influence was not significantly different from 17.2% observed when no moderating effect was applied.

The findings revealed that a unit change in the environmental factor could lead to 0.046 positive changes in the internal business processes of businesses owned by ICT SMEs. It can be construed that environmental factors had low moderating influence on the relationship between strategic planning and the internal business processes. As suggested previously (Raduan *et al.*, 2009; Sussman *et al.*, 2006) concluded that information from the environment increasingly drives the strategic planning processes and the degree of awareness of external environmental threats and opportunities is associated with the degree of overall emphasis on the strategic planning process.

iii) To Investigate whether Environmental Factors Moderate the Relationship between Strategic Planning and Competitive Advantage of ICT SMEs.

The findings from this study revealed that environmental factors had no moderating effect on the relationship between strategic planning and competitive advantage of a business owned by ICT SME. The findings reveal that environmental characteristics when taken collectively with strategic planning explain 17% of performance in competitive advantage of businesses owned by ICT SMEs. However, this was not different from 17.0% observed when no moderating effect was applied. The findings also revealed that a unit change in the environmental factor had - 0.09 negative changes in the competitive advantage of businesses owned by ICT SMEs.

This suggests that environmental factors are likely to have more direct influence on strategic planning components. The findings were similar to those of previous empirical studies which found that an overemphasis on the environmental issues could lead to reduction in performance. Environmental factors are likely to have more direct influence on strategic planning processes and actions.

Additionally, this corroborates findings of previous study by Mugler (2002) which concluded that environmental factors play a decisive role in the strategic development of an organisation. Likewise, Schwenk & Shrader, (1993); Raduan *et al.*, (2009) and Metcalfe *et al.*,(2003) have concluded that strategic planning increases strategy-environment fit and, hence, becomes a source of firm competitive advantage.

iv) To Investigate whether Environmental Factors Moderate the Relationship between Strategic Planning and Financial Profitability of ICT SMEs.

The study found that environmental factors positively moderated the relationship between strategic planning and financial profitability of businesses owned by ICT SMEs. The moderating effect of environmental factors when taken collectively with strategic planning explains 0.096% of performance in the financial profitability. This however, was not significantly different from .095% observed when environmental factors were not applied. The findings revealed that a unit change in the environmental factor could lead to 0.022 positive changes in the financial profitability performance of businesses owned by ICT SMEs. It can be inferred that environmental factors have low moderating influence on the relationship between strategic planning and financial profitability of SME ICT.

The findings are consistent to those of previous empirical studies which found that an overemphasis on the environmental issues could lead to reduction in performance and that environmental factors are likely to have more direct influence on strategic planning processes and actions (Sussman *et al.*, 2006; Hitt *et al.*, 2007; McLarney, 2001).

5.2.3.6 Objective 6: To Investigate whether organisational characteristics moderate the relationship between strategic planning and performance of ICT SMEs in Kenya.

The current study sought to investigate whether organisational characteristics moderated the strategic planning outcomes. The research question was answered by analysing the influence of the organisational characteristics on each of the strategic planning outcomes, namely; learning and growth, internal business processes, competitive advantage and financial profitability. Five key indicators of organisational characteristics were examined and these comprised the age of the firm, number of business locations, number of employees, and firm category in terms of annual sales and total assets. Firstly, the results showed that majority of ICT SMEs were aged 5 years and above . These results are an indication that firm size, age and type of industry that small and medium enterprises operate in are major determinants of formal strategic planning and firm performance. This is consistent with findings of a study by Hakimpoor *et al.*, (2011). Secondly, the findings revealed that close to fifty percent of ICT SMEs displayed growth characteristics since they operate in more than one business location. Thirdly, majority of the firms had between 1-10 employees, making the sector less labour intensive. This indicates that the type of industry and firm size in terms of the number of employees is a measure of business growth and major determinant of formal strategic planning.

While majority of the firms displayed characteristics of small and medium-sized firms respectively, based on the annual turnover and total assets or investments, about 26% and 23% of ICT SMEs displayed large firm characteristics based on annual sales turnover and total investments. In terms of the categorisation based on the number of employees, these firms are categorised as small and medium in size.

Effective application of strategic planning processes and actions are likely to result in growth of firms. In ICT SME sector, the size of firm employees may not necessarily be a good indicator of growth. The moderating influence of organisational characteristics on each of the strategic planning performance outcomes are summarised in the sections below:

i) To Investigate whether Organisational Characteristics Moderate the Relationship between Strategic Planning and Learning and Growth of ICT SMEs.

The study found that organisational characteristics positively moderated the relationship between strategic planning and learning and growth. The findings revealed that organisational characteristics taken collectively with strategic planning could explain 24.8% performance in learning and growth of ICT SMEs. However, this was not significantly different from 24.1% observed when no moderating effect was applied. The findings also revealed that a unit change in the organisational characteristics could lead to 0.029 positive changes in learning and growth businesses owned by ICT SMEs.

The study findings imply that effective strategic planning practices, in terms of its processes, implementation and control as well as stronger organisational characteristics, contribute to learning and growth, which also influences overall firm performance. The model, as predicted,

holds and is consistent with conceptual literature from which dimensions were distilled and confirms a positive linear relationship between strategic planning practices and learning and growth with organisational characteristics as a moderating variable.

These findings are consistent with previous findings as Kraus *et al.*, (2008) found that strategic planning is a function of increasing company size and that there is a correlation between a company's workforce size and use of strategic planning activities. Similarly, Kargar and Parnell (1996) concluded that organisational characteristics, in terms of such factors as size and age, affect a firm's performance.

ii) To Investigate whether Organisational Characteristics Moderate the Relationship between Strategic Planning and Internal Business Processes of ICT SMEs.

The study found that organisational characteristics positively moderated the relationship between strategic planning and internal business processes. It was found that organisational characteristics taken collectively with strategic planning components explain 18.6% performance in the internal business processes. This was significantly different from 17.2% observed when no moderating effect was applied. The findings revealed that a unit change in the organisational characteristics could lead to 0.043 positive changes in the internal business processes of businesses owned by ICT SMEs.

These findings suggest that organisational characteristics have a moderating influence on the relationship between strategic planning and internal business processes. This means that improvement of organisational characteristics' variables is important in strategic planning performance outcomes.

This corroborates with previous research findings which found that organisational characteristics such as size and age positively moderate the strategic planning and performance relationship (Hakimpoor *et al.*, 2011). Likewise, a study by Kraus *et al.*, (2008) also concluded that planning activities intensify with firm age or a company's development stage.

iii) To Investigate whether Organisational Characteristics Moderate the Relationship between Strategic Planning and Competitive Advantage of ICT SMEs.

The study found that organisational characteristics positively moderated the relationship between strategic planning and competitive advantage of a firm. However, this influence was noted as weak as organisational characteristics taken collectively with strategic planning could explain 17.1% of performance in competitive advantage. This was not significantly different from 17% when the moderating effects of organisational characteristics were not applied. The findings revealed that a unit change in the organisational characteristics could lead to 0.014 positive changes in competitive advantage of businesses owned by ICT SMEs.

This implies that strategic planning influences the firm's competitive advantage and organisational characteristics have a significant and moderating effect on the relationship between strategic planning and competitive advantage. The model, as predicted, holds and is

consistent with conceptual literature from which dimensions were distilled and confirms a positive linear relationship between strategic planning practices and competitive advantage of the firm. This is consistent with previous study which concluded that strategic planning is a resource and explain the high performance in SMEs (Wernerfelt, 1984).

iv) To Investigate whether Organisational Characteristics Moderate the Relationship between Strategic Planning and Financial Profitability of ICT SMEs.

The study found that organisational characteristics positively moderated the relationship between strategic planning and financial profitability of a firm. Organisational characteristics taken collectively with strategic planning components were found to explain 17.6% of performance in firm competitive advantage. This was significantly different from 9.5% observed when no moderating effect of organisational characteristics was applied. The findings revealed that a unit change in the organisational characteristics could lead to 0.079 positive changes in the financial profitability of business processes of businesses owned by ICT SMEs.

From these findings, it can be inferred the effectiveness of strategic planning practices moderated by the strength of the organisational characteristics increases the probability of achieving a high financial profitability, in terms of increase in sales, profits, liquidity and assets. Our findings correspond with the findings of previous studies (Sorooshian *et al.*,2010; Andersen, 2000; Greve, 2008) which concluded that organisational characteristics such as firm age and size moderate positively the effect of strategic issues on the financial performance and support the multidimensional approach in the treatment of planning effectiveness (Kargar and Parnell, 1996).

.5.2.3.6. To Investigate whether Strategic Planning Influence the Overall Performance of ICT SMEs in Kenya.

The study further explored the extent to which the strategic planning influence the combined performance measures of businesses owned by Kenyan ICT SMEs. The study revealed that strategic planning combined processes and actions had a positive and significant influence on the overall performance of ICT SMES and could explain 24.4 % of the overall firm performance. A unit change in the strategic planning processes and actions could result in 0.441-positive changes in overall firm performance. It can be inferred that strategic planning processes and actions has positive influence on organisational performance outcomes of learning and growth, internal business processes, competitive advantage and financial profitability.

These finding are consistent with previous studies which found that strategic planning practices positively and significantly influence the performance of the SMEs through the improvement of key performance indicators, namely learning and growth, internal business processes, competitive advantage and financial profitability (Andersen, 2000; Hakimpoor *et al.* 2011; Mugler, 2002; Kraus *et al.*, 2006). The theoretical literature was equally supported and systems theory which advocates for the interrelationships between the variables and linkages on key factors in assessing organisational performance. The resource based view (RBV) was justified when organisations view effective strategic planning practices as a resource and a learning tool that increase competencies and long run competitive advantage, sustainability and superior performance.

5.2.3.7: To Investigate whether the Combined Effect of Environmental factors and Organisational Characteristics Moderate the relationship between Strategic Planning and Performance of ICT SMEs in Kenya.

This study explored the extent to which the combined effect of environmental factors and organisational characteristics moderated the strategic planning outcomes. The findings revealed that environmental factors and organisational characteristics taken collectively with strategic planning explain 26.1% of the overall firm performance. This was significantly different from 24.4 % when these moderating variables were not applied.

It can thus be inferred that organisational performance increases when environmental factors and organisational characteristics moderate the relationship between strategic planning and the performance outcomes of learning and growth, internal business processes, competitive advantage and financial profitability.

This corroborates with similar studies by (Kargar & Parnell, 1999; Greve, 2008; Mugler, 2002) which concluded that performance of an enterprise depends more on how variables are interrelated than on the effect of isolated success factors and thus support a multidimensional treatment of the effectiveness of strategic planning.

5.3 Conclusion

The research interest in strategic planning in Kenya and its relevance to development of SMEs and sustainable development led us to explore the role of strategic planning processes and actions on the performance of businesses owned by ICT SMEs. The main question of this

empirical study is whether strategic planning significantly and positively influences the performance of SMEs in Kenya. The empirical results summarised above allowed for a positive answer to the question and provide some support for the positive influence of the strategic planning processes and actions on firm performance. Firstly, it was found that strategic planning could explain 24.4% of the overall firm performance of businesses owned by ICT SMES. This influence increases to 26.1% when the strategic planning was moderated by environmental factors and organisational characteristics. The conclusion that strategic planning does influence the performance of ICT SMEs was consistent with the descriptive statistics which showed that 82% of the respondents who stated that their firms had written strategic plans.

This section highlights the main conclusions on the role of strategic planning processes and actions on the multi-dimensional performance measures namely; learning and growth, internal business processes, competitive advantage and financial profitability. It also concludes on the moderating influence of environmental factors and organisational characteristics on the strategic planning performance outcomes.

Strategic Planning and Learning and Growth Performance

The study sought to determine whether strategic planning processes and actions influence performance in learning and growth of ICT SMEs. The study concludes that effective strategic processes and actions influence learning and growth of businesses owned by ICT SMEs and that strategic planning explains 24.1% improvement in organisational learning and growth. This was demonstrated by the level of educational and technical competencies of employees, the level of technology use and importance and use of market information.

Entrepreneurs of small and medium businesses should consider investing in strategic planning processes which entail, internal analysis of organisational resources, firm capabilities, and the analysis of its external environmental factors such as knowing customer needs and competitor moves. These assessments are likely to result in the identification of gaps such as the need for more educated and skilled workforce, need for intelligent market information, and increased use of information technology. The effects are likely to lead to a more productive workforce capable of producing more efficiently a higher standard of goods and service.

Investment in strategic planning processes and actions is not an option for SMEs as it is considered a critical resource and a learning tool for enhancing organisational learning and growth in the current competitive environment. The underlying reasons should be the need to have a fit between the organisation's strategy and its business environment. These conclusions are consistent with prior research conducted by Olum (2004) and the underlying assumptions of resource-based theory, systems theory, and chaos theory and balanced score card as acknowledged by Kaplan and Norton (1996).

Strategic Planning and Improvement in Internal Business Processes

The study sought to find out if strategic planning processes and actions influence performance of internal business processes of businesses owned Kenyan ICT SMEs. This study concludes that more increase in strategic planning tends to lead to improvement in the internal business processes as 17.2% improvement in the internal business processes is the result of strategic planning processes and actions.

These outcomes are demonstrated by the increased use of information technology and communication in generating information for decision making, use of budgets for monitoring performance, availability of policies and procedures, adequacy of billing and product delivery systems. Use of effective strategic planning practices are therefore, more likely to improve production efficiency of businesses owned by SMEs.

Strategic Planning and Competitive Advantage Performance

This study set to find out if strategic planning processes and actions influence the competitive advantage performance of businesses owned by ICT SMEs in Kenya. From the findings summarised above, this study concludes that effective strategic planning practices contributes to increase in firm competitive advantage and that strategic planning explain 17% of the improvement in firm competitive advantage.

This can be explained by the strength of the internally developed core competencies and distinctive capabilities such as effective strategic planning processes and actions and skilled employees.

Businesses owned by SMEs that invest in effective strategic planning processes and actions are more likely to improve the competitive advantage of their firms and remain unique and differentiated even in the current competitive business environment.

Strategic Planning and Financial Profitability Performance

One of the specific objectives of this study was to find out if strategic planning processes and actions influence the financial profitability performance of businesses owned by ICT SMEs in

Kenya. From the findings summarised above, this study concludes that strategic planning tends to have low influence on the financial profitability of a firm as 1% improvement in financial profitability is the result of strategic planning practices.

This means that strategic planning processes and actions may not necessarily translate directly to financial outcomes. These findings are consistent with prior studies (Hisrich & Peters, 1989; Castrogiovanni, 1996) and also confirms theoretical assumptions by Kaplan and Norton (1996) in their balanced score card (BSC), which identify financial outcomes as a lagging indicator of strategy influence.

Environmental factors Moderating Strategic Planning Performance Outcomes

The study sought to investigate the extent to which environmental factors moderate the strategic planning performance outcomes. These performance outcomes entailed learning and growth, internal business processes, competitive advantage and financial profitability.

The findings as summarised above were not in accordance with the expectations set in the objective and therefore, this study concludes that environmental factors have insignificant moderating effect on the strategic planning and performance outcomes of businesses owned by ICT SMEs. The underlying reason can be the presence of multicollinearity between strategic planning and environmental factors which suggested a strong correlation of 0.926 between the two variables.

This confirms previous empirical study which concluded that environmental factors are likely to have more direct influence on strategic planning components and that the degree of awareness of external environmental threats and opportunities is associated with the degree of overall

emphasis on strategic planning processes (Sussman *et al.*,2006). Undertaking environmental scanning during the strategic planning process is encouraged as this is likely to match the internal capabilities with the external environmental changes.

Organisational Characteristics Moderating Strategic Planning Performance Outcomes

The study sought to investigate the extent to which organisational characteristics moderate the strategic planning performance outcomes. These performance outcomes entailed learning and growth, internal business processes, competitive advantage and financial profitability. The study concludes that Organisational characteristics had a moderating influence on the relationship between strategic planning and performance. Strategic planning could be considered as a function of increasing company size and that planning activities intensify with firm age and firm development. These conclusions are similar to those of prior studies by (Kargar & Parnell, 1996; Kraus *et al.*,2008).

In addition, this study concludes that categorisation of SMEs in the ICT sector based on the size of employees may not be the most desirable, reliable and conclusive measure of growth in the sector. The underlying reason is that most of the ICT SMEs fall under the category of small enterprises in terms of the size of full time employees, while their annual turnovers are above that of the same category. A similar observation is made of those that are classified as medium enterprises.

This study has demonstrated the significant role of strategic planning practices in influencing learning and growth in an organisation and sketched the connections between strategic planning and how a firm's internal business processes improve, and how these influence the firm's

competitive advantage. It was observed that financial profitability may not be directly influenced by strategic planning practices. This was consistent with the balanced score card model and demonstrates the lagging indicator role of financial profitability unlike leading indicators established in learning and growth, internal business processes and competitive advantage.

We consider this study as an initial step in verifying the conceptual framework. The proposed model contributes to a better understanding of the role of strategic planning in organisational performance and the extent of its influence on small and medium enterprises. This might be taken to show that one of the prime effects of strategic planning is the ability to facilitate learning and growth, improvement in the internal business processes as well as increased focus on the customer and firm competitive advantage, and the resultant likelihood of improved financial performance.

5.4 Recommendations

The study justifies that strategic planning is a key driver of performance in small and medium enterprises and cannot, therefore, be ignored by business owners and managers. Effective strategic planning practices result in improved learning, business processes and enhanced competitiveness. The owners and managers of SMEs should be aware of the critical role strategic planning practices play and the potential positive influence they may have on firm performance. It is also important for the entrepreneurs to appreciate the leading measures of performance that have potential when improved, to generate competitive advantage and higher financial performance.

Specifically, this study revealed that strategic planning has a significant role in improving learning and growth. There are several recommendations; firstly, it is for business owners of SMEs to develop and strengthen strategic planning activities that entail having written strategic plans in place with clear missions and visions, a strategic planning process that involves other employees, assessment of the internal and external environmental factors, and adequate implementation and control activities. The integration of these activities is likely to generate learning in the firm and improvement in firm internal capabilities. These capabilities arise from competent and skilled employees, improved systems such as use of information technology and generation of intelligent market information.

Secondly, as indicated in the summary above, an organisational internal business process can improve as a result of effective strategic planning processes. Thus, business owners cannot afford to ignore strategic planning practices. Improvement in the firm billing and delivery system of products and services, for example, has the potential to enhance customer satisfaction and loyalty and likely increase in sales.

Thirdly, a firm can increase its competitive advantage by ensuring effective strategic planning processes and actions. The likely results are unique firm characteristics that generate advantage over competitors. Business owners and managers of SMEs would place their firms in a unique position and more likely to generate higher performance and remain sustainable when they practice effective strategic planning.

Fourthly, although environmental factors and firm characteristics were found to have low moderating influence on strategic planning and performance outcomes, these factors were

considered as critical and useful in generating information that helps shape the strategies to better adapt to the changes emanating from the environment. Most SMEs, however, seem not to have the capability to monitor and evaluate changes emanating from the environmental, which is increasingly becoming regional and globalised.

It is important for policy makers and institutions that govern and guide the operations of SMEs, for example, the ICT Board, to provide a mechanism of continuous scanning of the ICT environment for business information useful for SMEs in order to place them in a competitive position and contribute to the realisation of Vision 2030 strategic objectives.

In terms of the classification of SMEs, it is apparent that a different classification of SMEs in the ICT sector should be considered. This is based on the conclusion above that classification of ICT SMEs in terms of the number of full-time employees may not be a reliable measure of their size in terms of growth. The attention of policy makers is drawn to this and re-classification of SMEs in the ICT SME sector and probably other sectors should be considered.

The government acknowledges that the SME sector is the engine for growth and, in particular, the ICT sector is seen as a driver of innovations and growth. Policy makers and academicians should, therefore, take interest and pay attention to strategic planning aspects that enhance the performance, growth and sustainability of SMEs. Endowing SMEs with monetary resources like grants and loans may not be the panacea for sorting the problems of SMEs. It is recommended that governments and institutions that support the growth of the SME sector consider investing in effective strategic planning processes and actions in businesses owned by SMEs.

Effective strategic planning processes and actions have been found to generate long term solutions in terms of indirect performance on measures such as learning and growth, improvement in the internal business processes, and enhanced competitive advantage. Increased performance in these areas is more likely to result in improved financial performance and sustainability. This means it is important for policy makers and the relevant institutions to strengthen the strategic planning skills and capacity of SMEs, and facilitate environmental information gaps that SMEs.

The Government of Kenya should continue with its educational policies and increase the educational levels of Kenyans since businesses owned by SMEs are likely to be more productive when they engage more educated and skilled employees. Likewise, it is recommended that more women are encouraged to take interest in Information and Communication sector and acquire these skills. The study found that the ICT SME sector is likely to be unsaturated. There is potential therefore, for expansion and enormous opportunities for Kenyans including women entrepreneurs.

Academicians may need to develop practical training programmes based on empirical findings, for instance, on the strategic planning practices of SMEs and also develop strategic management models that link strategic planning practices with multidimensionality of performance. The students and other researchers may use the findings of this study as reference for exploring further opportunities of research.

5.4.1 Contribution to Knowledge

This study contributes towards creation of knowledge, its dissemination, and the on-going discussion on the topic of strategic planning by providing empirical evidence on its role in performance of SMEs. Specifically, the study has made several contributions. The first contribution of the current research is the development of a conceptual framework that integrates key strategic planning practices and characteristics and its role on the multidimensional measures of performance of SMEs, and takes into account the moderating effects of environmental factors and organisational characteristics.

This conceptual framework is an attempt to build on the Kaplan and Norton (1996) balanced score card (BSC) model that links strategy to the performance measurements of learning and growth, internal business processes, customer perspective and financial perspective. On the other hand, it builds on the resource-based view (RBV) and the 3Cs strategic triangle model as it examines and identifies the role of firm strategic resources and how the model integrates the customer and the competitor in its strategic approaches for survival and growth.

This conceptual framework tells us that effective strategic planning practices are supposed to improve directly, learning and growth, internal business processes, enhance competitive advantage and that financial profitability is an indirect consequence of effective strategic planning on SME performance.

In addition, environmental factors and firm characteristics are key moderating variables that can be considered to improve strategic planning and performance outcomes. This study considered strategic planning's key characteristics to entail (a) formality, (b) strategic planning processes,

(c) strategy adoption, and (d) implementation and control. These four dimensions of strategic planning, taken comprehensively, are expected to have positive effect on the performance of SMEs. This is consistent with prior studies (Kudla, 1980; Kraus *et al.*, 2006; Phillips & Peterson, 1999), which considered formalisation, time span, and frequency of control, strategic planning processes and implementation as key variables of strategic planning.

The second contribution is using both non-financial and financial measures to gauge performance. Non-financial measures are claimed to be important indicators to reflect overall performance and long term sustainability of organisations (Otley and Pollanen, 2000; Qi, 2010). However, they are highly ignored by previous studies that have examined strategic planning impact on SME performance (Aldehayyat & Twaissi, 2011; Rue & Ibrahim, 1998; Sorooshian *et al.*, 2010). To solve this deficiency, non-financial performance measures used in this study entailed learning and growth, internal business processes and competitive advantage of the organisation.

The third contribution is that the integrated model of this study examined the effect of various success factors of strategic planning processes and actions on multidimensional performance measures. These support prior empirical studies (Kargar & Parnell, 1996; Mugler, 2002; Greve, 2008), which concluded that performance of an enterprise depends more on how variables are interrelated than on the effect of isolated success factors.

This, likewise, supports the systems theory assumptions, which asserts that all the components of a system are interrelated and that changing one might affect many others.

5.4.2 Implication of the Study on Policy, Theory and Practice

Firstly, this study not only contributes more empirical data to existing research on the role of strategic planning and performance of SMEs, but also more importantly gives remarkable guidance in terms of strategic planning activities to the owners and managers of SMEs. It is suggested by the research findings that SMEs that plan to improve their financial performance should give more priority to developing formal strategic plans with clear visions and mission statements.

Secondly, based on the strategy making modes, managers can learn to involve employees in the strategic planning process, analyse internal and external environments with the aim of identifying and strengthening key capabilities and investing in information technology to facilitate generation of information for decision making. Thirdly, development of long- and short-term budgets and targets facilitates implementation and control, and acts as a performance management tool. Fourthly, investment in high skilled employees with high levels of education improves firm productivity and long-term performance and sustainability.

Fifthly, the result on firm characteristics adds to the on-going debate on the classification of SMEs. This has implications on policy aspects as appropriate classification of SMEs may require different policy prescriptions.

As illustrated above, the study achieved the set objectives by providing answers to the set objectives and assessing the hypotheses. In so doing, it has addressed the concerns of scholars, policy makers and practicing managers, and helped close some of the apparent information gaps and, hence, made its contribution to the field of strategic management.

5.6 Areas for Future Research

The analysis of the influence of strategic planning on the multidimensional performance measures opens up new and exciting opportunities for research. Researchers can undertake empirical investigation of the links between strategic planning practices and performance measures among SMEs in other business sectors. We would expect some pattern to emerge and this could generate rich empirical findings that are useful to the stakeholders in the specific business sectors.

Future research may also adopt a more dynamic and in-depth approach and examine the strategic planning influence on specific performance measures, for example, the role of strategic planning on learning and growth. Likewise, it seems fundamental to understand how a competitive environment shapes the strategic approaches of SMEs. Additionally, empirical work can examine the role of firm characteristics in the shaping of strategic approaches of SMEs.

There is scope for further refining the instruments, criteria and operationalization in assessing the scope of strategic planning in SMEs on large scale, providing comparatives between sectors, geographical areas or businesses in various stages of development.

Further, it would be interesting to undertake the same research using a longitudinal approach, among the sample SMEs after a span of three or five years. It is envisaged that this kind of research is likely to generate useful discussions on the role of strategic planning in the performance, growth and survivability of SMEs.

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APPENDICES

Appendix 1: Questionnaire

QUESTIONNAIRE

STRATEGIC PLANNING AND PERFORMANCE OF ICT SME'S IN KENYA	
<p>I am a doctoral student of the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and as part of my degree requirements; I am conducting research titled “The Role of Strategic Planning on the performance of ICT SME’S In Kenya”.</p> <p>I have identified your firm as one of the potential respondents. I assure you that the information collected will be used purely for this academic research and I guarantee utmost confidentiality of your firm and the responses thereto. I intend to disseminate and share the result of this study with your firm as soon as they are ready.</p> <p>Please provide the following information about your organisation. Answer each question as completely and as clearly as possible and tick only one answer from the choices given or writing your response as appropriate in the spaces provided.</p>	
QUESTION	ANSWER
1. Company and respondent details	
i. Company name(Optional)	
ii. Position/ Title of respondent	
iii. Respondent’s length of service in firm	Years _____
iv. Years of experience in the industry	Years_____
v. What is your highest level of formal education? Please tick where appropriate 1) Certificate <input type="checkbox"/> 2) Diploma <input type="checkbox"/> 3) University(First degree) <input type="checkbox"/> 4) Post graduate 5) <input type="checkbox"/> Other (Specify) <input type="checkbox"/>	
vi. How old are you? 1) 20-25 years <input type="checkbox"/> 2) 26-30 <input type="checkbox"/> 3)30-40 <input type="checkbox"/> 4)41-50 <input type="checkbox"/> 5) 51 and above <input type="checkbox"/>	
vii. Gender 1. Female <input type="checkbox"/> 2. Male <input type="checkbox"/>	
viii. Total number of full time employees in the company 1) 1-10 employees <input type="checkbox"/> 2) 11-50 employees <input type="checkbox"/> 3) 51-100 employees <input type="checkbox"/> 4) More than 100 employees <input type="checkbox"/>	
2. In which year was the firm established?	-----
3. In which business sector is the firm?	1) Networking 2) Hardware, sales and maintenance service 3) Software development 4) others specify----- -----
4. Has the firm ever participated in top SME’s in Kenya awards?	If so when(Year)-----
A. Strategic Planning- <i>is an organisation process of defining its strategy or direction and making decisions on allocating its resources to pursue this strategy.</i>	
a) Consider the following statements and questions regarding the effectiveness of strategic planning of your Firm	

i. Do you have a written strategic plan?	1. Yes <input type="checkbox"/> 2. No <input type="checkbox"/>
ii. Is a written strategic plan necessary in a company	1. Yes <input type="checkbox"/> 2. No <input type="checkbox"/>
iii. If answer is No. please specify other ways of planning	
iv. How long has your organisation done strategic planning?	Years -----
v. What time horizons do your plans normally cover?	Years -----

Answer the following questions by indicating your degree of agreement or disagreement with the given statements in reference to the stated indicators that support the strategic planning characteristics adopted by your organisation					
A1: Strategic Planning Process:					
	Strongly disagree	disagree	undecided	agree	Strongly agree
a) Our mission and vision statement are clear and is displayed in posters or other forms and all employees know why we are in business and where we want to go.					
b) <i>The following are the different methods of preparing a strategic-plan. Identify the one that best describes your organisation way of preparing a strategic plan</i>					
	Strongly disagree	disagree	undecided	agree	Strongly agree
i. Our firm employs command strategy-making processes in which strong individual leader or a few top managers exercise total control over firm(command)					
ii. In our firm employees are encouraged to be innovative, experiment and take risks? (Intrapreneurial)					

iii. Our firm adopts the rational strategy-making in which comprehensive analysis of environment is undertaken, possible alternatives are made and selection of appropriate strategy made (rational mode)					
iv. Our firm adapts to information from key sources such as customers, suppliers influence our strategy mode(Adaptive mode)					
v. In our firm cooperation, teamwork and values drive the strategy making process (Participative mode)					
c) Consider the following statements regarding internal assessment of resources and capabilities of the firm					
	Strongly disagree	disagree	undecided	agree	Strongly agree
i. You analyze your systems and operations processes to identify where you can avoid costs by eliminating non-value adding activities					
ii. Your firm analyzes who its customers are and knows what customers want?					
iii. Your Firm has the ability to anticipate surprises, threats and crises					
iv. We consider competitors as important market players and sources of information and opportunities for cooperation are explored.					
v. The management encourage continuous search for information to improve products and services					
vi. Other important aspects of strategic planning processes adopted by your firm					
d) Which of the following resource are necessary in preparing an effective strategic plan.					

vii. Skills and know how					
viii. Finances					
ix. Time					
x. Market information					
xi. Leadership					
A2: Strategy Formulation: <i>A strategy is the way a firm endeavours to differentiate itself relative to its strengths and weaknesses to better satisfy its customers</i>					
i. Firms compete by using cost leadership strategy (focusing on low cost of production/services) and /or differentiation (emphasizing on offering unique services/products). Which does your firm use?	Cost leadership <input type="checkbox"/>	<input type="checkbox"/>	Differentiate on <input type="checkbox"/>	Cost Leadership and differentiation	
ii. Your firm sets goals, long term and short term objectives					
A3: Strategy Implementation and Control					
	Strongly disagree	disagree	undecided	agree	Strongly agree
i. Our firm develop periodic implementation plans to achieve the goals and objectives set.					
ii. Our firm prepares short-term plans and targets and allocates enough resources to implement the strategy					
iii. Decision-making is mainly done by top management and managers must consult in most cases					
iv. Our firm is able to achieve most of the annual objectives and targets set.					
v. Our firm has incentives and reward systems based on meeting strict, usually qualitative targets					
vi. Resources are available for carrying out tasks effectively					
vii. Your firm has resources to attract and retain qualified employees					
viii. Other comments on key drivers of strategy implementation in your firm					

B: Environment of ICT SMEs (Moderating variable)					
How do you describe the rate of change of the following firm environment factors since 2008? Use a scale of 1-5 where 1= Very rapid; 2= Rapid; 3= Moderate; 4= Slow and stable; 5= Stable					
a) Extent of change in environmental factors	Very rapid	rapid	moderate	Slow and stable	stable
i. Competitors-intensity of rivalry					
ii. Political stability					
iii. Suppliers-availability of inputs					
iv. Technology- New innovations					
v. Economic factors- inflation, growth					
vi. Customers- tastes and preferences					
b) Which of the above environmental factors affect business performance significantly?	Strongly disagree	Disagree	Undecided	Agree	Strongly agree
i. The Intensity of rivalry from competitors with similar products /services have significant influence on our firm performance					
ii. Political instability has significant influence on our firm performance					
iii. Availability of inputs from suppliers has significant influence on our firm performance					
iv. Technological changes has significant influence on our firm performance					
v. Economic factors like inflation, exchange rates , growth has significant influence on our firm performance					
vi. Customer tastes and preferences has significant influence on our firm performance					
C: Organisational Characteristics: (Moderating Variable)					
i. How long has the business been in operation?	_____Years				

ii. Number of full-time employees including founders	At Start _____ 2008 _____ 2009 _____ 2010 _____ 2011 _____				
iii. What is the firm's ownership type?	1) <i>Public</i> <input type="checkbox"/> 2) <i>Parastatal</i> <input type="checkbox"/> 3) <i>Private</i> <input type="checkbox"/> 4) <i>Sole Proprietor</i> <input type="checkbox"/> 5) <i>Partnership</i> <input type="checkbox"/>				
iv. Number of business location(s) including branches	<input type="text"/>				
v) A firm annual sales could fall under one of the categories. Which category does your firm fall in Ksh. ?	<u>Sales</u> 1) 500,000-5 million <input type="checkbox"/> 2) 5 million-20 million <input type="checkbox"/> 2) 3) 20 million-100 million <input type="checkbox"/> 4) 100 million – 800 million <input type="checkbox"/> 5) > 800 million <input type="checkbox"/> 6) Other (Pls specify)—Ksh.-----				
vi) A firm total investments or assets could fall under one of the categories. Which category does your firm fall in Ksh. ?	<u>Assets</u> 1) 500,000-5 million <input type="checkbox"/> 2) 5 million-20 million <input type="checkbox"/> 3) 20 million-100 million <input type="checkbox"/> 4) 100 million – 800 million <input type="checkbox"/> 5) > 800 million <input type="checkbox"/> 6) Other (Pls specify) Ksh.----- ---				
D: PERFORMANCE: To what extent is each measure used for managing the business? Use the scale of 1-5 on the following statements where 5= Very large extent; 4= Large extent; 3= Moderate extent; 2= Small extent; 1= Not at all.					
D1: Learning and Growth: <i>To achieve our vision, how will we sustain our ability to change and improve?</i>					
	Very large extent	Large extent	Moderate extent	Small extent	Not at all
i. Firm employees up to date with educational competency					
ii. Firm employees are up to date with technical competency acquired through training					
iii. Our firm is up to date with information on market changes?					

iv. Level of technology use has increased significantly in our firm					
v. Strategic planning is a useful tool in improving learning in our firm					
vi. Other aspects of learning practices by your firm					
D2: Internal Business Processes Improvement: <i>To satisfy our shareholders and customers, what business processes must we excel at?</i>					
Consider the following statements with reference to the importance and availability of the following internal business processes.					
	Very large extent	Large extent	Moderate extent	Small extent	Not at all
i. Our firm uses information technology systems to process information for decision making					
ii. Budgets are used for monitoring performance and targets					
iii. Our firm has adequate policies and procedures for human resource management and other operations					
iv. Our firm has excellent delivery and billing systems?					
v. What are the critical internal business processes that must be improved to satisfy customer needs?					
D3: Competitive Advantage- <i>To achieves our vision, how should we appear to our customers?</i>					
	Very large extent	Large extent	Moderate extent	Small extent	Not at all
i. Our customers are quite satisfied with our products and services?					
ii. Our customer base has grown gradually over the years					
iii. Your firm has reputation for quality in its products and services					
iv. Our company is able to retain skilled and competent employees					

v. In which areas does your firm have advantage over other competitors?					
vi. In which areas do other competitors have advantage over your firm?					
D4 (a): Financial Performance: <i>To succeed financially, how should we appear to our shareholders?</i> Indicate your firm's financial performance with respect to the following					
	Very large extent	Large extent	Moderate extent	Small extent	Not at all
i)The firm annual sales has increased significantly over the years					
ii)The firm profits have increased significantly over the years					
iii) The amount of taxes paid to the government has been increasing significantly over the years					
iv)The firm investment in form of assets have increased significantly over the years					
v) Our firm has enough cash to meet its obligations					
vi)Our firm has sufficient assets, property and equipment					
vii) Our firm has adequate capital necessary to implement strategic plan					
D4 (b): Financial Performance: <i>To succeed financially, how should we appear to our shareholders?</i> Indicate your firm's financial performance with respect to the following					
	2007	2008	2009	2010	2011
i)Annual Sales					
ii)Profit (Kshs.)					
iii)Tax paid (Kshs)					
iv)Total assets (Kshs.)					
What Other Performance Measures are used by our firm					

Thank you for taking time to fill in this questionnaire. We assure you that the information you have provided will be treated with utmost confidentiality and strictly for the academic purpose intended.

Appendix 2: Interview Guide

This interview guide is concerned with the in-depth assessment of the role of strategic planning and Performance of ICT SMEs in Kenya.

A. Strategic Planning

a) *Strategic Planning Process*

- i. Our firm has a clear vision, values and mission 1. Yes, 2. No
- ii. Management involve other employees in the preparation of the strategic planning..1. Yes, 2. No.
- iii. Our firm identifies critical opportunities and threats in the market in its planning process
1. Yes, 2. No
- iv. Our firm identifies key resources that provide a source of strength and identifies weaknesses which must be minimised 1. Yes 2 No.
- v. Which key resource(s) are needed in preparing an effective strategic plan-----,-----
-----,-----

b) *Strategy Formulation*

- i) What strategy does your firm use to compete with others in the same industry ? 1. Cost leadership, 2. Differentiation, 3. Others (Please specify)-----

c) *Strategy implementation and Control*

- i)Your firm has sufficient resources to implement strategy. 1. Yes, 2. No
- ii) If your answered No, what key resources are lacking?-----,-----,

D.Performance

a) *Learning and Growth*

- i. What is the number of employees that attending training last year?-----
- ii. What type of training did employees undertake? -----
- iii. Where was the training undertaken?-----
- iv. Who carried out the training?-----

- v. What was the duration of the training?-----,-----,-----
- vi. What kind of training would be relevant to your firm employees and management?-----,-----
- vii. Number of courses , training or conferences attended by Top Management in last year-----
- viii. Having a strategic planning improves learning in your firm 1. To very large extent
2. Large extent 3. Moderate 4. Less extent 5. Not at all

b) Internal Business processes

- i. Have there been changes in the organisation's structure? 1. Yes 2. No
- ii. When did these changes occur? -----
- iii. What was the reason for the change?-----
- iv. What significant changes were made to internal business processes or operations in the past year? -----
- v. Why were these changes made?-----
- vi. What budgetary and cost control systems in place? -----
- vii. What systems or controls are in place to monitor performance? -----
- viii. How often is performance reviewed?-----
- ix. Having a strategic plan has resulted to improved processes in operations in meeting clients needs effectively 1. To very large extent 2. Large extent 3. Moderate 4. Less extent 5. Not at all

c) Competitive Advantage

- i. What is the market share of the organisation products/service?1).----% 2). Don't know-----
- ii. Are our customers dissatisfied with any of our products or services? 1.Yes or 2. No? If so which ones?-----,-----
- iii. To what extent does strategic planning contribute to having competitive advantage over other competitors? 1. Very large extent 2. Large extent 3. Moderate 4. Less extent 5. Not al all

d) Financial Performance

- iv. To what extent does strategic planning influence your firm financial performance? 1. Very large extent 2. Large extent 3. Moderate 4. Less extent 5. Not at all

Appendix 3: Table 4.8: Total Variance Explained

Strategic Planning Formality:Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Component Matrix
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
1	1.604	40.090	40.090	1.604	40.090	40.090	0.516
2	.943	23.573	63.663				0.523
3	.824	20.610	84.273				0.269
4	.629	15.727	100.000				0.295
Strategic Planning Process							
Component							
1	4.043	33.694	33.694	4.043	33.694	33.694	0.748
2	1.881	15.676	49.370				0.722
3	1.408	11.732	61.102				0.683
4	.790	6.581	67.683				0.658
5	.718	5.986	73.669				0.651
6	.653	5.446	79.114				0.590
7	.537	4.472	83.587				0.565
8	.489	4.076	87.662				0.503
9	.449	3.742	91.405				0.468
10	.432	3.604	95.008				0.413
11	.365	3.043	98.051				0.412
12	.234	1.949	100.000				0.400
A3: Strategy Formulation							
Component							
1	1.060	52.981	52.981	1.060	52.981	52.981	0.728
2	.940	47.019	100.000				0.728
A4: Strategy Implementation and control							
Component							
1	3.094	61.888	61.888	3.094	61.888	61.888	0.888
2	.677	13.532	75.420				0.832
3	.564	11.274	86.694				0.775
4	.424	8.476	95.170				0.713
5	.241	4.830	100.000				0.71

Strategic Planning Formality:Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Component Matrix
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
Environmental factors							
Component							
1	1.894	31.569	31.569	1.894	31.569	31.569	0.737
2	1.307	21.782	53.351				0.641
3	.807	13.447	66.798				0.616
4	.771	12.857	79.655				0.611
5	.697	11.614	91.269				0.324
6	.524	8.731	100.000				0.286
Organisational Characteristics							
Component							
1	5.180	64.755	64.755	5.180	64.755	64.755	0.957
2	.991	12.382	77.137				0.919
3	.786	9.823	86.960				0.901
4	.514	6.427	93.387				0.861
5	.294	3.672	97.059				0.784
6	.208	2.601	99.660				0.695
7	.022	.278	99.938				0.865
8	.005	.062	100.000				0.545
Learning and Growth							
Component							
1	2.524	63.098	63.098	2.524	63.098	63.098	0.829
2	.586	14.654	77.752				0.793
3	.521	13.032	90.784				0.785
4	.369	9.216	100.000				0.769
Internal Business processes							
Component							
1	2.404	60.096	60.096	2.404	60.096	60.096	0.834
2	.672	16.796	76.891				0.776
3	.529	13.217	90.108				0.771
4	.396	9.892	100.000				

Competitive Advantage

Component							
1	2.508	62.693	62.693	2.508	62.693	62.693	0.915
2	.936	23.391	86.084				0.907
3	.520	13.011	99.095				0.725
4	.036	.905	100.000				0.562

Financial Profitability

Component

1	3.701	61.683	61.683	3.701	61.683	61.683	0.875
2	.897	14.946	76.630				0.819
3	.485	8.085	84.715				0.77
4	.402	6.702	91.417				0.766
5	.323	5.380	96.797				0.761
6	.192	3.203	100.000				0.711

Appendix 4: Regressions

To test the hypothesis, the following regression models are used:

$$Y_1 = \beta_{0_1} + \beta_{11}X_1 + \beta_{21}X_2 + \epsilon$$

$$Y_2 = \beta_{0_2} + \beta_{12}X_1 + \beta_{22}X_2 + \epsilon$$

$$Y_3 = \beta_{0_3} + \beta_{13}X_1 + \beta_{23}X_2 + \epsilon$$

$$Y_4 = \beta_{0_4} + \beta_{14}X_1 + \beta_{24}X_2 + \epsilon$$

Where Y is a set of dependent variables defined as follows:

Y₁ = Learning and growth, *Y₂ = Improvement in Internal Business Processes*, *Y₃ = Competitive Advantage*

, *Y₄ = Financial Performance*

β shows the change in dependent variable for a unit change in the independent variable.

X₁ = Strategic Planning Variables (Independent variables);

X₂ = Environmental Factors (Moderating variables);

X₃ = Organisational Characteristics (Moderating variables); ϵ = *Error term*.

Test of the significance of the overall model. Where:

The value of the F critical based on the following equation where k=number of x variables, n = sample size and α is the 5% level of significance.

$$F_{calc} = \frac{R^2/k}{(1 - R^2)/(n - k - 1)}$$

$$F_{crit} = F_{(k,(n-k-1))}(\alpha)$$

Appendix 5: Interview and Introduction Letter



**JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY**
P.O. BOX 62000-00200 NAIROBI, KENYA. TELEPHONE: (020) – 221306

Nairobi CBD Campus

Department of Entrepreneurship and Procurement

Date: 15th May, 2012

Ref:JKU/6/EPD/05b/001

To Whom It May Concern

SUBJECT: RESEARCH PROJECT FOR GRACE SOPRIN AMURLE HD433-CBDN-1121/2010

This is to introduce to you Ms. Grace Soprin who is a student pursuing a PhD in Business Administration in this University. The student is currently undertaking a research thesis entitled: **The Role of Strategic Planning in the Performance of Small and Medium Enterprises of Kenya**, in partial fulfillment of the requirement for the degree programme.

The purpose of this letter is to request you to give the student the necessary support and assistance to enable him/her obtain necessary data for the project. Please note that the information given is purely for academic purpose and will be treated with strict confidence.

Thank you

Yours faithfully,

Dr. Hazel Gachunga

ASSOCIATE CHAIRPERSON ,CES



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